2018 Audited Financial Statements

Management's Report

The accompanying consolidated financial statements of Pieridae Energy Limited (the "Company") and all other information contained elsewhere in this Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies described in the accompanying notes. Where necessary, management has made informed judgements and estimates in accounting for transactions that were not complete at the balance sheet date. In the opinion of management, the financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board as appropriate in the circumstances. The financial information presented elsewhere in the Annual Report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized and recorded, assets are safeguarded from loss or unauthorized use and financial records are properly maintained to provide reliable information for preparation of financial statements.

Ernst & Young LLP, an independent firm of Chartered Professional Accountants, has been engaged, as approved by a vote of the shareholders at the Company's most recent Annual General Meeting, to audit and provide their independent audit opinions on the following:

- the Company's consolidated financial statements as at and for the year ended December 31, 2018; and
- the effectiveness of the Company's internal control over financial reporting as at December 31, 2018.

Their report is presented with the consolidated financial statements. The Board of Directors (the "Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board exercises this responsibility through the Audit Committee of the Board, which is comprised entirely of independent directors. The Audit Committee meets with management and the independent auditors to satisfy itself that management responsibilities are properly discharged and to review the consolidated financial statements before they are presented to the Board for approval. The consolidated financial statements have been approved by the Board on the recommendation of the Audit Committee.

(signed)	*(signed)*
Alfred Sorensen Chief Executive Officer	Melanie Litoski Chief Financial Officer

Calgary, Alberta, Canada

April 24, 2019

Independent Auditor's Report

To the Shareholders of Pieridae Energy Limited

Opinion

We have audited the consolidated financial statements of Pieridae Energy Limited (the Company), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of (loss) income and comprehensive (loss) income, consolidated statements of changes in equity and consolidated statements of 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Consolidated 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 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 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of $34.9 million during the year ended December 31, 2018. As of that date, the Company's current liabilities exceeded its current assets by $84.1 million. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, 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
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

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 audit 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 audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 IFRSs, 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.

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.

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 Ann-Marie Brockett.

Ernst + Young LLP

Chartered Professional Accountants

Calgary, Canada

April 24, 2019

Consolidated Financial Statements

Consolidated Statements of Financial Position

(In thousands of Canadian dollars)		As at December 31, **2018**	**2017**
Assets			
Current			
Cash and cash equivalents	(Note 15)	**$ 7,651**	$ 19,619
Cash and cash equivalents held for exploration purposes	(Note 15)	**1,461**	1,619
Restricted cash	(Note 15)	**8,626**	-
Accounts receivable	(Note 19)	**16,187**	1,092
Prepaid expenses and deposits		**2,250**	122
		36,175	22,452
Restricted cash equivalents	(Note 15)	**1,000**	630
Security deposits		**600**	600
Interests in associates	(Note 16)	**3,722**	3,734
Property, plant and equipment	(Notes 7 & 10)	**301,603**	3,802
Exploration and evaluation assets	(Note 9)	**27,573**	42,827
		$ 370,673	$ 74,045
Liabilities			
Current			
Accounts payable and accrued liaibilities		**$ 60,922**	$ 2,210
Current portion of deferred lease inducements		**20**	19
Current portion of term debt	(Note 17)	**50,007**	7
Partner advances for planned exploration work		**624**	679
Promissory notes		**-**	25
Provision for contingent liability	(Note 22)	**530**	583
Liability related to flow-through shares		**82**	104
Deferred accounts payable	(Note 23)	**8,051**	7,836
		120,236	11,463
Partners' share in security deposits		**294**	294
Deferred lease inducements		**159**	179
Term debt		**-**	7
Provision for site restoration	(Note 12)	**158,236**	2,740
		278,925	14,683
Share capital	(Note 13)	**193,270**	128,804
Contributed surplus		**8,960**	6,715
Other comprehensive income		**1,240**	1,583
Warrants		**933**	-
Retained earnings (deficit)		**(112,503)**	(77,633)
Equity attributable to equity holders of the company		**91,900**	59,469
Non-controlling interests		**(152)**	(107)
Total shareholders' equity		**91,748**	59,362
		$ 370,673	$ 74,045

Commitments and contingencies (Note 24)

Subsequent events (Note 25)

Approved on behalf of the Board of Directors:

(signed) Charles Boulanger

Chair, Audit Committee

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

In thousands of Canadian dollars (except share and per share amounts)		Year ended December 31, **2018**	2017
Revenues			
Petroleum and natural gas (net of royalties)		$ **2,321**	-
Project management		**331**	90
Other income		**78**	-
		2,730	90
Expenses			
Operating expenses		**9,144**	1,549
Administrative expenses		**7,499**	898
Transportation		**206**	-
Impairment of exploration and evaluation assets	(Note 9)	**16,985**	-
Share-based compensation	(Note 14)	**3,164**	3,615
Loss (gain) on foreign exchange		**4**	-
Depletion and depreciation	(Note 10)	**700**	20
Financial (income) and expenses	(Note 11)	**(48)**	3,175
Share of net loss of associates	(Note 16)	**12**	120
		37,666	9,377
Net loss before taxes		**(34,936)**	(9,287)
Deferred income tax recovery	(Note 18)	**(21)**	(363)
Net income (loss) for the period		**(34,915)**	(8,924)
Other comprehensive income (loss), net of income tax			
Foreign currency translation gain (loss)		**(343)**	296
Total comprehensive income (loss) for the period		$ **(35,258)**	$ (8,628)
Net income (loss) attributable to			
Equity holders of the Company		**(34,870)**	(8,825)
Non-controlling interests		**(45)**	(99)
Net income (loss) per share attributable to equity holders of the Company			
Basic and diluted	(Note 21)	$ **(0.68)**	$ (0.24)
Weighted average number of common shares			
Basic	(Note 21)	**51,274,159**	37,312,304
Diluted		**51,274,159**	37,312,304

Consolidated Statements of Changes in Equity

(In thousands of Canadian dollars except share amounts)		Share Capital	Warrants	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total Equity attributable to equity holders	Non-controlling interests	Total Equity
As at December 31, 2016	(Note 13)	**$ 44,668**	**$ -**	**$ 5,896**	**$ (68,808)**	**$ 1,287**	**$ (16,957)**	**$ (88)**	**$ (17,045)**
Share-based compensation		218	-	3,341	-	-	3,559	-	3,559
Common shares issued on stock option exercise		2,724	-	(2,424)	-	-	300	-	300
Common shares issued on private placement		25,652	-	-	-	-	25,652	-	25,652
Share issue costs related to private placement		(1,043)	-	-	-	-	(1,043)	-	(1,043)
Conversion of convertible loan to common shares		6,239	-	-	-	-	6,239	-	6,239
Balance as at October 24, 2017		78,458	-	6,813	(68,808)	1,287	17,750	(88)	17,662
Shares exchanged on reverse takeover		(78,458)	-	-	-	-	(78,458)	-	(78,458)
Existing shares of Pieridae Energy prior to reverse takeover		78,458	-	-	-	-	78,458	-	78,458
Shares issued to shareholders of Petrolia Inc. on reverse takeover		51,251	-	-	-	-	51,251	-	51,251
Transaction costs		(1,395)	-	-	-	-	(1,395)	-	(1,395)
Share-based compensation		-	-	56	-	-	56	-	56
Common shares issued on stock option exercise		490	-	(154)	-	-	336	-	336
Non-controlling interest		-	-	-	-	-	-	80	80
Total comprehensive loss for the year		-	-	-	(8,823)	296	(8,527)	(99)	(8,626)
As at December 31, 2017	(Note 13)	**$ 128,804**	**$ -**	**$ 6,715**	**$ (77,631)**	**$ 1,583**	**$ 59,471**	**$ (107)**	**$ 59,364**
Share-based compensation		189	-	2,245	-	-	2,434	-	2,434
Common shares issued on stock option exercise		143	-	-	-	-	143	-	143
Common shares and warrants issued on private placement		8,020	444	-	-	-	8,464	-	8,464
Common shares issued on corporate acquisition	(Note 7)	56,114	489	-	-	-	56,603	-	56,603
Non-controlling interest		-	-	-	-	-	-	(45)	(45)
Total comprehensive income (loss) for the year		-	-	-	(34,872)	(343)	(35,215)	-	(35,215)
As at December 31, 2018	(Note 13)	**$ 193,270**	**$ 933**	**$ 8,960**	**$ (112,503)**	**$ 1,240**	**$ 91,900**	**$ (152)**	**$ 91,748**

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)		Year ended December 31, **2018**	2017
Operating activities			
Net income (loss)		**$ (34,915)**	$ (8,924)
Depletion and depreciation	(Note 10)	**700**	5
Deferred tax expense (recovery)	(Note 18)	**(21)**	(363)
Share-based compensation	(Note 14)	**3,164**	3,615
Amortization of deferred lease inducements		**(10)**	(2)
Impairment of exploration and evaluation assets	(Note 9)	**16,985**	-
Accretion		**53**	398
Share of net loss of associates		**12**	120
Provision for contingent liabilities		**(53)**	-
Flow-through share penalties		**(55)**	(117)
Loss on conversion right		**-**	2,257
Foreign exchange (gain) loss		**4**	(157)
Changes in non-cash working capital	(Note 20)	**5,729**	(7,071)
Cash provided by operating activities		**(8,407)**	(10,239)
Investing activities			
Additions to property, plant and equipment	(Note 10)	**(503)**	(9)
Additions to exploration and evaluation assets	(Note 20)	**(478)**	(183)
Business acquisition, net cash received		**6,154**	12,610
Cash used in investing activities		**5,173**	12,418
Financing activities			
Issuance of share capital, net of costs	(Note 13)	**8,163**	23,930
Restricted cash	(Note 15)	**(1,000)**	68
Increase (decrease) in term debt	(Note 17)	**50,000**	-
Repayment of term debt	(Note 7)	**(65,897)**	(3,201)
Issuance (repayment) of promissory notes		**(25)**	(2,028)
Cash provided by financing activities		**(8,759)**	18,769
(Decrease) increase in cash and cash equivalents		**(11,993)**	20,948
Cash and cash equivalents, beginning of period		**21,238**	197
Effect of foreign exchange on cash		**(133)**	93
Cash and cash equivalents, end of period		**$ 9,112**	$ 21,238
Cash paid:			
Interest		**$ 543**	$ 1,005
Income taxes		**-**	-

Notes to the Consolidated Financial Statements

1. Corporate Information

Pieridae Energy Limited (the "Company" or "Pieridae"), is a publicly traded, Canadian based Company engaged in the development of a fully integrated liquefied natural gas ("LNG") project to be built in Goldboro, Nova Scotia. The common shares of Pieridae trade on the Toronto Venture Exchange ("TSX") under the symbol PEA.V.

The Company was incorporated on May 29, 2012 under the laws of Canada. It is headquartered at 3100, 308 - 4th Avenue SW, Calgary, Alberta, T2P 0H7.

NON-CONTROLLING INTEREST

During 2014, the Company, Pieridae Energy (Canada) Ltd. and Uniper Global Commodities S.E. ("Uniper") entered into an agreement, whereby Uniper acquired a one percent ownership interest in Goldboro LNG LP and Pieridae Energy (Canada) Ltd. As at December 31, 2018, the ownership interest of Uniper was 0.8%.

2. Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"). The significant accounting policies set forth below were consistently applied to all periods presented.

The consolidated financial statements were approved by the Board of Directors of Pieridae on April 24, 2019.

The consolidated financial statements have been prepared on a going concern basis using the historical cost convention, which contemplates the realization of assets and settlements of liabilities in the normal course of operations for the foreseeable future. During the year ended December 31, 2018, consistent with the developmental stage of the organization, the Company generated a net loss of $34.9 million and negative cash flow from operations (excluding acquisitions) of $8.4 million. The Company's current liabilities also exceed its current assets by $84.1 million. These conditions indicate the existence of material uncertainties that may cast significant doubt about Pieridae's ability to continue as a going concern. The Company expects to incur further losses in the development of its business and will require additional debt and equity financing to fund future development of its LNG project and associated natural gas assets. While the company has been successful in raising financing in the past, there can be no assurance that it will be able to do so in the future. These consolidated financial statements do not reflect adjustments in the carrying value of assets and liabilities, revenue or expenses, nor the statement of financial position classification that would be necessary if the going concern assumption was not valid. Such adjustments could be material.

The consolidated financial statements are presented in Canadian dollars which is the functional and presentation currency of the Company. All financial information is rounded to the nearest thousand, except per share amounts or where otherwise indicated.

3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant judgments and estimates made by management in the preparation of these financial statements are outlined below.

The following are the critical accounting judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in these financial statements:

IDENTIFICATION OF CASH GENERATING UNITS

Some of Pieridae's assets are aggregated into cash-generating units, for the purpose of calculating impairment, based on their ability to generate largely independent cash inflows. By their nature, these estimates and assumptions are subject to measurement uncertainty and may impact the carrying value of the Company's assets in future periods.

IDENTIFICATION OF IMPAIRMENT INDICATORS

Judgments are required to assess when impairment indicators, or reversal indicators, exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of land and other relevant assumptions.

EXPLORATION AND EVALUATION

The application of the Company's accounting policy for exploration and evaluation requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found in assessing commercial viability and technical feasibility.

DEFERRED TAXES

Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amount recognized in income or loss for the period in which the change occurs.

CRITICAL ACCOUNTING ESTIMATES

The following are the key assumptions concerning the sources of estimating uncertainty at the end of the reporting period, that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities.

RESERVES

The assessment of reported recoverable quantities of proved and probable reserves include estimates regarding production profile, commodity prices, exchange rates, remediation costs, timing and amount of future development costs and production, transportation and marketing costs for future cash flows. It also requires interpretation of geological, engineering, and geophysical models in anticipated recoveries. The economical, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying values of the Company's property, plant and equipment, the calculation of depletion and depreciation, the provision for decommissioning obligations and the recognition of deferred tax assets due to changes in expected future cash flows. The recoverable quantities of reserves and estimated cash flows from Pieridae's petroleum and natural gas interests are independently evaluated by qualified reserve evaluators at least annually.

The Company's petroleum and natural gas reserves represent the estimated quantities of petroleum and natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be economically recoverable in future years from known reservoirs and which are considered economically producible. Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon (i) a reasonable assessment of the future economics of such production; (ii) a reasonable expectation that there is a market for all or substantially all the expected petroleum and natural gas production; and (iii) evidence that the necessary production, transmission and transportation facilities are available or can be made available. Reserves may only be considered proven and probable if the ability to produce is supported by either production or conclusive formation tests. Pieridae's petroleum and gas reserves are determined pursuant to National Instrument 51-101, Standard for Disclosures for Oil and Gas Activities.

BUSINESS COMBINATIONS

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed which includes assessing the value of oil and gas properties based upon the estimation of recoverable quantities of proven and probable reserves acquired.

DECOMMISSIONING OBLIGATION

The Company estimates future remediation costs of production facilities, wells and pipelines at different stages of development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires assumptions regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating costs, future removal technologies in determining the removal cost and liability-specific discount rates to determine present value of these cash flows.

SHARE-BASED COMPENSATION

All equity-settled, share-based awards issued by the Company are fair valued using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation, estimates have to be made regarding the expected volatility in share price, weighted average expected life of the instrument, expected dividend yield, risk-free interest rate and estimated forfeitures at the initial grant date.

IMPAIRMENT OF NON-FINANCIAL ASSETS

For the purposes of determining the extent of any impairment or its reversal, estimates must be made regarding future cash flows taking into account key assumptions including future petroleum and natural gas prices, expected forecasted production volumes and anticipated recoverable quantities of proved and probable reserves. These assumptions are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates. Changes in the aforementioned assumptions could affect the carrying amount of the Company's assets, and impairment charges and reversals will affect income or loss.

DEFERRED TAXES

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse.

4. CHANGES IN ACCOUNTING POLICIES

The Company has applied the following new and revised accounting pronouncements in preparing the December 31, 2018 consolidated financial statements. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

IFRS-9 FINANCIAL INSTRUMENTS

As of January 1, 2018, the Company has adopted IFRS-9 Financial Instruments, which is the result of the first phase of the IASB project to replace IAS-39 Financial Instruments: Recognition and Measurement. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has two classification categories: amortized cost and fair value. The classification of financial assets under IFRS 9 is generally based on the business model for managing the financial assets and the financial asset's contractual cash flow characteristics. IFRS-9 eliminates the previous IFRS-39 categories of held to maturity, loans and receivables and available for sale. The new standard introduces changes to hedge accounting requirements in order to align accounting with an entity's risk management activities.

The transition to IFRS-9 had no material effect on the Company's consolidated financial statements. Cash and cash equivalents, accounts receivables, accounts payables, bank debt continue to be measured at amortized cost and are now classified as amortized cost.

Financial Instrument	IAS 39 Classification	IFRS 9 Classification
Cash and cash equivalents	Fair value through profit or loss	Amortized cost
Trade and other receivables	Amortized cost	Amortized cost
Trade and other payables	Amortized cost	Amortized cost
Term debt	Amortized cost	Amortized cost

IFRS-15 REVENUE FROM CONTRACTS WITH CUSTOMERS

As of January 1, 2018, the Company has adopted IFRS-15 Revenue from Contracts with Customers. The standard replaces IAS-11 Construction Contracts; IAS-18 Revenue, IFRIC-13 Customer Loyalty Programmes, IFRIC-15 Agreements for the Construction of Real Estate, IFRIC-18 Transfers of Assets from Customers and SIC-31 Revenue-Barter Transactions Involving Advertising Services. The standard dictates the recognition and measurement requirements for reporting the nature, amount, timing and uncertainty of revenue resulting from an entity's contracts with customers. The Company adopted IFRS-15 via the modified retrospective adoption approach effective January 1, 2018. Pieridae has reviewed its revenue streams and underlying contracts with customers using the IFRS 15 five-step model, which did not result in any changes to the comparative period or the opening deficit.

REVENUE RECOGNITION POLICY

Revenue from the sale of petroleum and natural gas is measured based on the consideration specified in contracts with customers. The Company recognizes revenue when it transfers control of the product to the buyer. This is generally at the time the customer obtains legal title to the product and when it is physically transferred to the custody transfer point accepted by the customer, often terminals, pipelines or other transportation methods.

The Company evaluates its arrangements with 3rd parties and partners to determine if the Company acts as the principal or as an agent. In making this evaluation, management considers if the Company obtains control of the product delivered, which is indicated by the Company having the primary responsibility for the delivery of the product, having the ability to establish prices or having inventory risk. If the Company acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the Company from the transaction.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements. Certain comparative numbers have been reclassified to conform to the current presentation.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments held with a financial institution, with an original maturity of three months or less.

CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies to obtain benefits from its activities. Significant subsidiaries included in the Company's accounts include Ikkuma Resources Corp., Pieridae Energy (Canada) Ltd., Petrolia Anticosti Inc. and Goldboro LNG Limited Partnership. Intercompany balances and transactions are eliminated in preparation of the consolidated financial statements.

JOINTLY OWNED ASSETS

Certain activities of the Company are conducted jointly with others where the participants have a direct ownership interest in jointly owned assets. Accordingly, the accounts of Pieridae reflect only its proportionate share of revenues, expenses and capital expenditures related to these jointly owned assets.

EXPLORATION AND EVALUATION ASSETS

Costs incurred prior to obtaining the right to explore a mineral resource are recognized as an expense in the period incurred. Exploration and evaluation comprise the Company's exploration and evaluation projects which are pending determination of technical feasibility and commercial viability.

Exploration and evaluation expenditures are initially capitalized and may include mineral license acquisitions, geological and geophysical evaluations, technical studies, exploration drilling and testing and directly attributable general and administrative costs. Tangible assets acquired, which are consumed in developing an intangible exploration asset, are recorded as part of the cost of the exploration asset. The costs are accumulated in cost centers by exploration area pending determination of technical feasibility and commercial viability.

The technical feasibility and commercial viability of extracting a mineral resource in an exploration area is generally considered to be determinable when economical quantities of proved and probable reserves have been discovered. A review of each exploration area is carried out at each reporting date to ascertain whether reserves have been discovered. Upon determination of commercial proved and probable reserves, associated exploration costs are transferred from exploration and evaluation to property, plant and equipment as reported on the Statements of Financial Position. Exploration and evaluation assets are reviewed for impairment prior to any such transfer. Assets classified as exploration and evaluation are not subject to depletion and depreciation until they are classified to property, plant and equipment.

Exploration and evaluation assets are assessed for impairment if: (a) sufficient data exists to determine technical feasibility and commercial viability; (b) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to related cash generating units ("CGU's").

PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Property, plant and equipment include land and lease acquisition costs, geological and geophysical costs, costs of drilling and equipping productive wells, costs for production facilities, decommissioning costs, and other directly attributable administrative costs. Property, plant and equipment are accumulated in cost centres based on CGU's for impairment testing. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of property, plant and equipment, property swaps and farm-outs, are determined by comparing the proceeds or fair value of the asset received or given up with the carrying amount of property, plant and equipment and are recognized in profit or loss.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized petroleum and natural gas assets and equipment generally represent costs incurred in developing proved and/or probable reserves and bringing on or enhancing production from such reserves and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depletion and depreciation

The net carrying value of property, plant and equipment is depleted using the unit of production method by reference to the ratio of production in the year to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Relative volumes of reserves and production are converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil. Future development costs are estimated by taking into account the level of development required to produce those reserves. These estimates are reviewed by independent engineers at least once annually.

Capitalized plant turnaround costs are depreciated on a straight-line basis over the estimated time until the next turnaround is completed. Corporate assets, which include office furniture and equipment, software and computer equipment are depreciated on a straight-line basis over the useful lives of the assets, which are estimated to be five years, or on a declining balance basis of 20 percent per year.

Foreign transactions

Transactions completed in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the time of the transactions. Foreign currency assets and liabilities are translated to functional currency at the period-end exchange rate. Revenue and expenses are translated to functional currency using the average exchange rate for the period. Realized and unrealized gains and losses resulting from the settlement or translation of foreign currency transactions are included in net income or loss.

Certain subsidiaries of the Company operate and transact primarily in currencies other than the Canadian dollar. The designation of a subsidiary's functional currency is a management judgment based on the currency of the primary economic environment in which the subsidiary operates. The financial statements of each entity are translated into Canadian dollars in preparation of the Company's consolidated financial statements. The assets and liabilities of a foreign denominated operation are translated to Canadian dollars at the period-end exchange rate. Revenues and expenses of foreign denominated operations are translated to Canadian dollars using the average exchange rate for the period. Foreign exchange differences are recognized in other comprehensive income or loss.

IMPAIRMENT

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than exploration and evaluation and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. Exploration and evaluation assets are assessed for impairment when they are reclassified to property, plant and equipment, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets or CGU's. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows from proved and probable reserves 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. Fair value less costs to sell is determined as the amount that would be obtained from the disposition of the asset in an arm's length transaction between knowledgeable and willing parties. The petroleum and natural gas future prices used in the impairment test are based on period-end commodity price forecasts estimated by the Company's independent reserves evaluator and are adjusted for petroleum and natural gas differentials, transportation and marketing costs specific to the Company.

Where circumstances change such that an impairment no longer exists or is less than the amount previously recognized, the carrying amount of the CGU is increased to the revised estimate of its recoverable amount as long as the revised estimate does not exceed the carrying amount that would have been determined, net of depletion and depreciation, had no impairment loss been recognized for the CGU in prior periods. A reversal of an impairment loss is recognized immediately through income or loss.

PROVISIONS

Provisions are recognized when the Company has a present obligation (legal or constructive), as a result of a past event, if it is probable 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 significant).

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.

Provisions are not recognized for future operating losses.

DECOMMISSIONING OBLIGATIONS

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date using the risk-free interest rate. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as a finance cost whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

SHARE-BASED COMPENSATION

Equity-settled share-based awards granted by the Company include stock options granted to directors, officers, employees and key consultants. The fair value determined at the grant date of an award is expensed on a graded basis over the vesting period of each respective tranche of an award with a corresponding adjustment to contributed surplus. In calculating the expense of share-based awards, the Company revises its estimate of the number of equity instruments expected to vest by applying an estimated forfeiture rate for each vesting tranche and subsequently revising this estimate throughout the vesting period, as necessary, with a final adjustment to reflect the actual number of awards that vest. Upon the exercise of share-based awards, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. In the event that vested share-based awards expire without being exercised, previously recognized compensation costs associated with such rewards are not reversed.

The fair value of equity-settled share-based awards is measured using the Black-Scholes option-pricing model taking into account the terms and conditions upon which the awards were granted. Measurement inputs as at the grant date include: share price, exercise price, expected volatility, weighted average expected life of the instruments, expected dividends and the risk-free interest rate applicable to the term of the award.

A portion of share-based compensation expense directly attributable to the exploration and development of the Company's assets are capitalized.

FINANCE EXPENSES

Finance expenses comprise service charges, interest expense on term debt and accretion on decommissioning obligations.

Borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. All other borrowing costs are recognized in profit or loss using the effective interest rate method. The capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Company's outstanding term debt during the period.

INCOME TAX

Income tax expense comprises current and deferred tax and is recognized in net income or loss except to the extent that it relates to items recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for 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 on the initial recognition of assets or liabilities in a transaction that is not a business combination. 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, 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 to the extent that it is probable that future taxable profits will be available against which the temporary difference 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.

PER SHARE INFORMATION

Basic earnings per share information is calculated on the basis of weighted average number of common shares outstanding during the period. Diluted per share information reflects the potential dilutive effect of stock options and warrants. No adjustment to diluted net loss per share is made if the result of these calculations is anti-dilutive.

FLOW-THROUGH SHARES

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. On issuance the premium received on the flow-through shares, being the difference in price over a common share with no tax attributes, is recognized on the statement of financial position. As expenditures are incurred, the deferred taxes associated with the renounced tax deductions are recognized through profit and loss along with a pro-rata portion of the deferred premium.

FINANCIAL INSTRUMENTS

IFRS 9 contains three principal classification categories for initial classification of financial assets: measured at amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). Financial assets are categorized based on the Company’s objective for the asset and the contractual cash flows. A financial asset is classified as amortized cost if the asset is held with the objective to collect contractual cash flows that are solely payments of principal and interest on principal amounts outstanding. A financial asset is classified as FVOCI if the asset is held with the objective to both collect contractual cash flows and sell the financial asset. All other financial assets are measured at FVTPL. Financial assets are assessed for impairment using an expected credit loss model. Trade and other receivables are classified and measured at amortized cost.

The measurement categories for each class of financial asset and financial liability is set forth in the following table.

Financial Instrument	**Classification**
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Term debt	Amortized cost

Transaction costs that are directly attributable to the acquisition or issue of a financial asset or a financial liability classified as FVTPL are expensed at inception of the contract. For a financial asset or a financial liability carried at amortized cost, transaction costs directly attributable to acquiring or issuing the asset or liability are added to, or deducted from, the fair value on initial recognition and amortized through net income or loss over the term of the financial instrument. Debt issuance costs related to the restructuring of credit facilities are capitalized and amortized as financing costs over the term of the credit facilities.

6. FUTURE ACCOUNTING POLICIES

As of January 1, 2019, the Company will adopt IFRS-16 Leases. IFRS 16 replaces IAS 17 - "Leases". IFRS 16 eliminates the distinction between operating leases and financing leases for lessees and requires balance sheet recognition for all leases. For lessees applying IFRS 16, a single recognition and measurement model for leases will apply, with the recognition of right-of-use ("ROU") assets and lease liabilities for most leases. All contracts that meet the definition of a lease under IFRS 16, including those presently accounted for as operating leases, will be recorded on the balance sheet. Certain short-term (less than 12 months), and low-value leases (as defined in the standard) are exempt from the requirements and may continue to be treated as an expense. Leases to explore for or use crude oil, natural gas, minerals and similar non-regenerative resources are exempt from the standard.

The standard may be applied retrospectively or using a modified retrospective approach. The Company has elected to use the modified retrospective approach which does not require restatement of prior period financial information. On initial adoption, Pieridae will elect to use the following practical expedients permitted under the standard:

- Certain short-term leases, and leases of low value assets that have been identified at January 1, 2019, will not be recognized on the balance sheet.
- At January 1, 2019, Pieridae will not recognize leases with terms ending within 12 months.

On adoption of IFRS 16, the Company will recognize lease liabilities in relation to leases under the principles of the new standard measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The associated ROU assets will be measured at the amount equal to the lease liability on January 1, 2019, with no impact on retained earnings.

The Company's leases that will be recognized on its balance sheet at January 1, 2019 include office leases, equipment leases and vehicle leases.

The impact on the statement of income (loss) and comprehensive income (loss) will be as follows:

- Lower administrative expenses and operating costs.
- Higher finance expenses due to the interest recognized on the lease obligations; and
- Higher depreciation expense related to the ROU assets.

Under the new standard, the Company will report cash outflows for repayment of the principal portion of the lease liability as cash flows from financing activities. The interest portion of the lease payments will be classified as cash flows from operating activities.

The Company continues to finalize its evaluation of its contracts that are potentially leases under IFRS 16, as well as implementing changes to policies, internal controls, information systems, and business accounting processes.

7. BUSINESS COMBINATION

On December 20, 2018, Pieridae completed a plan of arrangement whereby the Company acquired, directly and indirectly, all of the issued and outstanding common shares of Ikkuma Resources Corp. ("Ikkuma"), a publicly traded company engaged in the development and production of petroleum and natural gas resources located in the foothills of Alberta and British Columbia. The acquisition was accounted for as a business combination whereby the net assets acquired, and liabilities assumed were recorded at fair value at the acquisition date. Consideration consisted of the issuance of 21.6 million Pieridae common shares valued at approximately $56.1 million (based on the closing price of Pieridae's common shares of $2.60 on the Toronto Venture Exchange on December 20, 2018).

The fair value of petroleum and natural gas properties acquired at the time of the transaction was determined using estimates of proved plus probable reserves evaluated at December 31, 2018 by an independent reserve evaluator. Asset retirement obligations were determined using internal estimates of the timing and estimated costs associated with the abandonment and reclamation of the wells and facilities acquired using a range of risk-free discount rates. The total consideration paid and estimates of the fair value of the assets acquired and liabilities assumed as at the date of the acquisition are set forth in the table below.

Consideration:		
Common shares issued	**$**	**56,114**
Fair value of net assets acquired:		
Petroleum properties		297,998
Working capital deficiency		(21,239)
Bank debt		(65,673)
Asset retirement obligations		(154,972)
Net assets acquired	**$**	**56,114**

The consolidated financial statements include the result of operations of Ikkuma for the period between December 20 and December 31, 2018. The acquisition contributed revenues of $2.5 million and a net loss of $1.0 million. Had the acquisition occurred on January 1, 2018, revenues would have increased by $80.0 million and the net loss would have increased by $38.1 million. Transaction costs of $1.7 million were expensed as incurred.

8. Segmented financial information

Pieridae's reportable segments are determined based on the nature of the underlying operations. By virtue of the Company's acquisition of Ikkuma discussed in Note 7, the Company is now engaged in upstream petroleum and natural gas development, as well as its LNG development project. The breakdown of the respective lines of business is as follows:

- Upstream is represented predominantly by the properties acquired from Ikkuma (Note 7). However, it also includes the Company's upstream operations in Quebec and New Brunswick. Segmented determinations are based on the operations of the separate subsidiaries involved in these activities. Upstream is currently the only segment generating operating revenues.
- LNG is based on the operations of a single subsidiary engaged in activities associated with the development of the Company's proposed Liquified Natural Gas facility in Goldboro Nova, Scotia.

Segmented Information

(In thousands of Canadian dollars)	Upstream 2018	Upstream 2017	LNG 2018	LNG 2017	Consolidated 2018	Consolidated 2017
Revenue						
Petroleum and natural gas (net of royalties)	**$ 2,321**	-	**-**	-	**$ 2,321**	-
Project management	**331**	90	**-**	-	**331**	90
Other income	**78**	-	**-**	-	**78**	-
	2,730	90	**-**	-	**2,730**	90
Expenses						
Operating expenses	**3,054**	72	**6,090**	1,477	**9,144**	1,549
Administrative expenses	**6,198**	-	**1,301**	898	**7,499**	898
Transportation	**206**	-	**-**	-	**206**	-
Impairment of exploration and evaluation assets	**16,985**	-	**-**	-	**16,985**	-
Share-based compensation	**-**	-	**3,164**	3,615	**3,164**	3,615
Loss (gain) on foreign exchange	**-**	-	**4**	-	**4**	-
Depletion and depreciation	**700**	19	**-**	1	**700**	20
Financial (income) and expenses	**139**	-	**(187)**	3,175	**(48)**	3,175
Share of net loss of associates	**-**	-	**12**	120	**12**	120
	27,282	91	**10,384**	9,286	**37,666**	9,377
Income (loss) before income tax	**(24,552)**	(1)	**(10,384)**	(9,286)	**(34,936)**	(9,287)
Deferred tax (recovery)	**-**	-	**(21)**	(363)	**(21)**	(363)
Net income (loss)	**$ (24,552)**	$ (1)	**$ (10,363)**	$ (8,923)	**$ (34,915)**	$ (8,924)

As at	**December 31, 2018**	**December 31, 2017**
Upstream assets	**$ 357,287**	$ 44,057
LNG assets	**13,386**	29,988
Total consolidated assets	**$ 370,673**	$ 74,045

9. EXPLORATION AND EVALUATION

At December 31, 2016	$ -
Business acquisition	42,616
Additions	211
At December 31, 2017	42,827
Additions	1,731
Impairment	(16,985)
At December 31, 2018	**$ 27,573**

Exploration and evaluation ("E&E") assets consist of the Company's undeveloped land, seismic and exploration projects, which are pending the determination of technical feasibility and commercial viability.

On September 20, 2018, the Government of Quebec adopted new legislative and regulatory provisions pertaining to the exploration and exploitation of hydrocarbons in Quebec, under the Petroleum Resources Act. The Act replaces the Mining Act previously in force. The regulatory changes have a number of impacts for Pieridae. Most significantly these new regulations prohibit any hydrocarbon exploration or exploitation activities within 1,000 meters of an urban area. Pieridae management reviewed all of its permits in the province to determine the impact of the new regulations on its oil and gas properties. Management concluded that indicators of impairment had resulted from the new legislation, and that an impairment adjustment was required.

Management also used the impairment assessment as an opportunity to evaluate all of its properties in Quebec, with the objective of consolidating its holdings in properties deemed to hold the most potential for exploratory and economic success. This exercise resulted in the Company relinquishing a number of licenses, or its pro-rata share of certain licenses. Collectively this exercise resulted in the Company, recognizing impairment of $17.0 million during the third quarter of 2018.

10. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

Historical Cost		
At December 31, 2016	$	3,389
Additions		9
Business acquisition		452
At December 31, 2017	$	3,850
Additions		503
Business acquisition (Note 7)		297,998
At December 31, 2018	**$**	**302,351**

Accumulated Depletion & Depreciation		
At December 31, 2016	$	28
Depreciation		20
At December 31, 2017	$	48
Depletion and depreciation		700
At December 31, 2018	**$**	**748**

Net Book Value		
At December 31, 2017	$	3,802
At December 31, 2018	**$**	**301,603**

DEPLETION

At December 31, 2018, future development costs of Pieridae's proved plus probable reserves of $59.3 million were included in the depletion calculations. Residual value of $31.8 million was excluded from the depletion calculations.

At December 31, 2018 it was determined that no impairment indicators existed on the Company's petroleum and natural gas reserves and therefore no impairment tests were performed.

11. FINANCIAL INCOME AND EXPENSES

		Year Ended December 31, 2018		Year Ended December 31, 2017
Finance (Income) Expense				
Interest expense	**$**	**304**	$	844
Interest income		**(405)**		(71)
Accretion		**53**		398
Loss on conversion right		**-**		2,257
Other		**-**		(253)
Total financial (income) expense	**$**	**(48)**	**$**	**3,175**

Accretion expense represents accretion on the Company's decommissioning obligations.

12. DECOMMISSIONING OBLIGATIONS

		Year Ended December 31, 2018		Year Ended December 31, 2017
Decommissioning obligations, beginning of year	$	2,740	$	-
Obligations acquired (Note 7)		154,972		2,740
Change in estimated future cash outflows		1,731		-
Obligations settled		(1,260)		-
Accretion		53		-
Decommissioning obligations, end of year	**$**	**158,236**	$	2,740

The Company's decommissioning obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total undiscounted amount of cash flows required to settle its decommissioning obligations is approximately $223.0 million. As at December 31, 2018, risk-free rates of 1.88% (<5 years), 1.9% (5-10 years) (2017: 2.50%) and 2.18% (>10 years) and an inflation rate of 2.0% (2017: 2.00%) were used to calculate the fair value of the decommissioning obligations.

13. SHARE CAPITAL

AUTHORIZED

The Company has an unlimited number of common shares with the holders of common shares entitled to one vote per share and an unlimited number of preferred shares issuable in series, with rights and privileges to be designated by the Board of Directors at the time of issuance. As at December 31, 2018 and December 31, 2017 there were no preferred shares outstanding.

ISSUED AND OUTSTANDING COMMON SHARES

	Year Ended December 31, 2018		**Year Ended December 31, 2017**	
	Common Shares	**Amount**	Common Shares	Amount
Balance beginning of the year	**50,481,197**	**$ 128,804**	15,599,158	$ 44,668
Shares issued on stock option exercise	**52,446**	**143**	300,000	2,724
Shares issued in private placement	**2,358,824**	**8,020**	2,052,130	25,652
Shares on corporate acquisition (Note 7)	**21,582,401**	**56,114**		
Share-based compensation	**41,726**	**189**	24,166	218
Conversion of convertible loan	**-**	**-**	499,120	6,239
Share issue costs	**-**	**-**	-	(1,043)
	74,516,594	**193,270**	18,474,574	78,458
Shares exchanged on reverse takeover	**-**	**-**	(18,474,574)	(78,458)
New shares issued on reserve takeover	**-**	**-**	49,794,069	129,709
Transaction costs	**-**	**-**	-	(1,395)
Shares issued on stock option exercise	**-**	**-**	687,128	490
Balance end of the year	**74,516,594**	**$ 193,270**	50,481,197	$ 128,804

In December 2018 the Company completed a non-brokered private placement of 2,358,824 shares at $3.40 per share. In December the Company also issued 21,582,401 shares to close the Ikkuma transaction (Note 7).

PER SHARE AMOUNTS

Per share amounts have been calculated on the weighted average number of shares outstanding. The weighted average shares outstanding for the year ended December 31, 2018 was 51,274,159 (year ended December 31, 2017 - 37,312,304).

The diluted loss per share calculations for the year ended December 31, 2018 and 2017 were not affected by either the outstanding stock options or warrants as they are anti-dilutive.

14. SHARE-BASED COMPENSATION

Pursuant to the Stock Option Plan, the Board of Directors may grant options to directors, officers, employees and other service providers. The aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued and outstanding common shares of the Company on a non-diluted basis as at the time of granting. Stock options expire not more than five years from the date of grant, or earlier if the individual ceases to be associated with the Company. As per the new Stock Option Plan adopted on October 24, 2017 with the reverse takeover, options granted to directors vest immediately and for other participants, over a period of three year (previously at the discretion of the Board of Directors). All share-based compensation will be settled in equity.

	Year Ended December 31, 2018	
	Weighted Average Exercise Price	Options
As at December 31, 2016	$ 1.18	3,584,344
Granted on business combination	6.31	641,020
Exercised	0.47	(1,348,854)
Forfeited	10.96	(1,041,125)
As at December 31, 2017	$ 4.92	1,835,385
Granted	5.67	1,142,400
Exercised	2.82	(52,446)
Forfeited	6.76	(271,945)
As at December 31, 2018	**$ 4.85**	**2,653,394**

The following table summarizes stock options outstanding and exercisable at December 31, 2018:

	Stock Options Outstanding			Stock Options Exercisable		
Exercise Price	Number of Outstanding Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Number of Exercisable Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Life (years)
0.01 - 0.45	44,115	$ 0.01	2.44	33,086	$ 0.01	2.44
1.98 - 4.08	1,086,148	$ 3.86	2.45	767,604	$ 3.84	2.43
5.67 - 8.04	1,523,131	$ 5.71	3.58	817,211	$ 5.73	3.21
	2,653,394	**$ 4.85**	**3.10**	**1,617,902**	**$ 4.72**	**3.62**

The following table discusses the assumptions used in the Black-Scholes option-pricing model to calculate the value of the stock options granted during the year:

	Year Ended December 31, 2018	Year Ended December 31, 2017[1]
Assumptions		
Risk free interest rate (%)	**1.98**	-
Option life (years)	**3.75**	-
Volatility (%)	**69.0**	-
Weighted average fair value of each stock option granted	**$ 2.69**	**$ -**

[1] No stock options were granted for the year ended December 31, 2017.

The following summarizes the Company's share-based compensation:

		Year Ended December 31, 2018		Year Ended December 31, 2017
Share-based compensation	**$**	**3,393**	$	3,635
Capitalized costs		**(229)**		(20)
Total share-based compensation expense	**$**	**3,164**	**$**	**3,615**

15. CASH AND CASH EQUIVALENTS

		Year Ended December 31, 2018		Year Ended December 31, 2017
Cash	**$**	**18,738**	$	21,868
Less: restricted cash[1]		**8,626**		-
Less: restricted cash equivalents[1]		**1,000**		630
		9,112		21,238
Less: cash and cash equivalents held for exploration purposes				
Flow-through shares[2]		**736**		940
Bourque project[3]		**725**		679
Total cash and cash equivalents	**$**	**7,651**	$	19,619

1 As at December 31, 2018, $8.6 million is pledged as security for LC's. Restricted cash of $5.7 million was repatriated in January 2019. A $0.63 million tranche of LC's matured on February 1, 2019. The remaining $1.0 million tranche matures in April of 2020.

2 Cash and cash equivalents held for exploration purposes related to flow-through shares represent the unexpended proceeds of a flow-through share financing. According to restrictions imposed under the financing arrangement, the Company must spend these funds on the exploration of oil and gas properties.

3 Cash and cash equivalents on the Bourque project represent the remaining cash from partner advances which must be spent on exploration work related to the Bourque project.

16. INTEREST IN ASSOCIATES

On March 4, 2013, the Company established Pieridae Production LP and Pieridae Production GP. Pieridae Production LP was formed to develop gas resources in New Brunswick, Nova Scotia and the Northeast US. As at December 31, 2018, the Company's ownership interest is 20%. Under the terms of the Partnership agreement, the Company is entitled to contribute an additional $14.125 million to the partnership, prior to any further funding being made by the other partner, and increasing its ownership in Pieridae Production LP to 50%.

The Company's interest in Pieridae Production LP and Pieridae Production GP are accounted for using the equity method in the consolidated financial statements.

Interest in associates		
Value at December 31, 2016	$	3,854
Share in net loss of associates		(120)
Value at December 31, 2017	$	3,734
Share in net loss of associates		(12)
Value at December 31, 2018	**$**	**3,722**

As at December 31, 2018, the associates have no contingent liabilities or capital commitments. However, under the terms of the partnership operating agreement there is an annual fee of $60,000 to be paid by Pieridae Production LP to the operator.

Summarized financial statement information of the Partnership is disclosed below:

	Year Ended December 31, 2018		Year Ended December 31, 2017	
Current assets	**$**	**137**	$	134
Non-current assets		**20,145**		20,145
Current liabilities	**$**	**(2,010)**	$	(1,947)

	Year Ended December 31, 2018		Year Ended December 31, 2017	
Net loss for the period	**$**	**(60)**	$	(600)

17. TERM DEBT

On December 20, 2018, the Company entered into a Senior Secured Credit Agreement for a $50 million non-revolving, term credit facility. The facility is secured by a fixed and floating debenture over all the assets of the Company. It bears interest at 9.5 percent, which is accrued and payable upon maturity. The facility is repayable on September 30, 2019. The Company used the proceeds to partially fund the repayment of Ikkuma's outstanding debt facilities of $65.7 million on the close of the acquisition detailed in (Note 7). Upon granting the credit facility, the lender received 1,300,050 warrants. Each warrant entitles them to purchase one common share of Pieridae for $3.76 at any time prior to their expiry on May 25, 2020.

18. DEFERRED TAX

The provision for income tax in the financial statements differs from the result which would have been obtained by applying the combined federal and provincial income tax rates to the Company's loss before taxes. This difference results from the following items:

	December 31, 2018		December 31, 2017	
Loss before taxes	**$**	**(34,936)**	$	(9,287)
Combined federal and provincial income tax rate		**26.94%**		30.8 %
Computed income tax benefit		**(9,412)**		(2,860)
Tax effects of				
Non-deductible share-based compensation		**721**		1,107
Accretion		**14**		123
Change in contingent liability		**(15)**		(36)
Foreign exchange loss (gain)		**1**		(168)
Loss on conversion right		**-**		460
Change in unrecognized deferred tax assets		**6,382**		867
Change in tax rates		**2,288**		144
Deferred tax expense (recovery)	**$**	**(21)**	$	(363)

The components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2018	December 31, 2017
Deferred tax assets		
Non-capital losses	**$ -**	(4,351)
Deferred tax liabilities		
Exploration and evaluation assets	**$ -**	$ 4,336
Property, plant and equipment	**-**	15
Deferred tax, net	**$ -**	$ -

The Company has roughly $213 million in non-capital losses that will expire between 2026 and 2038.

Unrecognized deferred income tax assets:

	December 31, 2018	December 31, 2017
Non-capital losses	**$ 58,325**	$ 18,401
Capital losses	**256**	292
Issuance costs	**974**	836
Exploration and evaluation assets	**906**	-
Property, plant and equipment	**(41,590)**	-
Asset retirement obligation	**41,842**	-
Unrecognized deferred tax assets	**$ 60,713**	$ 19,529

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial assets and liabilities are comprised of cash, accounts receivable, accounts payable and accrued liabilities and term debt. The carrying value and fair value of the Company's financial instruments carried on the consolidated statements of financial position are classified into the following categories:

	December 31,2018		December 31,2017	
Financial Assets at Amortized Cost	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Accounts receivable	**16,187**	**16,187**	1,092	1,092
Financial Liabilities at Amortized Cost				
Accounts payable and accrued liabilities	**60,922**	**60,922**	2,210	2,210
Term debt	**50,007**	**50,007**	14	14
Total	**110,929**	**110,929**	2,224	2,224

The Company's financial assets and liabilities expose it to various risks. The following analysis provides an assessment of those risks as at December 31, 2018.

CREDIT RISK

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivable from partners in jointly owned assets, natural gas marketers and counterparties to derivative financial contracts.

Substantially all of the Company's petroleum and natural gas production is marketed under standard industry terms. Sales from petroleum and natural gas marketers are normally collected on the 25th day of the month following sale. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with creditworthy purchasers. The Company historically has not experienced any material collection issues with its petroleum and natural gas marketers. Receivables from partners in jointly owned assets are typically collected within one to three months of the bill being issued to the partner. The Company attempts to mitigate the risk from receivables from partners in jointly owned assets by obtaining partner approval of significant capital expenditures prior to the expenditure. However, the receivables are from participants in the petroleum and natural gas sector, and collection of the outstanding balances can be impacted by industry factors such as commodity price fluctuations, limited capital availability and unsuccessful drilling programs. The Company does not typically obtain collateral from petroleum and natural gas marketers or partners in jointly owned assets; however, the Company can cash call for major projects and does have the ability, in most cases, to withhold production from these partners in the event of non-payment.

The carrying amount of accounts receivable represents the maximum credit exposure. As at December 31, 2018 and 2017, the Corporation's accounts receivables consisted of:

	December 31, 2018	December 31, 2017
Petroleum and natural gas marketers	**$ 9,832**	$ -
Receivables from partners in jointly owned assets	**4,069**	885
Other (primarily government receivables)	**2,286**	207
Total accounts receivable	**$ 16,187**	$ 1,092

As at December 31, 2018 and 2017, the Corporation's accounts receivables are aged as follows:

	December 31, 2018	December 31, 2017
Current (less than 90 days)	**$ 14,954**	$ 1,092
Past due (more than 90 days)	**1,233**	-
	$ 16,187	$ 1,092

The Corporation has assessed the past due receivables and determined that no provision is required as at December 31, 2018 (December 31, 2017: Nil).

LIQUIDITY AND FUNDING RISK

Liquidity and funding risk is the risk that the Company may be unable to obtain sufficient cash or its equivalent in a timely and cost-effective manner to meet its commitments as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements as they become due. The Company manages its capital structure, being its share capital and debt facilities, and makes adjustments to it based on the funds available to the Company, in order to support future business opportunities. The Company manages the capital structure and makes adjustments in light of changes in economic and market conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, obtain additional debt facilities and/or consider strategic alliances including joint venture partners. To date, the Company has funded its share of commitments from existing cash balances, equity raises and its debt facility.

The Company will require significant additional financing to support operations, to advance expansion of its upstream operations and to ultimately fund the construction of its proposed LNG facility. Management will explore all options to achieve the appropriate funding levels. A source of future funds available to the Company is the issuance of additional shares. The Company's operations may also be financed in whole or in part with debt, a partnership agreement or a sale of an interest in an oil or natural gas property. Debt financing may increase the Company's debt levels above industry standards. Depending on future development and exploration plans, the Company may require additional equity and/or debt financing that may not be available, or available on favourable terms. The level of the Company's indebtedness that may occur from time to time could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise. Financing by way of a partnership or sale of an interest may reduce the interest held by the Company in the properties in respect of which the financing is obtained. There can be no assurance that such financing will be available to the Company. Furthermore, even if such financing is successfully secured, there can be no assurance it will be obtained on terms favourable to the Company or provide the Company with sufficient funds to meet its objectives. This may adversely affect the Company's business and financial position. If financing is obtained by issuing additional equity, control of the Company could be affected.

The timing of cash outflows relating to financial liabilities as at December 31, 2018 is outlined in the table below:

	Total	Less than 1 year	1-3 years	3-5 years	Beyond 5 years
Accounts payable	$ 60,922	$ 60,922	$ -	$ -	$ -
Term debt	50,007	50,007	-	-	-
Deferred accounts payable	8,051	8,051	-	-	-
Partners' share in security deposits	294	-	-	-	294
Total	**$ 119,274**	**$ 118,980**	**$ -**	**$ -**	**$ 294**

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market conditions. Market risk comprises three types of risk: interest rate risk, currency risk and price risk.

INTEREST RATE RISK

The Company is potentially exposed to fair value risk through increases in interest rates. While central banks have taken pause on rate increases of late, there is no guarantee that that situation will persist. Any rate increases will have an impact on any debt financing negotiated by Pieridae as it looks to raise capital to fund its Goldboro LNG project.

CURRENCY RISK

The Company is also exposed to fluctuations in foreign exchange rates as certain accounts payable and accrued liabilities and commitments are denominated in US dollar, UK pound sterling and Euro. These risks will be materially enhanced if the Company secures debt financing denominated in any currency other than Canadian dollars. If the Canadian dollar was to change by five percent against the various currency exposures, the impact to the foreign exchange gain or loss would have been approximately $390,000 for the year ended December 31, 2018. To date, the Company has not entered into any foreign currency transactions or financial instruments to manage currency risks.

PRICE RISK

Now that the Company is has upstream natural gas assets, it is directly subject to fluctuations in commodity prices. Fluctuations in commodity prices, specifically the prices for natural gas and LNG, will have a significant impact on the Company's cash flows and its final investment decision for the LNG project. A continuation of the challenging natural gas price environment in Western Canada will make it difficult for Pieridae to become cashflow positive.This depressed environment will also have a significant impact on the Company's ability to attract the necessary investment to ultimately construct the LNG project. As the Company advances toward a final investment decision for the LNG project and pursues the required financing it will evaluate a number of options to potentially manage this risk.

ENVIRONMENTAL RISK

LNG, oil and natural gas operations involve risks that could cause damage to the environment, or other unforeseen conditions, that could result in damage to the properties of the Company or to properties owned by third parties. This could lead to potential liability toward third parties. The industry is subject to extensive environmental legislation providing restrictions and prohibitions on the emissions or release of certain substances produced in various activities within the industry. In addition, the legislation requires that land, wells and facility sites that are abandoned be reclaimed to the satisfaction of government authorities at the end of the licence validity period.

REGULATORY RISK

The LNG, oil and natural gas industry is subject to controls and regulations established by municipal, provincial and federal governments with respect to prices, royalties, land tenure, production quotas, imports and exports of LNG, oil, natural gas and environmental protection.

Legislation involving all of these issues is under constant scrutiny and calls for change. Consequently, it is extremely challenging to plan with certainty regarding the impact that these control measures, regulations and their amendments will have on the Company's operations. The industry is subject to environmental regulations pursuant to a variety of provincial and federal legislation. This legislation provides restrictions and prohibitions on the emission or release of various substances produced or used in association with certain production activities within the industry, and which affect the costs and location of wells and facilities and the extent to which activities are authorized. In addition, the legislation requires land, wells and facility sites that are abandoned to be reclaimed to the satisfaction of provincial authorities. Any breach of such legislation may result in the imposition of fines and penalties, suspension or revocation of necessary licences, permits and authorizations to operate a business and enforcement of civil liabilities for pollution damages.

The royalty program implemented by each province is also a significant factor in the profitability of LNG, oil and natural gas production. Royalties payable on output are determined by government regulation. They are calculated as a percentage of the gross value of output and, typically, the rate of royalties payable depends in part on the prescribed benchmark price, well productivity, geographical location, field discovery date and the type or quality of the resource produced.

BUSINESS RISKS AND UNCERTAINTIES

The Company is subject to a number of business risks. These outlined in greater detail in our 2018 MD&A and the Annual Information Form for the year ended December 31, 2018.

20. SUPPLEMENTAL INFORMATION

PRESENTATION IN CONSOLIDATED STATEMENTS OF CASH FLOWS

The below table provides supplemental information for the statement of cash flows:

	December 31, 2018	December 31, 2017
Changes in non-cash working capital		
Accounts receivable	**$ 287**	$ (154)
Prepaid expenses and deposits	**(55)**	(28)
Accounts payable and accrued liabilities	**5,497**	(6,889)
	$ 5,729	$ (7,071)
Changes relating to:		
Operating activities	**$ 5,729**	$ (7,071)
Investing activities	**-**	-
	$ 5,729	$ (7,071)
Cash interest paid	**$ 543**	**$ 1,005**

Increase in exploration and evaluation costs, net of recoveries

	Year Ended December 31, 2018	Year Ended December 31, 2017
Additions to exploration and evaluation costs, net of recoveries (Note 9)	**$ 1,731**	$ -
Stock-based compensation	**(229)**	-
Change in provision for site restoration	**(1,034)**	-
Amortization of deferred lease inducements	**10**	-
Net increase in exploration and evaluation costs	**$ 478**	$ -

RELATED PARTY TRANSACTIONS

The Company's related parties include key management personnel, as described below. None of the transactions with related parties involve special terms or conditions, and no guarantees were given or received. Outstanding balances are usually settled in cash or shares. Key management personnel compensation includes the following:

	December 31, 2018	December 31, 2017
Short-term employee benefits:		
Salaries and employee benefits	**$ 1,309**	$ 520
Director's fees	**239**	35
Total short-term employee benefits	**1,548**	555
Share-based compensation	**1,869**	450
Fees	**52**	63
Total compensation	**$ 3,469**	**$ 1,068**

21. PER SHARE AMOUNTS

The calculation of basic earnings per share for the year ended December 31, 2018 was based on a net loss of $34.9 million (2017: net loss of $8.9 million).

	December 31, 2018	December 31, 2017
Basic common shares outstanding	**74,516,594**	50,481,197
Options outstanding	**2,653,394**	1,835,395
Warrants outstanding (1)	**1,889,755**	343,747
Fully diluted common shares outstanding	**79,059,743**	52,660,339
Weighted average shares outstanding	**51,274,159**	37,312,304
Dilutive effect of options and warrants (2)	**-**	-
Diluted weighted average shares outstanding	**51,274,159**	**37,312,304**
Net income (loss) per share – basic and diluted	**$ (0.68)**	$ (0.24)

(1) There are 1,179,410 2018 one half of of one common share purchase warrants outstanding, with each whole warrant enntitling the holder to purchase one common share. There are an additional 1,300,050 share purchase warrrantss outstanding that entitle the holder to one common share.

(2) For the year ended December 31, 2018, aa total of 2,653,394 options and (2017: 1,835,395) and 1,889,755 warrants (2017: 343,747) were excluded from the calculation as they were anti-dlituve.

22. PROVISION FOR CONTINGENT LIABILITY

	Year Ended December 31, 2018	Year Ended December 31, 2017
Balance, beginning of period	**$ 583**	$ -
Change in provision	**(53)**	(117)
Business combination	**-**	700
Balance, end of period	**$ 530**	**$ 583**

Most of the Company's contingent liabilities arose as a result of a flow-through share financing and reflect spending obligations that were required to be made prior to December 31, 2017. The Company requires certain approvals from the Quebec government in order to fulfill these obligations. Due to the moratorium on exploration and development activities in Quebec, the Company was not permitted to fulfill these obligations prior to December 31, 2018.

23. DEFERRED ACCOUNTS PAYABLE

Deferred accounts payable reflects the amount due to a third-party engineering and construction company. Payment of this amount is contingent upon Pieridae proceeding with the construction of its LNG facility. If the project does not proceed, and at any time Pieridae cancels or abandons the project, the Company has no obligation to pay the remaining amount. If the Company proceeds with the project and awards the construction contract to this third party, the amount will be included in the fee structure of the construction contract, and paid over time. If the Company proceeds with the project but awards the construction contract to another third party, the amount will become due thirty days thereafter. The variation of the deferred accounts payable relates to foreign exchange gain or loss.

24. COMMITMENTS

	2019	2020	2021	2022	Thereafter	Total
Leases	$ 537	$ 217	$ 125	$ 126	$ 706	$ 1,711
Quebec License fees	241	241	241	-	-	723
Interest on debt	3,562	-	-	-	-	3,562
Firm transportation	6,913	4,174	1,591	1,228	3,730	17,636
Total	**$ 11,253**	**$ 4,632**	**$ 1,957**	**$ 1,354**	**$ 4,436**	**$ 23,632**

25. SUBSEQUENT EVENTS

On February 4, 2019, the Company announced that the Nova Scotia Mi'kmaq Benefits Agreement which it negotiated with the Assembly of Nova Scotia Mi'kmaq Chiefs had been ratified. This Benefits Agreement establishes the framework under which the Mi'kmaq of Nova Scotia will benefit economically from the development, construction and operation of the Goldboro LNG Project. A Memorandum of Understanding signed in 2013 originally outlined the relationship between Pieridae and the Mi'kmaq in Nova Scotia.

On February 12, 2019, the Company announced its plan for a private placement of the Company's common shares at a price of $2.00 per share. After giving effect to both the brokered and non-brokered tranches of the private placement, the Company issued 9,550,000 commons shares for gross proceeds of $19.1 million.

On April 1, 2019, the Company announced that it had engaged Kellogg Brown & Root Limited ("KBR") to perform a review of an amended version of the previously prepared front-end engineering and design study for its proposed Goldboro LNG Facility. KBR will also conduct an open book estimate necessary for entering into a lumpsum engineering, procurement and construction contract.