PIERIDAE ENERGY

Condensed Consolidated Statements of Financial Position

(Unaudited, in thousands of Canadian dollars)			June 30, 2019		December 31, 2018
Assets					
Current					
Cash and cash equivalents	(Note 14)	**$**	**9,146**	$	7,651
Cash and cash equivalents held for exploration purposes	(Note 14)		**1,461**		1,461
Restricted cash	(Note 14)		**4,119**		8,626
Accounts receivable			**13,339**		16,187
Prepaid expenses and deposits	(Note 3)		**12,678**		2,250
			40,743		36,175
Restricted cash equivalents	(Note 14)		**-**		1,000
Security deposits			**600**		600
Interests in associates			**3,716**		3,722
Property, plant and equipment	(Note 7)		**298,453**		301,603
Exploration and evaluation assets	(Note 6)		**19,946**		27,573
Right-of-use assets	(Notes 4 & 8)		**2,607**		-
		$	**366,065**	$	370,673
Liabilities					
Current					
Accounts payable and accrued liabilities		**$**	**48,823**	$	60,922
Current portion of deferred lease inducements			**17**		20
Current portion of term debt			**50,002**		50,007
Partner advances for planned exploration work			**624**		624
Convertible loan	(Note 3)		**10,000**		-
Provision for contingent liability			**530**		530
Liability related to flow-through shares			**82**		82
Current portion of lease liabilities	(Notes 4 & 9)		**874**		-
Deferred accounts payable	(Note 15)		**7,683**		8,051
			118,635		120,236
Partners' share in security deposits			**294**		294
Deferred lease inducements			**149**		159
Provision for site restoration	(Note 11)		**163,808**		158,236
Lease liabilities	(Note 9)		**1,852**		-
			284,738		278,925
Share capital	(Note 12)		**213,736**		193,270
Contributed surplus			**9,227**		8,960
Other comprehensive income			**2,612**		1,240
Warrants			**933**		933
Deficit			**(145,025)**		(112,503)
Equity attributable to equity holders of the company			**81,483**		91,900
Non-controlling interests			**(156)**		(152)
Total shareholders' equity			**81,327**		91,748
		$	**366,065**	$	370,673

Subsequent events (Note 19)

Condensed Consolidated Statements of Loss and Comprehensive Loss

Unaudited, in thousands of Canadian dollars (except share and per share amounts)			Three months ended June 30, 2019	2018	Six months ended June 30, 2019	2018
Revenues						
Petroleum and natural gas	(Note 16)	$	**12,334**	-	$ **35,624**	-
Royalties			**(413)**	-	**(1,333)**	-
			11,921	-	**34,291**	-
Project management			**30**	66	**30**	82
Other income			**1,436**	-	**2,704**	-
			13,387	66	**37,025**	82
Realized loss on risk management contracts			**-**	-	**(657)**	-
Unrealized gain on risk manangement contracts			**-**	-	**1**	-
			13,387	66	**36,369**	82
Expenses						
Operating expenses			**13,528**	233	**29,722**	324
Administrative expenses			**3,738**	829	**7,770**	1,513
Development expenses			**7,841**	1,683	**7,841**	2,260
Transportation			**1,787**	-	**3,416**	-
Impairment of exploration and evaluation assets	(Note 6)		**-**	-	**7,859**	-
Share-based compensation	(Note 13)		**118**	574	**267**	1,901
Loss (gain) on foreign exchange			**15**	(502)	**(3)**	(206)
Depletion and depreciation	(Notes 7 & 8)		**3,998**	15	**8,343**	31
Financial (income) expense	(Note 10)		**1,889**	(23)	**3,729**	(42)
Share of net loss of associates			**3**	3	**6**	6
Gain on disposal			**-**	-	**(55)**	-
			32,917	2,812	**68,895**	5,787
Net loss before taxes			**(19,530)**	(2,746)	**(32,526)**	(5,705)
Deferred income tax recovery			**-**	(16)	**-**	(16)
Net loss for the period			**(19,530)**	(2,730)	**(32,526)**	(5,689)
Other comprehensive income (loss), net of income tax						
Foreign currency translation gain (loss)			**355**	(167)	**1,372**	(390)
Total comprehensive loss for the period		$	**(19,175)**	$ (2,897)	$ **(31,154)**	$ (6,079)
Net loss attributable to						
Equity holders of the Company			**(19,530)**	(2,711)	**(32,522)**	(5,653)
Non-controlling interests			**-**	(19)	**(4)**	(36)
Net loss per share attributable to equity holders of the Company						
Basic and diluted	(Note 18)	$	**(0.23)**	$ (0.05)	$ **(0.40)**	$ (0.11)
Weighted average number of common shares						
Basic	(Note 18)		**84,206,324**	50,526,477	**81,017,455**	50,514,555
Diluted			**84,206,324**	50,526,477	**81,017,455**	50,514,555

PIERIDAE ENERGY

Condensed Consolidated Statements of Changes in Equity

(Unaudited, 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, 2017		**$ 128,804**	**$ -**	**$ 6,715**	**$ (77,633)**	**$ 1,583**	**$ 59,469**	**$ (107)**	**$ 59,362**
Share-based compensation		97	-	1,804	-	-	1,901	-	1,901
Common shares issued on stock option exercise		140	-	-	-	-	140	-	140
Total comprehensive income (loss) for the period		-	-	-	(5,653)	(390)	(6,043)	(36)	(6,079)
As at June 30, 2018		**$ 129,041**	**$ -**	**$ 8,519**	**$ (83,286)**	**$ 1,193**	**$ 55,467**	**$ (143)**	**$ 55,324**
As at December 31, 2018	(Note 12)	**$ 193,270**	**$ 933**	**$ 8,960**	**$ (112,503)**	**$ 1,240**	**$ 91,900**	**$ (152)**	**$ 91,748**
Share-based compensation		31	-	267	-	-	298	-	298
Common shares and warrants issued on private placement	(Note 12)	21,300	-	-	-	-	21,300	-	21,300
Share issue costs		(865)	-	-	-	-	(865)	-	(865)
Total comprehensive income (loss) for the period		-	-	-	(32,522)	1,372	(31,150)	(4)	(31,154)
As at June 30, 2019	(Note 12)	**$ 213,736**	**$ 933**	**$ 9,227**	**$ (145,025)**	**$ 2,612**	**$ 81,483**	**$ (156)**	**$ 81,327**

PIERIDAE ENERGY

Condensed Consolidated Statements of Cash Flows

(Unaudited, in thousands of Canadian dollars)		Three months ended June 30, 2019	2018	Six months ended June 30, 2019	2018
Operating activities					
Net loss		**$ (19,530)**	$ (2,730)	**$ (32,526)**	$ (5,689)
Depletion and depreciation	(Notes 7 & 8)	**3,998**	5	**8,343**	10
Deferred tax recovery		**-**	(17)	**-**	(17)
Share-based compensation	(Note 13)	**118**	538	**267**	1,756
Amortization of deferred lease inducements		**(2)**	(7)	**(12)**	(10)
Impairment of exploration and evaluation assets	(Note 6)	**-**	-	**7,859**	-
Accretion	(Note 11)	**715**	12	**1,421**	26
Share of net loss of associates		**3**	3	**6**	6
Gain on disposal		**-**	-	**(55)**	-
Site restoration expenditures		**(18)**	-	**(116)**	-
Foreign exchange (gain) loss		**15**	(502)	**(3)**	(206)
Changes in non-cash working capital		**(2,001)**	945	**(18,970)**	223
Cash provided by operating activities		**(16,702)**	(1,753)	**(33,786)**	(3,901)
Investing activities					
Additions to property, plant and equipment		**-**	(338)	**-**	(371)
Additions to petroleum and natural gas properties	(Note 7)	**(867)**	(84)	**(1,323)**	(113)
Additions to exploration and evaluation assets	(Note 6)	**(50)**	(100)	**(166)**	(289)
Cash used in investing activities		**(917)**	(522)	**(1,489)**	(773)
Financing activities					
Issuance of share capital, net of costs	(Note 12)	**2,200**	25	**20,466**	140
Restricted cash	(Note 14)	**-**	(500)	**5,507**	(500)
Increase in convertible debt	(Note 3)	**10,000**	-	**10,000**	-
Repayment of bank debt		**(1)**	(2)	**(3)**	(4)
Payments on lease obligations	(Note 9)	**(112)**	-	**(207)**	-
Repayment of promissory notes		**-**	-	**-**	(25)
Cash provided by financing activities		**12,087**	(477)	**35,763**	(389)
Increase (decrease) in cash and cash equivalents		**(5,532)**	(2,752)	**488**	(5,063)
Cash and cash equivalents, beginning of period		**16,158**	18,925	**9,112**	21,238
Effect of foreign exchange on cash		**(19)**	(4)	**1,007**	(6)
Cash and cash equivalents, end of period		**$ 10,607**	$ 16,169	**$ 10,607**	$ 16,169

Cash paid:		
Interest	$ 14	$ 543
Income taxes	-	-

Notes to the Condensed Consolidated Financial Statements (unaudited)

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 Company is also involved in the acquisition, development and production of petroleum and natural gas resources located in Alberta, British Columbia, Quebec and New Brunswick. 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 condensed consolidated interim unaudited ("consolidated financial statements") have been prepared in accordance with IAS 34, Interim Financial Reporting. The interim consolidated financial statement note disclosures do not include all of those required by International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") applicable for annual financial statements. Accordingly, the consolidated financial statements should be read in conjunction with the audited consolidated financial statements, and notes thereto, as at and for the year ended December 31, 2018.

The consolidated financial statements were approved by the Board of Directors of Pieridae on August 8, 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 six months ended June 30, 2019, and consistent with the fact that a large proportion of the Company's activities are still in the developmental stage, the Company generated a net loss of $32.5 million and negative cash flow from operations of $33.8 million. The Company's current liabilities also exceed its current assets by $77.9 million, and its term debt of $50.0 million is due on September 30, 2019. The Company also incurred an additional $10.0 million in convertible debt in the most recent quarter in association with the announced acquisition of additional producing properties and midstream assets from Shell Canada Energy (Note 3). The $10.0 million convertible debenture funded the deposit for this acquisition. This deposit is not refundable. The total purchase price for this acquisition is estimated to be $190.0 million. Pieridae is currently working to raise the capital needed to fund the purchase price. There is no guarantee that the Company will be successful. 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 LNG business and will require additional debt and equity financing to fund the future development of its LNG project and any additional associated natural gas asset acquisitions. 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. ASSET ACQUISITION

On June 26, 2019, Pieridae announced that it had signed a purchase and sale agreement ("PSA") with Shell Canada Energy ("Shell") to purchase all of Shell's midstream and upstream assets in the southern Alberta Foothills for a purchase price of $190.0 million, subject to normal adjustments (the "Shell Acquisition"). The purchase price for the Shell Acquisition will be satisfied via (i) the payment to Shell of $175.0 million in cash (net of adjustments), to be raised by Pieridae through the issuance of term debt and equity, and (ii) the issuance of Pieridae common shares to Shell having an aggregate value of $15.0 million, with Shell's ownership interest not to exceed 9 percent of the issued and outstanding shares of the Company (such value to be determined proximate to the time of closing of the Shell Acquisition, in accordance with the terms of the PSA). Closing of the Shell Acquisition remains subject to satisfactory completion of due diligence by Pieridae on the assets being acquired. Subject to such due diligence completion, the closing of the Shell Acquisition is expected to occur in the third quarter of 2019. On signing of the PSA, Pieridae paid a non-refundable deposit to Shell of $10.0 million. This deposit is included in prepaid expenses and deposits.

To fund the initial down payment, the Company also announced that it had closed (i) a non-brokered private placement of common shares of the Company at a price of $0.86 per share for gross proceeds of $2.2 million and (ii) a non-brokered private placement of a secured convertible debenture of the Company (the "Convertible Debenture") for aggregate gross proceeds of $10.0 million. Total gross proceeds were $12.2 million. The common shares of the Company issuable upon conversion of the Convertible Debenture will be issued immediately after the Shell Acquisition has been completed. The conversion price of the common shares issuable upon conversion of the Convertible Debenture is $0.86 per common share, subject to adjustment in accordance with the terms of the Convertible Debenture. If the Shell Acquisition is not completed and the Convertible Debenture has not been converted into common shares, the principal and interest owing under the Convertible Debenture is due and payable to the holder on the earliest of (i) September 30, 2019 and (ii) the day which an acceleration notice is delivered or deemed to be delivered. The Convertible Debenture bears interest at 9.5 percent per annum. Interest is payable on conversion or cancellation.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, critical accounting judgments and significant estimates used in preparation of the 2018 annual financial statements have been applied in the preparation of these consolidated financial statements, except for the adoption of IFRS 16 Leases as described below.

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Leases

Pieridae adopted IFRS 16 Leases on January 1, 2019 using the modified retrospective approach. The modified retrospective approach does not require restatement of comparative financial information as it recognizes the cumulative effect on transition as an adjustment to opening retained earnings and applies the standard prospectively. Comparative information in the Company's consolidated statements of financial position, consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity, and consolidated statements of cash flows has not been restated. The cumulative effect of initial application of the standard was to recognize a $2.7 million increase to right-of-use assets ("lease assets") and a $2.7 million increase to lease obligations. Initial measurement of the lease obligation was determined based on the remaining lease payments at January 1, 2019, using a variety of incremental borrowing rates specific to the respective assets. The lease assets were initially recognized at an amount equal to the lease obligations. The lease assets and lease obligations recognized largely relate to the Company's head office lease in Calgary.

The adoption of IFRS 16 using the modified retrospective approach allowed the Company to use the following practical expedients in determining the opening transition adjustment:

- leases with a term of less than 12 months as at January 1, 2019 were accounted for as short-term leases;
- leases with an underlying asset of low value are recorded as an expense and not recognized as a lease asset; and
- leases with similar characteristics were accounted for as a portfolio using a single discount rate.

The Company's accounting policy for leases effective January 1, 2019 is set forth below. Comparative information continues to be accounted for in accordance with the Company's previous accounting policy found in the December 31, 2018 audited financial statements.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease obligation, and corresponding lease asset, are recognized at the commencement of the lease. The present value of the lease obligation is based on the future lease payments and is discounted using the Company's incremental borrowing rate when the rate implicit in the lease is not readily available. The Company uses a single discount rate for a portfolio of leases with similar characteristics. The lease asset is recognized at the amount of the lease obligation, adjusted for lease incentives received and initial direct costs, on commencement of the lease. Depreciation is recognized on the lease asset over the shorter of the estimated useful life of the asset or the lease term. Lease payments are allocated between the liability and interest expense. Interest expense is recognized on the lease obligations using the effective interest rate method and payments are applied against the lease obligation.

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amount of assets, liabilities, income, and expenses. Actual results could differ significantly from these estimates. Management has made the following judgments, estimates, and assumptions related to the accounting for leases. The carrying amounts of the right-of-use assets, lease obligations, and the resulting interest and depletion and depreciation expense are based on the implicit interest rate within the lease arrangement or, if this information is unavailable, the incremental borrowing rate. Incremental borrowing rates are based on judgments including economic environment, term, and the underlying risk inherent to the asset.

5. SEGMENTED FINANCIAL INFORMATION

Pieridae's reportable segments are determined based on the nature of the underlying operations. The breakdown of the respective lines of business is as follows:

- Upstream is represented predominantly by the properties acquired from Ikkuma Resources Corp. in 2018. 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 and corporate overhead costs.

Segmented Information

Three months ended June 30

(Unaudited, in thousands of Canadian dollars)	Upstream 2019	Upstream 2018	LNG 2019	LNG 2018	Consolidated 2019	Consolidated 2018
Revenue						
Petroleum and natural gas	$ 12,334	-	-	-	$ 12,334	-
Royalties	(413)	-	-	-	(413)	-
	11,921	-	-	-	11,921	-
Project management	30	66	-	-	30	66
Other income	1,436	-	-	-	1,436	-
	13,387	66	-	-	13,387	66
Realized gain (loss) on risk manangement contracts	-	-	-	-	-	-
Unrealized gain (loss) on risk manangement contracts	-	-	-	-	-	-
	13,387	66	-	-	13,387	66
Expenses						
Operating expenses	13,528	233	-	-	13,528	233
Administrative expenses	1,518	487	2,220	342	3,738	829
Development expenses	-	-	7,841	1,683	7,841	1,683
Transportation	1,787	-	-	-	1,787	-
Impairment of exploration and evaluation assets	-	-	-	-	-	-
Share-based compensation	23	574	95	-	118	574
Loss (gain) on foreign exchange	3	-	12	(502)	15	(502)
Depletion and depreciation	3,998	15	-	-	3,998	15
Financial (income) and expenses	1,889	-	-	(23)	1,889	(23)
Share of net loss of associates	3	3	-	-	3	3
Gain on disposal	-	-	-	-	-	-
	22,749	1,312	10,168	1,500	32,917	2,812
Income (loss) before income tax	(9,362)	(1,246)	(10,168)	(1,500)	(19,530)	(2,746)
Deferred tax recovery	-	(16)	-	-	-	(16)
Net income (loss)	$ (9,362)	$ (1,230)	$ (10,168)	$ (1,500)	$ (19,530)	$ (2,730)

Segmented Information

(Unaudited, in thousands of Canadian dollars)	Upstream 2019	Upstream 2018	LNG 2019	LNG 2018	Consolidated 2019	Consolidated 2018
	Six months ended June 30					
Revenue						
Petroleum and natural gas	$ **35,624**	-	**-**	-	$ **35,624**	-
Royalties	**(1,333)**	-	**-**	-	**(1,333)**	-
	34,291	**-**	**-**	**-**	**34,291**	**-**
Project management	**30**	82	**-**	-	**30**	82
Other income	**2,704**	-	**-**	-	**2,704**	-
	37,025	82	**-**	-	**37,025**	82
Realized gain (loss) on risk manangement contracts	**(657)**	-	**-**	-	**(657)**	-
Unrealized gain (loss) on risk manangement contracts	**1**	-	**-**	-	**1**	-
	36,369	82	**-**	-	**36,369**	82
Expenses						
Operating expenses	**29,722**	324	**-**	-	**29,722**	324
Administrative expenses	**2,857**	771	**4,913**	742	**7,770**	1,513
Development expenses	**-**	-	**7,841**	2,260	**7,841**	2,260
Transportation	**3,416**	-	**-**	-	**3,416**	-
Impairment of exploration and evaluation assets	**7,859**	-	**-**	-	**7,859**	-
Share-based compensation	**53**	1,734	**214**	167	**267**	1,901
Loss (gain) on foreign exchange	**(5)**	-	**2**	(206)	**(3)**	(206)
Depletion and depreciation	**8,343**	31	**-**	-	**8,343**	31
Financial (income) and expenses	**3,729**	-	**-**	(42)	**3,729**	(42)
Share of net loss of associates	**6**	6	**-**	-	**6**	6
Gain on disposal	**(55)**	-	**-**	-	**(55)**	-
	55,925	2,866	**12,970**	2,921	**68,895**	5,787
Income (loss) before income tax	**(19,556)**	(2,784)	**(12,970)**	(2,921)	**(32,526)**	(5,705)
Deferred tax recovery	**-**	(16)	**-**	-	**-**	(16)
Net loss	$ **(19,556)**	$ (2,768)	$ **(12,970)**	$ (2,921)	$ **(32,526)**	$ (5,689)

As at	**June 30, 2019**	**December 31, 2018**
Upstream assets	$ **352,986**	$ 357,287
LNG assets	**13,079**	13,386
Total consolidated assets	$ **366,065**	$ 370,673

6. EXPLORATION AND EVALUATION

At December 31, 2018	$	27,573
Additions		166
Change in asset retirement obligations		66
Impairment		(7,859)
At June 30, 2019	**$**	**19,946**

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. In Q1 2019 management re-evaluated the Company's prospects in Quebec and compared these to other opportunities available to the Company. Management concluded that renewing some petroleum licenses in Quebec was not in the best interests of the Company. Consequently, only licenses for properties which held the most promise, and likelihood of exploratory success, were renewed. The other licenses were relinquished. This was deemed as an indicator of impairment for the related properties, and an impairment charge was recognized in the first quarter of 2019.

7. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

Historical Cost		
At December 31, 2018	$	302,351
Additions		614
Change in asset retirement obligations		4,267
At June 30, 2019	**$**	**307,232**

In Q2 2019, the Company identified additional working capital that had been part of the acquisition of Ikkuma Resources Corp. in December 2018. The increase in working capital was applied against the value of the petroleum properties.

Accumulated Depletion & Depreciation		
At December 31, 2018	$	748
Depletion and depreciation		8,031
At June 30, 2019	**$**	**8,779**

Net Book Value		
At December 31, 2018	$	301,603
At June 30, 2019	**$**	**298,453**

8. RIGHT-OF-USE ASSETS

The following table details the cost and accumulated depreciation of Pieridae's ROU assets as at June 30, 2019:

Historical Cost		**Office**		**Vehicles**		**Equipment**		**Total**
Balance, January 1, 2019	$	2,174	$	466	$	26	$	2,666
Additions		-		253		-		253
At June 30, 2019	**$**	**2,174**	**$**	**719**	**$**	**26**	**$**	**2,919**

Accumulated depreciation		Office		Vehicles		Equipment		Total
Balance, January 1, 2019	$	-	$	-	$	-	$	-
Depreciation		146		162		4		312
At June 30, 2019	**$**	**146**	**$**	**162**	**$**	**4**	**$**	**312**

Net Book Value		Office		Vehicles		Equipment		Total
Balance, January 1, 2019	$	2,174	$	466	$	26	$	2,666
At June 30, 2019	**$**	**2,028**	**$**	**557**	**$**	**22**	**$**	**2,607**

9. LEASE LIABILITIES

		June 30, 2019
Less than 1 year	$	1,010
1 - 3 years		1,813
4 - 5 years		139
After 5 years		63
Total lease payments		3,025
Amount representing finance expense over the term of the lease		(299)
Present value of net lease payments		2,726
Less current portion of lease liabilities		(874)
Non-current portion of lease liabilities	**$**	**1,852**

For the three and six months ended June 30, 2019, the Company recorded interest of $29 thousand and $43 thousand, respectively, and payments of $112 thousand and $207 thousand, related to its lease obligations. The undiscounted amount of estimated future cashflows required to settle these leases is $3.0 million.

10. FINANCIAL INCOME AND EXPENSES

	Three months ended June 30,				Six months ended June 30,			
		2019		2018		2019		2018
Finance (Income) Expense								
Interest expense	**$**	**1,244**	$	16	**$**	**2,415**	$	28
Interest income		**(70)**		(52)		**(107)**		(97)
Accretion		**715**		13		**1,421**		27
Total finance (income) expense	**$**	**1,889**	$	(23)	**$**	**3,729**	$	(42)

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

11. DECOMMISSIONING OBLIGATIONS

	As at June 30, 2019		As at December 31, 2018	
Decommissioning obligations, beginning of year	$	158,236	$	2,740
Obligations acquired		-		154,972
Change in estimated future cash outflows		4,267		1,731
Obligations settled		(116)		(1,260)
Accretion		1,421		53
Decommissioning obligations, end of period	**$**	**163,808**	$	158,236

As at June 30, 2019, risk-free rates of 1.52% (<5 years), 1.90% (>10 years) (Dec 2018: 1.88% and 2.18% respectively) and an inflation rate of 2.0% (Dec 2018: 2.00%) were used to calculate the fair value of the decommissioning obligations. The $4.3 million change in estimated future cash outflows is due to the decrease in risk free rates which occurred in Q1 2019.

12. 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 June 30, 2019 and December 31, 2018 there were no preferred shares outstanding.

The Company has undertaken two private placements of common shares in 2019. In February the Company raised $19.1 million through a private placement at $2.00 per share. In June, a second offering raised $2.2 million at $0.86 per share.

ISSUED AND OUTSTANDING COMMON SHARES

	As at June 30, 2019			**As at December 31, 2018**		
	Common Shares		**Amount**	Common Shares		Amount
Balance beginning of the year	**74,516,594**	**$**	**193,270**	50,481,197	$	128,804
Shares issued on stock option exercise	**44,115**		**-**	52,446		143
Shares issued in private placement	**12,108,139**		**21,300**	2,358,824		8,020
Shares on corporate acquisition	**-**		**-**	21,582,401		56,114
Share-based compensation	**11,281**		**31**	41,726		189
Share issue costs	**-**		**(865)**	-		-
Balance end of the period	**86,680,129**	**$**	**213,736**	74,516,594	$	$193,270

13. SHARE-BASED COMPENSATION

Pursuant to the Stock Option Plans, 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 8,412,199 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 stock option plan adopted on June 18, 2019, options granted to directors vest immediately and for other participants, over a period of five years. All share-based compensation will be settled in equity.

The Company recorded share-based compensation expense of $118 thousand and $267 thousand, respectively, in the three- and six-month periods ended June 30, 2019 ($574 thousand and $1,901 thousand for the three- and six-month periods ended June 30, 2018). There were no options granted in the first or second quarters of 2019. The fair value of options granted in first quarter of 2018 was $2.69. The number of options outstanding is detailed below:

	Weighted Average Exercise Price	Options
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
Exercised	0.01	(44,115)
Forfeited	6.73	(33,500)
As at June 30, 2019	**$ 4.91**	**2,575,779**

The following table summarizes stock options outstanding and exercisable at June 30, 2019:

	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)**
1.98 - 4.08	1,086,148	$ 3.86	1.95	1,056,435	$ 3.90	1.94
5.67 - 8.04	1,489,631	$ 5.68	3.14	971,291	$ 5.60	2.86
	2,575,779	**$ 4.91**	**2.64**	**2,027,726**	**$ 4.76**	**2.40**

14. CASH AND CASH EQUIVALENTS

	As at June 30, 2019	Year Ended December 31, 2018
Cash	**$ 14,726**	$ 18,738
Less: restricted cash(1)	**4,119**	8,626
Less: restricted cash equivalents(1)	**-**	1,000
	10,607	9,112
Less: cash and cash equivalents held for exploration purposes		
Flow-through shares(2)	**736**	736
Bourque project(3)	**725**	725
Total cash and cash equivalents	**$ 9,146**	$ 7,651

(1) As at June 30, 2019, $4.1 million is pledged as security for LC's. Restricted cash of $5.7 million was repatriated in January 2019.

(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.

15. 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.

16. PETROLEUM AND NATURAL GAS SALES

The Company's major revenue sources are comprised of sales from the production of natural gas, natural gas liquids and sulphur. The sale of these products is recognized when control of the product transfers to the customer and the cash collection is reasonably probable, upon delivery of the product. The sale of produced commodities are under contracts of varying terms of up to one year. Revenues are typically collected on the 25th day of the month following sale. Product sales are based on fixed or variable price contracts. Transaction prices for variable priced contracts are based on benchmark commodity prices and other variable factors, including quality differentials and location.

The Company's petroleum and natural gas revenues (net of royalties) are set out below. The Company had no petroleum and natural gas revenues in the three- or six-month periods ended June 30, 2018.

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Natural gas	**$ 9,328**	$ -	**$ 29,796**	$ -
Natural gas liquids	**1,459**	-	**1,619**	-
Sulphur	**1,134**	-	**2,876**	-
Total petroleum and natural gas revenue	**$ 11,921**	$ -	**$ 34,291**	$ -

The Company also generates gas processing income for fees charged to third parties for processing in facilities where Pieridae has an ownership interest. This revenue is classified as other income on the condensed consolidated statement of loss and comprehensive loss.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

	June 30, 2019		December 31, 2018	
Financial Assets at Amortized Cost	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Accounts receivable	**$ 13,339**	**$ 13,339**	$ 16,187	$ 16,187
Financial Liabilities at Amortized Cost				
Accounts payable and accrued liabilities	**$ 48,823**	**$ 48,823**	$ 60,922	$ 60,922
Term debt	**50,002**	**50,002**	50,007	50,007
Convertible loan	**10,000**	**10,000**	-	-
Lease liabilities	**2,726**	**2,726**	-	-
Total	**$ 111,551**	**$ 111,551**	$ 110,929	$ 110,929

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 will require significant additional financing to support operations, to close the Shell Acquisition, 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.

18. PER SHARE AMOUNTS

PER SHARE AMOUNTS

Per share amounts have been calculated on the weighted average number of shares outstanding. The weighted average shares outstanding for the three and six months ended June 30, 2019 were 84,206,324 and 81,017,455 (June 30, 2018, 50,526,477 and 50,514,555), respectively.

The diluted loss per share calculations for the three- and six-month periods ended June 30, 2019, and 2018, were not affected by either the outstanding stock options or warrants as they are anti-dilutive.

The calculation of basic earnings per share for the three- and six-month periods ended June 30, 2019 and 2018 were based on a net losses of $19.5 million (2018: net loss of $2.7 million) and $32.5 million (2018: net loss of $5.7 million), respectively.

	Three months ended June 30, 2019	2018	Six months ended June 30, 2019	2018
Basic common shares outstanding	**86,680,129**	50,549,763	**86,680,129**	50,549,763
Options outstanding	**2,575,779**	2,871,904	**2,575,779**	2,871,904
Warrants outstanding (1)	**1,889,755**	343,747	**1,889,755**	343,747
Fully diluted common shares outstanding	**91,145,663**	53,765,414	**91,145,663**	53,765,414
Weighted average shares outstanding	**84,206,324**	50,526,477	**81,017,455**	50,514,555
Dilutive effect of options and warrants (2)	**-**	-	**-**	-
Diluted weighted average shares outstanding	**84,206,324**	50,526,477	**81,017,455**	50,514,555
Net loss per share - basic and diluted	**$ (0.23)**	$ (0.05)	**$ (0.40)**	$ (0.11)

(1) There are 1,179,410 one half of of one common share purchase warrants outstanding, with each whole warrant entitling the holder to purchase one common share. There are an additional 1,300,050 share purchase warrants outstanding that entitle the holder to one common share.
(2) For the three and six month periods ended June 30, 2019, a total of 2,575,779 options and (2018: 2,871,904) and 1,889,755 warrants (2018: 343,747) were excluded from the calculation as they were anti-dlituve.

19. SUBSEQUENT EVENTS

On July 3, 2019, the Company announced that in accordance with its Directors' Compensation Policy, 33,584 common shares of Pieridae Energy Limited were issued to its directors on July 3, 2019, at the price of $0.89 per share.

In addition, the Company announced that in accordance with its stock option plan, on July 3, 2019 it granted to its employees and directors the option to purchase 3,149,341 common shares of the Company, at an exercise price of $0.89 per share. These stock options will expire on July 3, 2024.

On July 11, 2019, Pieridae announced that it had negotiated extensions of the key deadlines under its 20-year agreement with German utility Uniper. These include expected commercial deliveries of LNG to Uniper to start between November 30th, 2024 and May 31st, 2025; and the extension to September 30, 2020 of the deadline to make a positive financial investment decision for the Company's proposed Goldboro LNG facility. The 20-year agreement with Uniper is for half the LNG produced at Goldboro or 5 million tonnes per annum.