PIERIDAE ENERGY

CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED)

FOR THE PERIODS ENDED JUNE 30, 2018 AND 2017

PIERIDAE ENERGY

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[Expressed in thousands Canadian dollars]

	As at June 30, 2018	As at December 31, 2017
	$	$
ASSETS		
Current		
Cash and cash equivalents *[note 4]*	**14,650**	19,619
Cash and cash equivalents held for exploration purposes *[note 4]*	**1,519**	1,619
Accounts receivable *[note 5]*	**881**	1,092
Prepaid expenses	**583**	122
Total current assets	**17,633**	22,452
Non-current		
Restricted cash equivalents *[note 4]*	**1,130**	630
Security deposits *[note 12]*	**600**	600
Interests in associates *[note 6]*	**3,728**	3,734
Property, plant and equipment *[note 7]*	**4,264**	3,802
Exploration and evaluation assets *[note 8]*	**43,244**	42,827
Total non-current assets	**52,966**	51,593
	70,599	74,045
LIABILITIES AND EQUITY		
Current		
Trade and other payables *[note 9]*	**2,655**	2,210
Current portion of deferred lease inducements	**19**	19
Current portion of bank borrowings	**7**	7
Partner advances for planned exploration work *[note 10]*	**656**	679
Provision for contingent liability *[note 12]*	**528**	583
Current portion of the provision for site restoration *[note 12]*	**685**	610
Flow-through shares premium *[note 11]*	**88**	104
Promissory notes	**—**	25
Deferred accounts payable *[note 13]*	**8,014**	7,836
Total current liabilities	**12,652**	12,073
Non-current		
Partners' share in security deposits *[note 12]*	**294**	294
Deferred lease inducements	**169**	179
Bank borrowings	**3**	7
Provision for site restoration *[note 12]*	**2,157**	2,130
Total non-current liabilities	**2,623**	2,610
Total liabilities	**15,275**	14,683
Equity		
Share capital *[note 14]*	**129,041**	128,804
Contributed surplus	**8,519**	6,715
Deficit	**(83,286)**	(77,633)
Accumulated other comprenhensive income	**1,193**	1,583
Equity attributable to equity holders of the Company	**55,467**	59,469
Non-controlling interests	**(143)**	(107)
Total shareholders' equity	**55,324**	59,362
	70,599	74,045

Contingencies *[note 12 and 18]*
Subsequent events *[note 20]*

See accompanying notes

On behalf of the Board of Directors,

(signed) Myron Tétreault

PIERIDAE ENERGY

UNAUDITED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

[Expressed in thousands Canadian dollars]

For the periods ended June 30	2018 [3 months] $	2017 [3 months] $	2018 [6 months] $	2017 [6 months] $
Revenues				
Project management	**66**	—	**82**	—
	66	—	**82**	—
Expenses				
Administrative expenses	**1,759**	631	**3,441**	824
Operating expenses	**1,575**	48	**2,588**	781
Financial income and expenses	**(23)**	391	**(42)**	772
Loss on conversion right	**—**	1,232	**—**	1,950
Foreign exchange gains	**(502)**	(761)	**(206)**	(746)
Share of net loss of associates *[note 6]*	**3**	30	**6**	60
	2,812	1,571	**5,787**	3,641
Loss before taxes	**(2,746)**	(1,571)	**(5,705)**	(3,641)
Current income tax expense	**1**	—	**1**	—
Deferred income tax recovery	**(17)**	—	**(17)**	—
	(16)	—	**(16)**	—
Net loss for the period	**(2,730)**	(1,571)	**(5,689)**	(3,641)
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent years:				
Exchange differences on translation of foreign operations	**(167)**	(153)	**(390)**	39
Net comprehensive loss for the period	**(2,897)**	(1,724)	**(6,079)**	(3,602)
Net loss attributable to				
Equity holders of the Company	**(2,711)**	(1,572)	**(5,653)**	(3,630)
Non-controlling interests	**(19)**	1	**(36)**	(11)
Net loss per share attributable to equity holders of the Company				
Basic and diluted *[note 15]*	**(0.05)**	(0.05)	**(0.11)**	(0.11)

See accompanying notes

PIERIDAE ENERGY

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[Expressed in thousands Canadian dollars]

	Common shares	Share capital	Warrants	Contributed surplus	Deficit	Foreign currency translation reserve	Total equity	Non-controlling interests	Total equity
	#	$	$	$	$	$	$	$	$
Balance as at December 31, 2017	**50,481,197**	**128,804**	**—**	**6,715**	**(77,633)**	**1,583**	**59,469**	**(107)**	**59,362**
Share-based compensation *[note 14]*	19,766	97	—	1,804	—	—	1,901	—	1,901
Share issued on stock option exercise	48,800	140	—	—	—	—	140	—	140
Net loss and comprehensive loss	—	—	—	—	(5,653)	(390)	(6,043)	(36)	(6,079)
Balance as at June 30, 2018	**50,549,763**	**129,041**	**—**	**8,519**	**(83,286)**	**1,193**	**55,467**	**(143)**	**55,324**

	Common shares	Share capital	Warrants	Contributed surplus	Deficit	Foreign currency translation reserve	Total equity	Non-controlling interests	Total equity
	#	$	$	$	$	$	$	$	$
Balance as at December 31, 2016	15,599,158	44,668	—	5,896	(68,808)	1,287	(16,957)	(88)	(17,045)
Share-based compensation	—	—	—	550	—	—	550	—	550
Net loss and comprehensive loss	—	—	—	—	(3,630)	39	(3,591)	(11)	(3,602)
Balance as at June 30, 2017	15,599,158	44,668	—	6,446	(72,438)	1,326	(19,998)	(99)	(20,097)

See accompanying notes

PIERIDAE ENERGY

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in thousands Canadian dollars]

For the periods ended June 30

	2018 [6 months] $	2017 [6 months] $
OPERATING ACTIVITIES		
Net loss	**(5,689)**	(3,641)
Items not affecting cash:		
Depreciation of property, plant and equipment	**10**	3
Deferred tax recovery	**(17)**	—
Share-based compensation	**1,756**	550
Amortization of deferred lease inducements	**(10)**	—
Accretion expense	**26**	267
Share of net loss of associates *[note 6]*	**6**	60
Loss on conversion right	**—**	1,950
Foreign exchange gains	**(206)**	(746)
	(4,124)	**(1,557)**
Net change in non-cash operating items		
Receivables	**287**	100
Prepaid expenses	**(461)**	—
Trade and other payables	**452**	597
Provision for contingent liabilities *[note 12]*	**(55)**	—
	223	697
Cash flows related to operating activities	**(3,901)**	(860)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(371)**	—
Acquisitions of oil and gas properties, net of recovered amounts	**(113)**	—
Increase in exploration and evaluation costs, net of recovered amounts	**(289)**	—
Cash flows related to investing activities	**(773)**	—
FINANCING ACTIVITIES		
Issuance of share capital, net of costs *[note 14]*	**140**	—
Decrease (increase) in restricted cash and cash equivalents *[note 4]*	**(500)**	28
Repayment of bank borrowings	**(4)**	—
Issuance of promissory note	**—**	53
Repayment of promissory note	**(25)**	—
Cash flows related to financing activities	**(389)**	81
Net decrease in cash and cash equivalents	**(5,063)**	(779)
Cash and cash equivalents, beginning of period	**21,238**	197
Net foreign exchange difference	**(6)**	606
Cash and cash equivalents, end of period *[note 19]*	**16,169**	24

See accompanying notes

PIERIDAE ENERGY

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended June 30, 2018 and 2017

1. INCORPORATION, NATURE OF OPERATIONS, CONDENSED FINANCIAL INFORMATION AND APPROVAL

Incorporation and nature of business

Pieridae Energy Limited [the "Company" or "Pieridae"], was incorporated on May 29, 2012 under the laws of Canada to invest in the development of a fully integrated liquefied natural gas ["LNG"] project to be built in Goldboro, Nova Scotia. The Company is headquartered at 1600-333 7th Avenue SW, Calgary, Alberta, T2P 2Z1.

Approval date

These condensed interim consolidated financial statements for the six-month period ended June 30, 2018 and 2017 were approved by the Board of Directors on August 28, 2018.

Non-controlling interest

During 2014, the Company, Pieridae Energy (Canada) Ltd. and Uniper entered into an agreement, whereby Uniper acquired 1% ownership in Goldboro LNG LP and Pieridae Energy (Canada) Ltd. As at June 30, 2018, the ownership of Uniper was 0.8%.

2. BASIS FOR THE PREPARATION OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim consolidated financial statements were prepared in accordance with applicable IFRS and IAS 34, *Interim Financial Reporting*, published by the International Accounting Standards Board (IASB) and set out in the *CPA Canada Handbook*. The accounting policies and the methods of computation applied in these condensed interim consolidated financial statements are the same as those in the most recent annual financial statements. The condensed interim consolidated financial statements should be read in conjunction with the audited annual financial statements for the fiscal year ended December 31, 2017, including the notes thereto.

All amounts are expressed in Canadian dollars unless stated otherwise.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended June 30, 2018 and 2017

The consolidated interim 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-month period ended June 30, 2018, consistent with the developmental stage of the organization, the Company had generated a $5,689,000 net loss and $3,901,000 negative cash flow from operations. These conditions indicate the existence of material uncertainties that may cast significant doubt about Pieridae Energy Limited'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 phases in the 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 condensed interim 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.

3. CHANGES IN ACCOUNTING POLICIES

3.1 Standards adopted during the current year

As at January 1, 2018, the Company adopted the following standards:

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued IFRS 9, *Financial Instruments*, which makes the following changes to the recognition of financial instruments:

- The classification and measurement approach for financial assets must reflect the business model with which they are managed and their cash flow characteristics;
- Impairment is to be based on the expected credit loss model;
- Hedge accounting must take into account the entity's risk management practices.

The adoption of this standard had no impact on the Company's consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which constitutes a single standard for the recognition of revenue from all contracts with customers, except for insurance contracts, lease contracts, financial instruments and certain non-monetary exchanges. This new standard sets out a single, five-step model for recognizing revenues. The adoption of this standard had no impact on the Company's consolidated financial statements.

3.2 Future changes in accounting policies

The standards issued by the IASB, but not yet effective as at the date of issue of the Company's condensed interim consolidated financial statements is described below.

IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16, *Leases*. This standard provides a single model under which most leases will be recognized in the statement of financial position.

Certain exemptions will apply for short-term leases and leases of low-value assets. IFRS 16 will be effective for fiscal years beginning on or after January 1, 2019. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

	As at June 30, 2018 $	As at December 31, 2017 $
	[000s]	[000s]
Cash	**17,299**	21,868
Less: Restricted cash equivalents[1]	**1,130**	630
	16,169	21,238
Less: Cash and cash equivalents held for exploration purposes		
Flow-through shares[2]	**790**	940
Bourque project[3]	**729**	679
	1,519	1,619
Cash and cash equivalents	**14,650**	19,619

[1] As at June 30, 2018, a portion of cash and cash equivalents, of $630,000, pledged as security for the performance bonds bear interest at 0.95% maturing on February 1, 2019. The remaining portion of $500,000 pledged as security for the performance bonds bear interest at 1.90%. Both instruments are redeemable at any time without penalty.

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

[3] Cash and cash equivalents earmarked for future exploration work on the Bourque project represent the remaining cash as at June 30, 2018 from partner advances which, under the agreements, must be spent on exploration work related to the Bourque project.

5. ACCOUNTS RECEIVABLE

	As at June 30, 2018 $	**As at December 31, 2017 $**
	[000s]	[000s]
Hydrocarbons Anticosti LP[i]	**554**	844
Partner	**9**	9
Commodity taxes	**301**	207
Interest receivable	**9**	7
Other	**8**	25
	881	1,092

[i]Petrolia Anticosti is the operator for Hydrocarbons Anticosti in regards to the exploration work on Anticosti Island, Quebec. The receivable amount comprises chargebacks of work performed and an amount of $685,000 to assume the liability related to site restoration *[Note 12]*, net of an amount received in advance of $144,000. Hydrocarbons Anticosti is owned by Ressources Quebec, a state company of the Government of Quebec.

6. INTERESTS IN ASSOCIATES

On March 4, 2013, the Company entered into a partnership to establish Pieridae Production LP [the "Partnership"] and Pieridae Production GP. Pieridae Production LP was formed to develop gas resources in New Brunswick, Nova Scotia and the Northeast US. The Company as at January 1, 2014 had a 16.98% ownership, and made no further contributions to the Partnership during 2014. During 2015, the Company invested an additional $750,000 increasing its ownership to 20%. Under the terms of the Partnership agreement, the Company is entitled to contribute an additional $14,125,000 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.

(in thousands Canadian dollars)	
Value of the interest as at December 31, 2017	**3,734**
Share in net loss of associates	(6)
Value of the interest as at June 30, 2018	**3,728**

Balance as at December 31, 2016	**3,854**
Share in net loss of associates	(60)
Value of the interest as at June 30, 2017	**3,794**

The associates have no contingent liabilities or capital commitments as at June 30, 2018; however, under the terms of the operating agreement in place for the Partnership, there is an agreed 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:

	As at June 30, 2018 $	**As at December 31, 2017 $**
	[000s]	[000s]
Current assets	**135**	134
Non-current assets	**20,145**	20,145
Current liabilities	**(1,978)**	(1,947)

	For the six months ended June 30	
	2018 $	**2017 $**
Net loss for the period	**(30)**	(150)

PIERIDAE ENERGY

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended June 30, 2018 and 2017

7. PROPERTY, PLANT AND EQUIPMENT

	Land $ [000s]	Land improvements $ [000s]	Leasehold improvements $ [000s]	IT, office and field equipment $ [000s]	Automotive equipment $ [000s]	Reserves $ [000s]	Field offices $ [000s]	Total $ [000s]
Cost								
Balance as at December 31, 2017	**3,425**	**—**	**179**	**94**	**11**	**87**	**54**	**3,850**
Additions	**—**	**493**	**—**	**—**	**—**	**—**	**—**	**493**
Disposals	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Balance as at June 30, 2018	**3,425**	**493**	**179**	**94**	**11**	**87**	**54**	**4,343**
Accumulated depreciation								
Balance as at December 31, 2017	**—**	**—**	**4**	**38**	**1**	**3**	**2**	**48**
Depreciation	**—**	**—**	**10**	**6**	**1**	**8**	**6**	**31**
Balance as at June 30, 2018	**—**	**—**	**14**	**44**	**2**	**11**	**8**	**79**
Net carrying amount as at December 31, 2017	3,425	—	175	56	10	84	52	3,802
Net carrying amount as at June 30, 2018	**3,425**	**493**	**165**	**50**	**9**	**76**	**46**	**4,264**

8. EXPLORATION AND EVALUATION ASSETS

Oil and gas properties

	As at December 31, 2017 $ [000s]	Disposals $ [000s]	Additions $ [000s]	As at June 30, 2018 $ [000s]
Québec				
Gastonguay	**779**	—	**28**	**807**
Gaspésia – Edgar – Marcel-Tremblay	**516**	—	**23**	**539**
Gaspé[1]	**566**	—	**25**	**591**
Bourque project[1]	**151**	—	**8**	**159**
Haldimand – Tar Point No. 1 projects[1]	**2,638**	—	**29**	**2,667**
Matapédia	**216**	—	—	**216**
Total oil and gas properties	**4,866**	—	**113**	**4,979**

Exploration expenses

	As at December 31, 2017 $ [000s]	Disposals $ [000s]	Additions $ [000s]	As at June 30, 2018 $ [000s]
Québec				
Gastonguay	**53**	—	—	**53**
Gaspésia – Edgar – Marcel-Tremblay	**3,172**	—	**8**	**3,180**
Gaspé	**2,790**	—	**14**	**2,804**
Bourque project	**13,843**	—	**170**	**14,013**
Haldimand project	**13,686**	—	**120**	**13,806**
Tar Point project No. 1	**4,031**	—	**13**	**4,044**
Matapédia	**513**	—	**2**	**515**
	38,088	—	**327**	**38,415**

[1]These properties are subject to royalties should they become productive. As of June 30, 2018, none of these properties are in production.

	As at December 31, 2017 $ [000s]	Disposals $ [000s]	Additions $ [000s]	As at June 30, 2018 $ [000s]
Deductions				
Exploration subsidies and partner contributions:				
Gastonguay	—	—	—	—
Gaspésia – Edgar – Marcel-Tremblay	—	—	—	—
Gaspé	—	—	—	—
Bourque project	**127**	—	**23**	**150**
Haldimand project	—	—	—	—
Tar Point No. 1 project	—	—	—	—
Matapédia	—	—	—	—
	127	—	**23**	**150**
Revenue from oil reserve evaluation:				
Gaspé	—	—	—	—
Haldimand project	—	—	—	—
Total exploration expenses	**37,961**	—	**304**	**38,265**

Summary

	As at December 31, 2017 $ [000s]	Disposals $ [000s]	Additions $ [000s]	As at June 30, 2018 $ [000s]
Oil and gas properties	**4,866**	—	**113**	**4,979**
Exploration expenses	**37,961**	—	**304**	**38,265**
Exploration and evaluation assets	**42,827**	—	**417**	**43,244**

9. TRADE AND OTHER PAYABLES

	As at June 30, 2018 $	As at December 31, 2017 $
	[000s]	[000s]
Trade payables and accrued liabilities	**2,299**	1,993
Salaries, fees, vacation pay and director fees	**345**	217
Commodity taxes	**11**	—
	2,655	2,210

10. PARTNER ADVANCES FOR PLANNED EXPLORATION WORK

The following table shows the reconciliation of partner advances for planned exploration work on the Bourque project:

	As at June 30, 2018 $	As at December 31, 2017 $
	[000s]	[000s]
Balance, beginning of period	**679**	—
Business combination	—	806
Partner advances	—	—
Partner contributions to exploration work carried out	**(23)**	(127)
Balance, end of period	**656**	679

11. FLOW-THROUGH SHARES PREMIUM

The following table shows the reconciliation of the liability related to flow-through shares premium:

	As at June 30, 2018 $	**As at December 31, 2017 $**
	[000s]	[000s]
Balance, beginning of period	**104**	—
Business combination	—	104
Issuance of flow-through shares	—	—
Reduction of the liability based on the work carried out in respect of which the Company has renounced the tax deductions	(16)	—
Balance, end of year	**88**	104

12. PROVISIONS

Provision for site restoration

Management calculates the total provision for future site restoration based on the Company's net share, on the basis of the interest held in the properties being drilled, of the estimated costs of abandoning and restoring wells and facilities, and of the estimated timing of future costs to be incurred.

As at June 30, 2018, the total future estimated amount required to settle obligations related to site restoration, indexed at 2%, stood at $2,842,000. The total future amount will be discounted using a weighted average rate of 2.5% over a horizon ranging from 1 to 19 years. The total undiscounted amount of the estimated cash flows required to settle these obligations was $3,781,000.

The following table presents the reconciliation of the provision for site restoration:

	As at June 30, 2018 $	**As at December 31, 2017 $**
	[000s]	[000s]
Balance, beginning of period	**2,740**	—
Accretion	**26**	—
Change in estimates	**217**	—
Obligation settled	**(141)**	—
Business combination	—	2,740
Balance, end of period	**2,842**	2,740
Less current portion	**(685)**	(610)
	2,157	2,130

To guarantee the completion of certain site closures, the Company paid security deposits amounting to $600,000 and letters of guarantee amounting to $630,000 [note 4] were issued by a financial institution to the Ministère des Ressources naturelles. The performance guarantees must be kept in effect until the definitive closure of the wells. The partners advanced an amount of $294,000 to finance their share of the security deposits relating to the Bourque project and that amount is reported in non-current liabilities as it is will be recovered by the partners once the security deposits are released by the Ministère des Ressources Naturelles.

The current portion of $685,000 comprises the provision for two wells located on Anticosti Island and for which the Government of Quebec, through Hydrocarbons Anticosti LP, will assume the liability. An account receivable for the same amount is recognized in accounts receivable *[note 5]*.

Provision for contingent liability

The following table presents the reconciliation of the provision for contingent liability:

	As at June 30, 2018 $ [000s]	**As at December 31, 2017** $ [000s]
Balance, beginning of period	**583**	—
Business combination	—	700
Change in provision	**(55)**	(117)
Balance, end of period	**528**	583

The Company was financed in part by the issuance of flow-through shares. The Company had to incur eligible expenses by December 31, 2017 regarding a financing which closed on October 27, 2016. The Company had not received the necessary permits from the Government of Quebec for completing sufficient Canadian exploration and evaluation expenses to fully meet its undertaking to the subscribers of the flow-through shares. Accordingly, the Company has recorded a provision relating to potential penalties relating thereto. During the first quarter of 2018, the Company paid $55,000 of those penalties. In March 2018, the Government of Quebec granted an additional delay which allows the Company until December 31, 2018 to incur the expenses without provincial penalties. However, the Company hasn't received any permit and therefore maintained this provision. If the Company receives the necessary permits from the government to execute the planned exploration work, it expects to meet its obligation regarding expenses to be incurred before December 31, 2018.

13. DEFERRED ACCOUNTS PAYABLE

On July 29, 2017, the Company entered into an agreement with its vendor McDermott (formerly CB&I UK Limited) whereby the Company agreed to pay GBP 1,837,200 of total amounts due of GBP 6,352,304. In exchange for the agreed payment, McDermott agreed that the remaining amount of GBP 4,515,104 (CAD 7,837,000) and an amount of $177,000 due to its Canadian branch, for a total of $8,014,000, will be paid only if a proceed decision on the LNG project results in the award of an engineering contract to CB&I or another party. If the project does not proceed, or at any time Pieridae cancels or abandons the project, the Company has no obligation to pay the remaining amount. The variation of the deferred accounts payable relates to foreign exchange gain or loss.

14. SHARE CAPITAL

Authorized

Unlimited number of common, participating, voting shares without par value.

Exercise of stock options

During the six-month period ended June 30, 2018, 48,800 stock options were exercised for proceeds of $140,000.

Registered Retirement Saving Plan

In accordance with its Registered Retirement Savings Plan (RRSP) matching policy, the Company issued 19,766 common shares to its employees and directors at the price value of $4.90 per share.

Share-based payments

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 Stock Option Plan adopted on October 24, 2017, with the reverse takeover, options granted to directors vest immediately and for other participants at the discretion of the Board of Directors.

All share-based compensation will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options.

The Company's stock options are detailed as follows for the reporting periods presented:

	As at June 30, 2018		**As at December 31, 2017**	
	Number of options	**Weighted average exercise price** $	**Number of options**	**Weighted average exercise price** $
Outstanding, beginning of period	**1,835,385**	**4.92**	3,584,344	3.27
Business combination	**—**	**—**	641,020	6.31
Granted	**1,132,400**	**5.67**	—	—
Exercised	**(48,800)**	**2.87**	(1,348,854)	0.47
Forfeited	**(47,081)**	**7.61**	(1,041,125)	10.96
Outstanding, end of period	**2,871,904**	**4.98**	1,835,385	4.92
Exercisable	**2,071,456**	**4.93**	1,497,756	4.75

The fair value of stock options granted by the Company to directors, officers and key employees in 2018 was determined using the Black-Scholes option pricing model and the following weighted average assumptions:

	2018
Exercise price	$5.67
Risk-free interest rate	1.98%
Average expected volatility	69%
Expected life (years)	3.75
Expected dividend yield	Nil

The weighted fair value of stock options granted during 2018, was $2.70 per option at the grant date.

The following table provides summary information on the stock options issued and outstanding as at June 30, 2018:

	Outstanding options		Exercisable options	
Range of exercise prices	**Number**	**Weighted average years to expiry**	**Number**	**Weighted average exercise price $**
$0.01	44,115	2.94	44,115	$0.01
$1.98–$4.08	1,121,329	2.94	886,799	$3.87
$5.67–$8.04	1,673,127	3.71	1,107,209	$5.77
$11.76	33,333	0.21	33,333	$11.76
$0.01–$11.76	**2,871,904**	**3.35**	**2,071,456**	**$4.93**

The following table provides summary information on the stock options issued and outstanding as at December 31, 2017

	Outstanding options		Exercisable options	
Range of exercise prices	**Number**	**Weighted average years to expiry**	**Number**	**Weighted average exercise price $**
<$0.01–$0.45	44,115	3.44	44,115	0.01
$1.98–$4.08	1,176,377	3.44	838,748	3.82
$5.67–$8.04	575,310	3.29	575,310	5.95
$10.68–$13.68	39,583	0.62	39,583	12.06
<$0.01–$13.68	**1,835,385**	**3.33**	**1,497,756**	**4.75**

15. LOSS PER SHARE

Basic loss per share is calculated by dividing loss for the period by the weighted average number of common shares outstanding during the period. In calculating diluted loss per share for the periods ended June 30, 2018 and 2017, potential common shares, such as certain options and warrants, were not included as they would have the effect of decreasing the loss per share, which would be antidilutive.

Both basic and diluted loss per share have been calculated using net loss for the period as the numerator, therefore no adjustment to loss was necessary. The weighted average number of common shares outstanding is increased by the weighted average number of additional common shares that would have been outstanding had all the potentially dilutive shares been converted.

Weighted average number of shares and loss per share are calculated on a post-consolidation basis.

	For the three months ended June 30,		For the six months ended June 30,	
	2018	**2017**[1]	**2018**	**2017**[1]
Net loss attributable to equity holders (in thousands Canadian dollars)	**$(2,711)**	$(1,572)	**$(5,653)**	$(3,630)
Weighted average number of shares – basic	**50,526,477**	34,407,886	**50,514,555**	34,407,886
Dilutive effect of warrants and options	**—**	—	**—**	—
Weighted average number of diluted shares	**50,526,477**	34,407,886	**50,514,555**	34,407,886
Net loss per share attributable to the shareholders – basic and diluted	**$(0.05)**	$(0.05)	**$(0.11)**	$(0.11)

[1] Weighted average number of shares and loss per share, on a pre-consolidation basis, were 15,599,158 and $(0.10) respectively for the three-month period ended June 30, 2017 and 15,599,158 and $(**0.**23) respectively for the six-month period ended June 31, 2017.

16. RELATED PARTY TRANSACTIONS

The Company's related parties include other related parties and key management personnel, as described below.

None of the transactions involve special terms or conditions and no guarantees were given or received. Outstanding balances are usually settled in cash or shares.

Transactions with key management personnel

Key management personnel compensation includes the following expenses: As at

	For the six months ended June 30, 2018 $	2017 $
Short-term employee benefits:		
Salaries and employee benefits	**665**	201
Director fees	**196**	—
Total short-term employee benefits	**861**	201
Fees	**52**	—
Share-based compensation	**1,680**	—
Total compensation	**2,593**	201

During the periods ended June 30, 2018 and 2017, no options granted under the stock option plan were exercised by key management personnel of the Company.

17. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured at fair value or amortized cost. The classification of financial instruments, as well as their carrying amounts and fair values, are presented in the table below:

	As at June 30, 2018 Amortized cost $ [000s]
Financial assets	
Cash and cash equivalents[1]	**16,169**
Restricted cash equivalents	**1,130**
Accounts receivable[2]	**580**
	17,879

For the periods ended June 30, 2018 and 2017

	As at June 30, 2018 Amortized cost $ [000s]
Financial liabilities	
Trade and other payables	**2,655**
Partners' share in security deposits	**294**
Bank borrowings	**10**
Deferred accounts payable	**8,014**
	10,973

	As at December 31, 2017 Amortized cost $ [000s]
Financial assets	
Cash and cash equivalents[1]	**21,238**
Restricted cash equivalents	**630**
Accounts receivable[2]	**885**
	22,753
Financial liabilities	
Trade and other payables	**2,210**
Partners' share in security deposits	**294**
Bank borrowings	**14**
Promissory notes	**25**
Deferred accounts payable	**7,836**
	10,379

[1]Fair value of cash and cash equivalents is equal to the carrying amount.

[2]Excluding tax credits and commodity taxes as these amounts do not represent a contractual right to receive an amount.

18. CONTINGENCIES

Financing

The Company is financed in part by the issuance of flow-through shares. However, although it has taken all the necessary measures in this regard, there is no guarantee that the funds spent by the Company regarding these shares will be deemed eligible by tax authorities in the event of an audit. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors. As at June 30, 2018, the balance of eligible expenses to be incurred amounted to $790,000 [December 31, 2017 – $940,000]. The eligible expenses are to be incurred no later than December 31, 2018.

Environment

The Company's operations are regulated by governmental laws relating to environmental protection. Environmental consequences are difficult to predict, whether in terms of their outcomes, timing or impact. Currently, to the best of management's knowledge, the Company is operating in compliance with current legislation.

19. SUPPLEMENTAL CASH FLOW INFORMATION

Reconciliation of the increase in exploration and evaluation costs, net of recovered amounts:

	For the six months ended June 30,	
	2018	**2017**
	$	$
	[000]	[000]
Additions to exploration costs, net of recovered amounts	**327**	—
Non-cash acquisition		
Depreciation of property, plant and equipment	**(21)**	—
Amortization of deferred lease inducements	**5**	—
Stock-based compensation	**(145)**	—
Change in non-cash working capital items	**123**	—
Increase in exploration and evaluation costs, net of recovered amounts	**289**	—

	For the six months ended June 30,	
	2018	**2017**
	$	$
	[000]	[000]
Other information:		
Interest paid	**568**	88
Interest received	**95**	—

20. SUBSEQUENT EVENTS

On August 24, the Company and Ikkuma Resources Corp. (“Ikkuma”) announced they have entered into a definitive agreement dated August 23, 2018 (the “Arrangement Agreement”) providing for the acquisition by Pieridae of all of the issued and outstanding shares of Ikkuma to be effected by way of a plan of arrangement (the “Arrangement”) under section 193 of the Business Corporations Act (Alberta).

On completion of the Arrangement, each shareholder of Ikkuma will receive, for each common share of Ikkuma, 0.1926 of a common share of Pieridae and 0.1 of a share of ExploreCo (with Ikkuma shareholders holding 100% of ExploreCo upon completion of the Arrangement), subject to AER approval of the transfer of the Crude Oil Properties. If such AER approval is not received by December 31, 2018, no shares of ExploreCo will be distributed to shareholders of Ikkuma and those shareholders will not receive any further consideration. The exchange ratio values the shares of Ikkuma at $0.86 per share (excluding the value of ExploreCo shares), representing a premium of 188% to the closing price of $0.30 per share as of August 23, 2018 of Ikkuma common shares on the TSX Venture Exchange.

The Boards of Directors of each of Ikkuma and Pieridae have unanimously approved the Arrangement Agreement, and the Ikkuma Board of Directors, on the recommendation of a committee of independent directors, has unanimously determined that the Arrangement is in the best interests of Ikkuma, determined that the Arrangement is fair, from a financial point of view, to the Ikkuma shareholders and recommends that Ikkuma shareholders vote in favour of the Arrangement. In addition, all of the directors and officers of Ikkuma and certain shareholders of Ikkuma, including Alberta Investment Management Corporation, holding, in aggregate, 19% of the issued and outstanding common shares of Ikkuma have entered into support agreements with Pieridae pursuant to which they have agreed, among other things, to vote all Ikkuma common shares beneficially owned or controlled by them in favour of the Arrangement.

The Arrangement remains subject to customary conditions, including receipt of applicable court, Ikkuma shareholder and regulatory approvals, and is expected to close in the fourth quarter of 2018. A copy of the Arrangement Agreement (including the plan of arrangement) will be filed on the SEDAR profile of both Pieridae and Ikkuma and will be available on www.sedar.com.