PIERIDAE ENERGY

Q1, 2019 Condensed Consolidated Financial Statements

PIERIDAE ENERGY

Condensed Consolidated Statements of Financial Position

(Unaudited, in thousands of Canadian dollars)		March 31, 2019	December 31, 2018
Assets			
Current			
Cash and cash equivalents	(Note 13)	**$ 14,697**	$ 7,651
Cash and cash equivalents held for exploration purposes	(Note 13)	**1,461**	1,461
Restricted cash	(Note 13)	**3,119**	8,626
Accounts receivable		**17,169**	16,187
Prepaid expenses and deposits		**2,589**	2,250
		39,035	36,175
Restricted cash equivalents	(Note 13)	**1,000**	1,000
Security deposits		**600**	600
Interests in associates	(Note 14)	**3,719**	3,722
Property, plant and equipment	(Note 6)	**302,222**	301,603
Exploration and evaluation assets	(Note 5)	**19,896**	27,573
Right-of-use assets	(Notes 3 & 7)	**2,577**	-
		$ 369,049	$ 370,673
Liabilities			
Current			
Accounts payable and accrued liaibilities		**$ 45,274**	$ 60,922
Current portion of deferred lease inducements		**20**	20
Current portion of term debt		**50,005**	50,007
Partner advances for planned exploration work		**624**	624
Provision for contingent liability		**530**	530
Liability related to flow-through shares		**82**	82
Current portion of lease liabilities	(Notes 3 & 8)	**650**	-
Deferred accounts payable		**8,042**	8,051
		105,227	120,236
Partners' share in security deposits		**294**	294
Deferred lease inducements		**152**	159
Provision for site restoration	(Note 10)	**163,263**	158,236
Lease liabilities	(Note 8)	**1,929**	-
		270,865	278,925
Share capital	(Note 11)	**211,536**	193,270
Contributed surplus		**9,109**	8,960
Other comprehensive income		**2,257**	1,240
Warrants		**933**	933
Deficit		**(125,495)**	(112,503)
Equity attributable to equity holders of the company		**98,340**	91,900
Non-controlling interests		**(156)**	(152)
Total shareholders' equity		**98,184**	91,748
		$ 369,049	$ 370,673

Subsequent events (Note 17)

PIERIDAE ENERGY

Condensed Consolidated Statements of Loss and Comprehensive Loss

Unaudited, in thousands of Canadian dollars (except share and per share amounts)			Three months ended March 31, **2019**	2018
Revenues				
Petroleum and natural gas (net of royalties)	(Note 15)	$	**22,370**	-
Project management			**-**	16
Other income			**1,268**	-
			23,638	16
Realized loss on risk manangement contracts			**(657)**	-
Unrealized gain on risk manangement contracts			**1**	-
			22,982	16
Expenses				
Operating expenses			**16,194**	755
Administrative expenses			**4,032**	597
Transportation			**1,629**	-
Impairment of exploration and evaluation assets	(Note 5)		**7,859**	-
Share-based compensation	(Note 12)		**149**	1,327
Loss (gain) on foreign exchange			**(18)**	296
Depletion and depreciation	(Note 6)		**4,345**	16
Financial (income) expense	(Note 9)		**1,840**	(19)
Share of net loss of associates	(Note 14)		**3**	3
Gain on disposal			**(55)**	-
			35,978	2,975
Net loss for the period			**(12,996)**	(2,959)
Other comprehensive income (loss), net of income tax				
Foreign currency translation gain (loss)			**1,017**	(223)
Total comprehensive loss for the period		$	**(11,979)**	$ (3,182)
Net loss attributable to				
Equity holders of the Company			**(12,992)**	(2,943)
Non-controlling interests			**(4)**	(17)
Net loss per share attributable to equity holders of the Company				
Basic and diluted	(Note 17)	$	**(0.17)**	$ (0.06)
Weighted average number of common shares				
Basic	(Note 17)		**77,793,154**	50,502,501
Diluted			**77,793,154**	50,502,501

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		-	-	1,327	-	-	1,327	-	1,327
Common shares issued on stock option exercise		115	-	-	-	-	115	-	115
Total comprehensive income (loss) for the period		-	-	-	(2,942)	(223)	(3,165)	(17)	(3,182)
As at March 31, 2018		**$ 128,919**	**$ -**	**$ 8,042**	**$ (80,575)**	**$ 1,360**	**$ 57,746**	**$ (124)**	**$ 57,622**
As at December 31, 2018	(Note 11)	**$ 193,270**	**$ 933**	**$ 8,960**	**$ (112,503)**	**$ 1,240**	**$ 91,900**	**$ (152)**	**$ 91,748**
Share-based compensation		31	-	149	-	-	180	-	180
Common shares and warrants issued on private placement		19,100	-	-	-	-	19,100	-	19,100
Share issue costs		(865)	-	-	-	-	(865)	-	(865)
Total comprehensive income (loss) for the period		-	-	-	(12,992)	1,017	(11,975)	(4)	(11,979)
As at March 31, 2019	(Note 11)	**$ 211,536**	**$ 933**	**$ 9,109**	**$ (125,495)**	**$ 2,257**	**$ 98,340**	**$ (156)**	**$ 98,184**

PIERIDAE ENERGY

Condensed Consolidated Statements of Cash Flows

(Unaudited, in thousands of Canadian dollars)		Three months ended March 31, 2019	2018
Operating activities			
Net loss		**$ (12,996)**	$ (2,959)
Depletion and depreciation	(Note 6)	**4,345**	5
Share-based compensation	(Note 12)	**149**	1,218
Amortization of deferred lease inducements		**(10)**	(3)
Impairment of exploration and evaluation assets	(Note 5)	**7,859**	-
Accretion	(Note 10)	**706**	14
Share of net loss of associates	(Note 14)	**3**	3
Gain on disposal		**(55)**	-
Site restoration expenditures		**(98)**	-
Foreign exchange (gain) loss		**(18)**	296
Changes in non-cash working capital		**(16,969)**	(722)
Cash provided by operating activities		**(17,084)**	(2,148)
Investing activities			
Additions to property, plant and equipment		**-**	(33)
Additions to petroleum and natural gas properties	(Note 6)	**(306)**	(29)
Additions to exploration and evaluation assets	(Note 5)	**(116)**	(189)
Proceeds from disposal of property, plant and equipment	(Note 6)	**(150)**	-
Cash used in investing activities		**(572)**	(251)
Financing activities			
Issuance of share capital, net of costs	(Note 11)	**18,266**	115
Restricted cash	(Note 13)	**5,507**	-
Repayment of term debt		**(2)**	(2)
Payments on lease obligations		**(95)**	-
Issuance (repayment) of promissory notes		**-**	(25)
Cash provided by financing activities		**23,676**	88
Increase (decrease) in cash and cash equivalents		**6,020**	(2,311)
Cash and cash equivalents, beginning of period		**9,112**	21,238
Effect of foreign exchange on cash		**1,026**	(2)
Cash and cash equivalents, end of period		**$ 16,158**	$ 18,925
Cash paid:			
Interest		$ 7	$ 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 May 29, 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 three months ended March 31, 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 $13.0 million and negative cash flow from operations of $17.1 million. The Company's current liabilities also exceed its current assets by $66.2 million, and its term debt of $50 million is due on September 30, 2019. 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 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. 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 an $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. The Company applied IFRS 16 using the modified retrospective approach. 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 lease 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.

4. 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

(Unaudited, in thousands of Canadian dollars)	Upstream 2019	Upstream 2018	LNG 2019	LNG 2018	Consolidated 2019	Consolidated 2018
Revenue						
Petroleum and natural gas (net of royalties)	**$ 22,370**	-	**-**	-	**$ 22,370**	-
Project management	**-**	16	**-**	-	**-**	16
Other income	**1,268**	-	**-**	-	**1,268**	-
	23,638	16	**-**	-	**23,638**	16
Realized gain (loss) on risk manangement contracts	**(657)**	-	**-**	-	**(657)**	-
Unrealized gain (loss) on risk manangement contracts	**1**	-	**-**	-	**1**	-
	22,982	16	**-**	-	**22,982**	16
Expenses						
Operating expenses	**16,194**	-	**-**	755	**16,194**	755
Administrative expenses	**1,339**	568	**2,693**	29	**4,032**	597
Transportation	**1,629**	-	**-**	-	**1,629**	-
Impairment of exploration and evaluation assets	**7,859**	-	**-**	-	**7,859**	-
Share-based compensation	**111**	1,160	**38**	167	**149**	1,327
Loss (gain) on foreign exchange	**(8)**	-	**(10)**	296	**(18)**	296
Depletion and depreciation	**4,345**	16	**-**	-	**4,345**	16
Financial (income) and expenses	**1,840**	-	**-**	(19)	**1,840**	(19)
Share of net loss of associates	**3**	3	**-**	-	**3**	3
Gain on disposal	**(55)**	-	**-**	-	**(55)**	-
	33,257	1,747	**2,721**	1,228	**35,978**	2,975
Net loss	**$ (10,275)**	$ (1,731)	**$ (2,721)**	$ (1,228)	**$ (12,996)**	$ (2,959)

As at	**March 31, 2019**	**December 31, 2018**
Upstream assets	**$ 347,288**	$ 357,287
LNG assets	**21,761**	13,386
Total consolidated assets	**$ 369,049**	$ 370,673

5. EXPLORATION AND EVALUATION

At December 31, 2018	$	27,573
Additions		182
Impairment		(7,859)
At March 31, 2019	**$**	**19,896**

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.

6. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

Historical Cost		
At December 31, 2018	$	302,351
Additions		456
Change in asset retirement obligations		4,419
At March 31, 2019	**$**	**307,226**

Accumulated Depletion & Depreciation		
At December 31, 2018	$	748
Depletion and depreciation		4,256
At March 31, 2019	**$**	**5,004**

Net Book Value		
At December 31, 2018	$	301,603
At March 31, 2019	**$**	**302,222**

7. RIGHT-OF-USE ASSETS

The following table details the cost and accumulated depreciation of Pieridae's ROU assets as at March 31, 2019:

Historical Cost		**Office**		**Vehicles**		**Equipment**		**Total**
Balance, January 1, 2019	$	2,174	$	466	$	26	$	2,666
Additions (disposals)		-		-		-		-
At March 31, 2019	**$**	**2,174**	**$**	**466**	**$**	**26**	**$**	**2,666**

Accumulated depreciation		Office		Vehicles		Equipment		Total
Balance, January 1, 2019	$	-	$	-	$	-	$	-
Depreciation		**14**		**73**		2		89
At March 31, 2019	**$**	**14**	**$**	**73**	**$**	**2**	**$**	**89**

Net Book Value		Office		Vehicles		Equipment		Total
Balance, January 1, 2019	$	2,174	$	466	$	26	$	2,666
At March 31, 2019	**$**	**2,160**	**$**	**393**	**$**	**24**	**$**	**2,577**

8. LEASE LIABILITIES

		March 31, 2019
Less than 1 year	$	789
1 - 3 years		1,884
4 - 5 years		138
After 5 years		81
Total lease payments		2,892
Amount representing finance expense over the term of the lease		(313)
Present value of net lease payments		2,579
Less current portion of lease liabilities		(650)
Non-current portion of lease liabilities	**$**	**1,929**

For the three months ended March 31, 2019, the Company recorded interest of $7 thousand and payments of $95 thousand related to its lease obligations. The undiscounted amount of estimated future cashflows required to settle these leases is $2.8 million.

9. FINANCIAL INCOME AND EXPENSES

	For the three months ended			
	March 31, 2019		March 31, 2018	
Finance (Income) Expense				
Interest expense	**$**	**1,171**	$	12
Interest income		**(37)**		(45)
Accretion		**706**		14
Total finance (income) expense	**$**	**1,840**	**$**	**(19)**

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

10. DECOMMISSIONING OBLIGATIONS

	As at March 31, 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	4,419	1,731
Obligations settled	(98)	(1,260)
Accretion	706	53
Decommissioning obligations, end of period	**$ 163,263**	$ 158,236

As at March 31, 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 $4.4 million change in estimated future cash outflows is due to the decrease in risk free rates which occurred during the quarter.

11. 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 March 31, 2019 and December 31, 2018 there were no preferred shares outstanding.

ISSUED AND OUTSTANDING COMMON SHARES

	As at March 31, 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	**9,550,000**	**19,100**	2,358,824	8,020
Shares on corporate acquisition (Note 7)	**-**	**-**	21,582,401	56,114
Share-based compensation	**11,281**	**31**	41,726	189
Share issue costs	**-**	**(865)**	-	-
Balance end of the period	**84,121,990**	**$ 211,536**	74,516,594	$ $193,270

12. 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 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.

The Company recorded share-based compensation expense of $149 thousand in the three-month period ended March 31, 2019 ($1,327 thousand for the three months ended March 31, 2018). There were no options granted in the first quarter 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	.01	(44,115)
Forfeited	5.67	(18,500)
As at March 31, 2019	**$ 4.93**	**2,590,779**

The following table summarizes stock options outstanding and exercisable at March 31, 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	2.20	767,604	$ 3.84	2.18
5.67 - 8.04	1,504,631	$ 5.71	3.36	986,291	$ 5.72	3.05
	2,590,779	**$ 4.93**	**2.87**	**1,753,895**	**$ 4.90**	**2.67**

13. CASH AND CASH EQUIVALENTS

	As at March 31, 2019	Year Ended December 31, 2018
Cash	**$ 20,277**	$ 18,738
Less: restricted cash[1]	**3,119**	8,626
Less: restricted cash equivalents[1]	**1,000**	1,000
	16,158	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	**$ 14,697**	$ 7,651

1 As at March 31, 2019, $3.1 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. They were renewed, and now expire February 1, 2020. 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.

14. 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, 2017	$	3,734
Share in net loss of associates		(12)
Value at December 31, 2018	$	3,722
Share in net loss of associates		(3)
Value at March 31, 2019	**$**	**3,719**

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.

15. 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-month period ended March 31, 2018.

	For the three months ended			
	March 31, 2019		March 31, 2018	
Natural gas	**$**	**20,468**	$	-
Natural gas liquids		**160**		-
Sulphur		**1,742**		-
Total petroleum and natural gas revenue	**$**	**22,370**	**$**	**-**

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.

16. 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 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:

	March 31,2019		**December 31,2018**	
Financial Assets at Amortized Cost	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Accounts receivable	**$ 17,169**	**$ 17,169**	$ 16,187	$ 16,187
Financial Liabilities at Amortized Cost				
Accounts payable and accrued liabilities	**$ 45,274**	**$ 45,274**	$ 60,922	$ 60,922
Term debt	**50,005**	**50,005**	50,007	50,007
Lease liabilities	**2,579**	**2,579**	-	-
Total	**$ 97,858**	**$ 97,858**	$ 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 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.

17. 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 months ended March 31, 2019 was 77,793,154 (March 31, 2018 - 50,502,501).

The diluted loss per share calculations for the three months ended March 31, 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 period ended March 31, 2019 was based on a net loss of $13.0 million (2018: net loss of $2.9 million).

	March 31, 2019	March 31, 2018
Basic common shares outstanding	**84,121,990**	50,481,187
Options outstanding	**2,590,779**	2,801,432
Warrants outstanding (1)	**1,889,755**	343,747
Fully diluted common shares outstanding	**88,602,524**	53,626,366
Weighted average shares outstanding	**77,793,154**	50,502,501
Dilutive effect of options and warrants (2)	**-**	-
Diluted weighted average shares outstanding	**77,793,154**	**50,502,501**
Net income (loss) per share – basic and diluted	**$ (0.17)**	$ (0.06)

(1) There are 1,179,410 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 three month period ended March 31, 2019, a total of 2,590,779 options and (2018: 2,801,432) and 1,889,755 warrants (2018: 343,747) were excluded from the calculation as they were anti-dlituve.

18. SUBSEQUENT EVENTS

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. The total cost for this contract is expected to be $13.0 million. The proposed activities are expected to occur over the next nine months. The timing of required progress payments is as follows:

($000s)	2019	2020	Total
Engineering costs (KBR)	$ 12,097	$ 911	**$ 13,008**