PIERIDAE ENERGY

Condensed Consolidated Statements of Financial Position

(Unaudited, in thousands of Canadian dollars)		September 30, 2019	December 31, 2018
Assets			
Current			
Cash and cash equivalents	(Note 14)	**$ 6,843**	$ 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		**15,978**	16,187
Prepaid expenses and deposits	(Note 3)	**12,256**	2,250
		40,657	36,175
Restricted cash equivalents		**-**	1,000
Security deposits		**600**	600
Interests in associates		**3,713**	3,722
Property, plant and equipment	(Note 7)	**296,797**	301,603
Exploration and evaluation assets	(Note 6)	**20,005**	27,573
Right-of-use assets	(Notes 4 & 8)	**2,322**	-
		$ 364,094	$ 370,673
Liabilities			
Current			
Accounts payable and accrued liabilities		**$ 59,250**	$ 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)	**807**	-
Deferred accounts payable	(Note 15)	**7,775**	8,051
		129,087	120,236
Partners' share in security deposits		**294**	294
Deferred lease inducements		**149**	159
Decommissioning obligations	(Note 11)	**164,241**	158,236
Lease liabilities	(Notes 4 & 9)	**1,658**	-
		295,429	278,925
Share capital	(Note 12)	**213,766**	193,270
Contributed surplus		**9,804**	8,960
Other comprehensive income		**2,522**	1,240
Warrants		**933**	933
Deficit		**(158,203)**	(112,503)
Equity attributable to equity holders of the company		**68,822**	91,900
Non-controlling interests		**(157)**	(152)
Total shareholders' equity		**68,665**	91,748
		$ 364,094	$ 370,673

Subsequent events (Note 19)

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 September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenues					
Petroleum and natural gas	(Note 16)	**$ 12,673**	$ -	**$ 48,297**	$ -
Royalties		**(35)**	-	**(1,368)**	-
		12,638	-	**46,929**	-
Project management		**33**	215	**63**	297
Other income		**459**	-	**3,163**	-
		13,130	215	**50,155**	297
Realized loss on risk management contracts		**-**	-	**(657)**	-
Unrealized gain on risk manangement contracts		**-**	-	**1**	-
		13,130	215	**49,499**	297
Expenses					
Operating expenses		**14,365**	103	**44,087**	427
Administrative expenses		**3,676**	1,023	**11,446**	2,536
Development expenses		**504**	2,354	**8,345**	4,614
Transportation expenses		**1,464**	-	**4,880**	-
Impairment of exploration and evaluation assets	(Note 6)	**-**	16,985	**7,859**	16,985
Share-based compensation	(Note 13)	**577**	227	**844**	2,128
Loss (gain) on foreign exchange		**1**	(82)	**(2)**	(288)
Depletion and depreciation	(Notes 7 & 8)	**3,599**	18	**11,942**	49
Financial (income) expense	(Note 10)	**2,133**	(57)	**5,862**	(99)
Share of net loss of associates		**3**	3	**9**	9
Gain on disposal		**(12)**	-	**(67)**	-
		26,310	20,574	**95,205**	26,361
Net loss before taxes		**(13,180)**	(20,359)	**(45,706)**	(26,064)
Deferred income tax recovery		**-**	(4)	**-**	(20)
Net loss for the period		**(13,180)**	(20,355)	**(45,706)**	(26,044)
Other comprehensive income (loss), net of income tax					
Foreign currency translation gain (loss)		**(90)**	127	**1,282**	(263)
Total comprehensive loss for the period		**$ (13,270)**	$ (20,228)	**$ (44,424)**	$ (26,307)
Net loss attributable to					
Equity holders of the Company		**(13,178)**	(20,368)	**(45,700)**	(26,021)
Non-controlling interests		**(2)**	13	**(6)**	(23)
Net loss per share attributable to equity holders of the Company					
Basic	(Note 18)	**$ (0.15)**	$ (0.40)	**$ (0.55)**	$ (0.51)
Diluted		**$ (0.15)**	$ (0.40)	**$ (0.55)**	$ (0.51)
Weighted average number of common shares					
Basic	(Note 18)	**86,712,618**	50,549,763	**82,925,755**	50,530,257
Diluted		**86,712,618**	50,549,763	**82,925,755**	50,530,257

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	-	2,031	-	-	2,128	-	2,128
Common shares issued on stock option exercise		140	-	-	-	-	140	-	140
Total comprehensive loss for the period		-	-	-	(26,021)	(262)	(26,283)	(23)	(26,306)
As at September 30, 2018		**$ 129,041**	**$ -**	**$ 8,746**	**$ (103,654)**	**$ 1,321**	**$ 35,454**	**$ (130)**	**$ 35,324**
As at December 31, 2018	(Note 12)	**$ 193,270**	**$ 933**	**$ 8,960**	**$ (112,503)**	**$ 1,240**	**$ 91,900**	**$ (152)**	**$ 91,748**
Share-based compensation		61	-	844	-	-	905	-	905
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		-	-	-	(45,700)	1,282	(44,418)	(5)	(44,423)
As at September 30, 2019	(Note 12)	**$ 213,766**	**$ 933**	**$ 9,804**	**$ (158,203)**	**$ 2,522**	**$ 68,822**	**$ (157)**	**$ 68,665**

PIERIDAE ENERGY

Condensed Consolidated Statements of Cash Flows

(Unaudited, in thousands of Canadian dollars)		Three months ended September 30, **2019**	2018	Nine months ended September 30, **2019**	2018
Operating activities					
Net loss		**$ (13,180)**	$ (20,355)	**$ (45,706)**	$ (26,044)
Depletion and depreciation	(Notes 7 & 8)	**3,599**	6	**11,942**	16
Deferred tax recovery		**-**	(5)	**-**	(22)
Share-based compensation	(Note 13)	**577**	211	**844**	1,967
Amortization of deferred lease inducements		**4**	2	**(8)**	(8)
Impairment of exploration and evaluation assets	(Note 6)	**-**	16,985	**7,859**	16,985
Accretion	(Note 11)	**721**	14	**2,142**	40
Share of net loss of associates		**3**	3	**9**	9
Gain on disposal		**55**	-	**-**	-
Decommissioning expenditures	(Note 11)	**(228)**	-	**(344)**	-
Foreign exchange (gain) loss		**1**	-	**(2)**	(206)
Changes in non-cash working capital		**8,210**	(32)	**(10,760)**	191
Cash provided by operating activities		**(238)**	(3,171)	**(34,024)**	(7,072)
Investing activities					
Additions to property, plant and equipment		**-**	(122)	**-**	(493)
Additions to petroleum and natural gas properties	(Note 7)	**(1,855)**	(16)	**(3,178)**	(129)
Additions to exploration and evaluation assets	(Note 6)	**(59)**	(86)	**(225)**	(375)
Cash used in investing activities		**(1,914)**	(224)	**(3,403)**	(997)
Financing activities					
Issuance of share capital, net of costs	(Note 12)	**30**	-	**20,496**	140
Restricted cash	(Note 14)	**-**	-	**5,507**	(500)
Increase in convertible debt	(Note 3)	**-**	-	**10,000**	-
Repayment of bank debt		**-**	(2)	**(3)**	(6)
Payments on lease obligations	(Note 9)	**(182)**	-	**(389)**	-
Repayment of promissory notes		**-**	-	**-**	(25)
Cash provided by financing activities		**(152)**	(2)	**35,611**	(391)
Increase (decrease) in cash and cash equivalents		**(2,304)**	(3,397)	**(1,816)**	(8,460)
Cash and cash equivalents, beginning of period		**10,607**	16,169	**9,112**	21,238
Effect of foreign exchange on cash		**1**	(89)	**1,008**	(95)
Cash and cash equivalents, end of period		**$ 8,304**	$ 12,683	**$ 8,304**	$ 12,683

Cash paid:		
Interest	$ 65	$ 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 November 5, 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 settlement of liabilities in the normal course of operations for the foreseeable future. During the nine months ended September 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 $45.7 million and negative cash flow from operations of $34.0 million. The Company's term debt will increase due to the previously announced acquisition of Shell midstream and upstream assets. The Company's current liabilities also exceed its current assets by $88.4 million. This working capital deficit is due primarily to the fact that the Company's $50.0 million existing term loan appears in current liabilities. The term loan was repaid in full on October 16, 2019 (see Note 19). These conditions indicate the existence of uncertainties that may cast doubt about Pieridae's ability to continue as a going concern. While the Shell assets are will be accretive to the cashflows of the Company, 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, if an affirmative final investment decision with respect to the proposed LNG facility is made. While the company has been successful in raising financing in the past, and it has approval in principle for US$4.5 billion in loan guarantees from the German government to facilitate these activities, there can be no assurance that it will be successful in raising the necessary funding. 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 ACQUSITION

On June 26, 2019, Pieridae announced that it had signed a purchase and sale agreement with Shell Canada Energy to purchase all of Shell's midstream and upstream assets in the southern Alberta Foothills for a purchase price of $190.0 million. On signing of the purchase and sale agreement, Pieridae paid a non-refundable deposit to Shell of $10.0 million. The $10.0 million is included in the $12.3 million of prepaid expenses and deposits on the condensed consolidated statements of financial position.

To fund the initial down payment, the Company also announced that it had closed a non-brokered private placement of a secured convertible debenture of the Company (the "Convertible Debenture") for aggregate gross proceeds of $10.0 million. The common shares of the Company issuable upon conversion of the Convertible Debenture were issued immediately after the Shell acquisition had been completed (see Note 19). The conversion price of the common shares issuable upon conversion of the Convertible Debenture was $0.86 per common share, subject to adjustment in accordance with the terms of the Convertible Debenture. The Convertible Debenture bears interest at 9.5 percent per annum. Interest is payable on conversion or cancellation. The Company was able to negotiate extensions to the September 30, 2019 maturity dates for both the term loan and Convertible Debenture. The new maturities mirrored the closing date of the Shell acquisition.

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 ("ROU 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 LNG facility in Goldboro Nova, Scotia and corporate overhead costs.

Segmented Information — **Three months ended September 30**

	Upstream		LNG		Consolidated	
(Unaudited, in thousands of Canadian dollars)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Revenue						
Petroleum and natural gas	$ **12,673**	-	**-**	-	$ **12,673**	-
Royalties	**(35)**	-	**-**	-	**(35)**	-
	12,638	**-**	**-**	**-**	**12,638**	**-**
Project management	**33**	215	**-**	-	**33**	215
Other income	**459**	-	**-**	-	**459**	-
	13,130	215	**-**	-	**13,130**	215
Expenses						
Operating expenses	**14,365**	103	**-**	-	**14,365**	103
Administrative expenses	**1,557**	610	**2,119**	413	**3,676**	1,023
Development expenses	**-**	-	**504**	2,354	**504**	2,354
Transportation expenses	**1,464**	-	**-**	-	**1,464**	-
Impairment of exploration and evaluation assets	**-**	16,985	**-**	-	**-**	16,985
Share-based compensation	**96**	31	**481**	196	**577**	227
Loss (gain) on foreign exchange	**1**	-	**-**	(82)	**1**	(82)
Depletion and depreciation	**3,599**	18	**-**	-	**3,599**	18
Financial (income) and expenses	**2,133**	-	**-**	(57)	**2,133**	(57)
Share of net loss of associates	**3**	3	**-**	-	**3**	3
Gain on disposal	**(12)**	-	**-**	-	**(12)**	-
	23,206	17,750	**3,104**	2,824	**26,310**	20,574
Loss before income tax	**(10,076)**	(17,535)	**(3,104)**	(2,824)	**(13,180)**	(20,359)
Deferred tax recovery	**-**	(4)	**-**	-	**-**	(4)
Net loss	$ **(10,076)**	$ (17,531)	$ **(3,104)**	$ (2,824)	$ **(13,180)**	$ (20,355)

Segmented Information

Nine months ended September 30

(Unaudited, in thousands of Canadian dollars)	Upstream 2019	Upstream 2018	LNG 2019	LNG 2018	Consolidated 2019	Consolidated 2018
Revenue						
Petroleum and natural gas	$ **48,297**	-	**-**	-	$ **48,297**	-
Royalties	**(1,368)**	-	**-**	-	**(1,368)**	-
	46,929	-	**-**	-	**46,929**	-
Project management	**63**	297	**-**	-	**63**	297
Other income	**3,163**	-	**-**	-	**3,163**	-
	50,155	297	**-**	-	**50,155**	297
Realized loss on risk manangement contracts	**(657)**	-	**-**	-	**(657)**	-
Unrealized gain on risk manangement contracts	**1**	-	**-**	-	**1**	-
	49,499	297	**-**	-	**49,499**	297
Expenses						
Operating expenses	**44,087**	427	**-**	-	**44,087**	427
Administrative expenses	**4,415**	1,381	**7,031**	1,155	**11,446**	2,536
Development expenses	**-**	-	**8,345**	4,614	**8,345**	4,614
Transportation expenses	**4,880**	-	**-**	-	**4,880**	-
Impairment of exploration and evaluation assets	**7,859**	16,985	**-**	-	**7,859**	16,985
Share-based compensation	**148**	1,764	**696**	364	**844**	2,128
Loss (gain) on foreign exchange	**(4)**	-	**2**	(288)	**(2)**	(288)
Depletion and depreciation	**11,942**	49	**-**	-	**11,942**	49
Financial (income) and expenses	**5,862**	-	**-**	(99)	**5,862**	(99)
Share of net loss of associates	**9**	9	**-**	-	**9**	9
Gain on disposal	**(67)**	-	**-**	-	**(67)**	-
	79,131	20,615	**16,074**	5,746	**95,205**	26,361
Loss before income tax	**(29,632)**	(20,318)	**(16,074)**	(5,746)	**(45,706)**	(26,064)
Deferred tax recovery	**-**	(20)	**-**	-	**-**	(20)
Net loss	$ **(29,632)**	$ (20,298)	$ **(16,074)**	$ (5,746)	$ **(45,706)**	$ (26,044)

As at	September 30, 2019	December 31, 2018
Upstream assets	$ **350,783**	$ 357,287
LNG assets	**13,311**	13,386
Total consolidated assets	$ **364,094**	$ 370,673

6. EXPLORATION AND EVALUATION

At December 31, 2018	$	27,573
Additions		225
Change in decommissioning obligations		66
Impairment		(7,859)
At September 30, 2019	**$**	**20,005**

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 certain 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 of $7.9 million 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		2,463
Change in decommissioning obligations		4,141
At September 30, 2019	**$**	**308,955**

Accumulated Depletion & Depreciation		
At December 31, 2018	$	748
Depletion and depreciation		11,410
At September 30, 2019	**$**	**12,158**

Net Book Value		
At December 31, 2018	$	301,603
At September 30, 2019	**$**	**296,797**

Pieridae performed an assessment of possible indicators of impairment of its petroleum and natural gas properties at September 30, 2019. No indicators of impairment were identified.

8. RIGHT-OF-USE ASSETS

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

Historical Cost		**Office**		**Vehicles**		**Equipment**		**Total**
Balance, January 1, 2019	$	2,174	$	466	$	26	$	2,666
Additions		20		252		-		272
Disposals		-		(141)		-		(141)
At September 30, 2019	**$**	**2,194**	**$**	**577**	**$**	**26**	**$**	**2,797**

Accumulated depreciation		Office		Vehicles		Equipment		Total
Balance, January 1, 2019	$	-	$	-	$	-	$	-
Depreciation		277		249		6		532
Disposals		-		(57)		-		(57)
At September 30, 2019	**$**	**277**	**$**	**192**	**$**	**6**	**$**	**475**

Net Book Value		Office		Vehicles		Equipment		Total
Balance, January 1, 2019	$	2,174	$	466	$	26	$	2,666
At September 30, 2019	**$**	**1,917**	**$**	**385**	**$**	**20**	**$**	**2,322**

9. LEASE LIABILITIES

		September 30, 2019
Less than 1 year	$	914
1 - 3 years		1,612
4 - 5 years		139
After 5 years		46
Total lease payments		2,711
Amount representing finance expense over the term of the lease		(246)
Present value of net lease payments		2,465
Less current portion of lease liabilities		(807)
Non-current portion of lease liabilities	**$**	**1,658**

For the three and nine month periods ended September 30, 2019, the Company recorded interest of $22 thousand and $65 thousand, respectively, and payments of $203 thousand and $409 thousand, related to its lease obligations. The undiscounted amount of estimated future cashflows required to settle these leases is $2.7 million.

10. FINANCIAL INCOME AND EXPENSES

	Three months ended September 30,				Nine months ended September 30,			
		2019		**2018**		**2019**		**2018**
Finance (Income) Expense								
Interest expense	**$**	**1,458**	$	2	**$**	**3,873**	$	30
Interest income		**(46)**		(72)		**(153)**		(169)
Accretion (Note 11)		**721**		13		**2,142**		40
Total finance (income) expense	**$**	**2,133**	$	(57)	**$**	**5,862**	$	(99)

11. DECOMMISSIONING OBLIGATIONS

		As at September 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		4,207		1,731
Obligations settled		(344)		(1,260)
Accretion		2,142		53
Decommissioning obligations, end of period	**$**	**164,241**	$	158,236

As at September 30, 2019, risk-free rates of 1.52% (<5 years), 1.55% (5-10 years) and 1.90% (>10 years) (Dec 2018: 1.88%, 1.90% 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 $4.2 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 September 30, 2019 and December 31, 2018 there were no preferred shares outstanding.

As at September 30, 2019, the Company had 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. See also Note 19.

ISSUED AND OUTSTANDING COMMON SHARES

	As at September 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	**44,865**		**61**	41,726		189
Share issue costs	**-**		**(865)**	-		-
Balance end of the period	**86,713,713**	**$**	**213,766**	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 8,671,371 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 $577 thousand and $844 thousand, respectively, in the three and nine month periods ended September 30, 2019 ($227 thousand and $2,128 thousand for the three and nine month periods ended September 30, 2018). There were no options granted in the first or second quarters of 2019 (see Note 19). The Company granted 3,149,341 options on July 3, 2019. The fair value of the options granted was $0.49. The fair market value was estimated on the date of issue using the Black-Scholes option-pricing model with the following assumptions.

Risk free interest rate	1.44%
Expected life	5 years
Expected volatility	66%
Dividend per share	Nil
Fair value at grant date	$0.49

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
Granted	0.89	3,149,341
Exercised	0.01	(44,115)
Forfeited	2.15	(220,096)
As at September 30, 2019	**$ 2.75**	**5,538,524**

The following table summarizes stock options outstanding and exercisable at September 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)
0.89 - 4.08	4,051,593	$ 1.67	3.97	1,554,873	$ 2.90	2.73
5.67 - 8.04	1,486,931	$ 5.68	2.89	970,211	$ 5.69	2.65
	5,538,524	**$ 3.68**	**3.68**	**2,525,084**	**$ 3.97**	**2.70**

14. CASH AND CASH EQUIVALENTS

	As at September 30, 2019	Year Ended December 31, 2018
Cash	**$ 12,423**	$ 18,738
Less: restricted cash(1)	**4,119**	8,626
Less: restricted cash equivalents(1)	**-**	1,000
	8,304	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	**$ 6,843**	$ 7,651

(1) As at September 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 are set out below. The Company had no petroleum and natural gas revenues in the three or nine month periods ended September 30, 2018.

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
Natural gas	**$ 10,447**	$ -	**$ 41,575**	$ -
Natural gas liquids	**674**	-	**2,294**	-
Sulphur	**1,552**	-	**4,428**	-
Total petroleum and natural gas revenue	**$ 12,673**	$ -	**$ 48,297**	$ -

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:

	September 30, 2019		**December 31, 2018**	
Financial Assets at Amortized Cost	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Accounts receivable	**$ 15,978**	**$ 15,978**	$ 16,187	$ 16,187
Financial Liabilities at Amortized Cost				
Accounts payable and accrued liabilities	**$ 59,250**	**$ 59,250**	$ 60,922	$ 60,922
Term debt	**50,002**	**50,002**	50,007	50,007
Convertible loan	**10,000**	**10,000**	-	-
Lease liabilities	**2,465**	**2,465**	-	-
Total	**$ 121,717**	**$ 121,717**	$ 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 assume $156 million of incremental debt as part of the Shell acquisition (see Note 19). It will also 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. The company is using a combination of debt and equity to fund the Shell acquisition (see Note 19). These will likely also play a significant role in future financings. The Company's operations may also be financed in whole or in part with partnership agreements 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 have been calculated on the weighted average number of shares outstanding. The weighted average shares outstanding for the three and nine month periods ended September 30, 2019 were 86,712,618 and 82,925,755 (September 30, 2018, 50,549,763 and 50,530,257), respectively.

The diluted loss per share calculations for the three and nine-month periods ended September 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 nine month periods ended September 30, 2019 and 2018 were based on a net losses of $13.2 million (2018: net loss of $20.4 million) and $45.7 million (2018: net loss of $26.0 million), respectively.

	Three months ended September 30,		Nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
Basic common shares outstanding	**86,713,713**	50,549,763	**86,713,713**	50,549,763
Options outstanding	**5,538,524**	2,871,904	**5,538,524**	2,871,904
Warrants outstanding (1)	**1,889,755**	343,747	**1,889,755**	343,747
Fully diluted common shares outstanding	**94,141,992**	53,765,414	**94,141,992**	53,765,414
Weighted average shares outstanding	**86,712,618**	50,549,763	**82,925,755**	50,530,257
Dilutive effect of options and warrants (2)	**-**	-	**-**	-
Diluted weighted average shares outstanding	**86,712,618**	50,549,763	**82,925,755**	50,530,257
Net loss per share - basic	**$ (0.15)**	$ (0.40)	**$ (0.55)**	$ (0.51)
Net loss per share - diluted	**$ (0.15)**	$ (0.40)	**$ (0.55)**	$ (0.51)

(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 nine month periods ended September 30, 2019, a total of 5,538,524 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

Acquisition of Midstream and Upstream Assets

On October 17, 2019, Pieridae announced that it had closed its acquisition of all of Shell Canada Energy's ("Shell") midstream and upstream assets in the southern Alberta Foothills (the "Assets") for $190 million (the "Acquisition") in accordance with the terms of the amended and restated purchase and sale agreement dated October 7, 2019 (the "PSA"). Further to the $10 million deposit paid at signing the PSA, on closing, Pieridae paid to Shell $165 million of the purchase price of the Acquisition in cash (net of adjustments) which Pieridae funded through the issuance of term debt and equity, as discussed below. Pieridae satisfied the balance of the purchase price of $15 million by the issuance to Shell of 15.2 million common shares of the Company having an aggregate value of $15 million determined in accordance with the PSA. The Company is in the process of preparing a preliminary purchase price allocation. The Company must first complete inventory counts and finalize the valuation of property, plant and equipment.

The Assets align well with Pieridae's existing Central Alberta properties, providing further consolidation of the Alberta and British Columbia conventional Foothills natural gas pools. Development of these properties is intended to provide the majority of the natural gas production to supply the first train of it proposed Goldboro LNG facility in Nova Scotia.

Equity Private Placement

On October 11, 2019, Pieridae announced that it had closed the first tranche of its brokered private placement of subscription receipts (the "Brokered Offering") for gross proceeds of $12.8 million and a non-brokered private placement of subscription receipts (the "Non-Brokered Offering") for gross proceeds of $0.6 million. The second and last tranche of the Brokered Offering closed concurrently with the closing of the Acquisition, with Pieridae issuing 23,255,813 common shares at a price of $0.86 per common share for gross proceeds of $20.0 million.

The closing of the Brokered Offering and the Non-Brokered Offering, together with the issuance of the common shares to Shell described above, fulfilled the equity commitment associated with the debt financing.

Conversion of AIMCo Secured Convertible Debenture

As previously disclosed in Note 3, Alberta Investment Management Corporation ("AIMCo"), on behalf of certain of its clients, subscribed for a secured convertible debenture of the Company for an aggregate principal amount of $10 million. The principal amount of the Debenture plus all interest accrued thereon was converted into common shares of the Company at a deemed priced of $0.86 per common share.

Term Loan Financing

In conjunction with the Acquisition, Pieridae announced it had executed a Credit Agreement (the "Credit Agreement") with Third Eye Capital Corporation, as agent on behalf of certain lenders (the "Agent") providing for a senior secured non-revolving term loan facility in the aggregate amount of $206 million (the "Term Loan").

The Term Loan bears interest at a fixed rate of 12% per annum from the date of issue, accrued daily and payable quarterly in cash. Additional interest of 3% per annum is payable quarterly in cash, or at the option of the Company and subject to the Agent's approval, payable in kind by way of accruing to the principal outstanding.

Pieridae used the net proceeds of the Term Loan to: (i) partially fund the purchase price payable for the Acquisition, (ii) repay its $50 million term loan to AIMCo pursuant to the term loan entered into with AIMCo on December 20, 2018 (the "AIMCo Term Loan"), (iii) fund letters of credit required for existing and purchased assets and, (iv) satisfy all fees and expenses associated with the Term Loan and Acquisition.

Issuance of Shares for Debt

In connection with the repayment of the Company's outstanding debt to AIMCo, the Company also issued 4,624,561 shares to AIMCo to satisfy the interest due and payable on the AIMCo Term Loan. All debt obligations to AIMCo have now been satisfied in full.

Issuance of Stock Options

The Company also announced that the Board of Directors had approved the grant of an aggregate of 1,115,000 stock options to its officers and employees to purchase 1,115,000 common shares of the Company. These options were granted on October 21, 2019 and had an exercise price of $0.92, in accordance with Pieridae's stock option plan number two. These options will expire on October 21, 2024.

Vehicle Leases

In order to facilitate ongoing operations in the newly acquired Assets, Pieridae entered into a Master Leasing Agreement for field vehicles. It is expected that these leases could add approximately $3.2 million to the Company's ROU assets and lease liabilities in Q4 of 2019.