PIERIDAE ENERGY

CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

($000s)	As at September 30, 2018	As at December 31, 2017
ASSETS		
Current		
Cash and cash equivalents *[note 4]*	**11,226**	19,619
Cash and cash equivalents held for exploration purposes *[note 4]*	**1,457**	1,619
Accounts receivable *[note 5]*	**1,675**	1,092
Prepaid expenses	**931**	122
Total current assets	**15,289**	22,452
Non-current		
Restricted cash equivalents *[note 4]*	**1,130**	630
Security deposits *[note 12]*	**600**	600
Interests in associates *[note 6]*	**3,725**	3,734
Property, plant and equipment *[note 7]*	**4,253**	3,802
Exploration and evaluation assets *[note 8]*	**27,318**	42,827
Total non-current assets	**37,026**	51,593
	52,315	74,045
LIABILITIES AND EQUITY		
Current		
Trade and other payables *[note 9]*	**4,293**	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]*	**624**	679
Provision for contingent liability *[note 12]*	**528**	583
Current portion of the provision for site restoration *[note 12]*	**1,991**	610
Flow-through shares premium *[note 11]*	**82**	104
Promissory notes	**-**	25
Deferred accounts payable *[note 13]*	**7,797**	7,836
Total current liabilities	**15,341**	12,073
Non-current		
Partners' share in security deposits *[note 12]*	**294**	294
Deferred lease inducements	**164**	179
Bank borrowings	**1**	7
Provision for site restoration *[note 12]*	**1,191**	2,130
Total non-current liabilities	**1,650**	2,610
Total liabilities	**16,991**	14,683
Equity		
Share capital *[note 14]*	**129,041**	128,804
Contributed surplus	**8,746**	6,715
Deficit	**(103,654)**	(77,633)
Accumulated other comprenhensive income	**1,321**	1,583
Equity attributable to equity holders of the Company	**35,454**	59,469
Non-controlling interests	**(130)**	(107)
Total shareholders' equity	**35,324**	59,362
	52,315	74,045

Contingencies *[notes 12 and 18]*
Subsequent events *[note 21]*

See accompanying notes

On behalf of the Board of Directors,

(signed) Myron Tétreault

PIERIDAE ENERGY

UNAUDITED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

($000s)	For the three months ended September 30, 2018	2017	For the nine months ended September 30, 2018	2017
Revenues				
Project management	**215**	-	**297**	-
	215	-	**297**	-
Expenses				
Administrative expenses	**1,707**	44	**5,148**	868
Operating expenses	**2,018**	877	**4,606**	1,658
Impairment of exploration and evaluation assets	**16,985**	-	**16,985**	-
Financial income and expenses	**(57)**	385	**(99)**	1,157
Loss on conversion right	**-**	1,037	**-**	2,987
Foreign exchange gains	**(82)**	(242)	**(288)**	(988)
Share of net loss of associates *[note 6]*	**3**	30	**9**	90
	20,574	2,131	**26,361**	5,772
Loss before taxes	**(20,359)**	(2,131)	**(26,064)**	(5,772)
Current income tax expense	**1**	-	**2**	-
Deferred income tax recovery	**(5)**	-	**(22)**	-
	(4)	-	**(20)**	-
Net loss for the period	**(20,355)**	(2,131)	**(26,044)**	(5,772)
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent years:				
Exchange differences on translation of foreign operations	**127**	(12)	**(263)**	27
Net comprehensive loss for the period	**(20,228)**	(2,143)	**(26,307)**	(5,745)
Net loss attributable to				
Equity holders of the Company	(20,368)	(2,131)	(26,021)	(5,761)
Non-controlling interests	13	-	(23)	(11)
Net loss per share attributable to equity holders of the Company				
Basic and diluted *[note 15]*	(0.40)	(0.06)	(0.51)	(0.17)

See accompanying notes

PIERIDAE ENERGY

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[Expressed in thousands Canadian dollars]

	Common shares	Share capital	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	2,031	-	-	2,128	-	2,128
Share issued on stock option exercise	48,800	140	-	-	-	140	-	140
Net loss and comprehensive loss	-	-	-	(26,021)	(262)	(26,283)	(23)	(26,306)
Balance as at September 30, 2018	**50,549,763**	**129,041**	**8,746**	**(103,654)**	**1,321**	**35,454**	**(130)**	**35,324**

	Common shares	Share capital	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	-	-	759	-	-	759	-	759
Net loss and comprehensive loss	-	-	-	(5,761)	27	(5,734)	(11)	(5,745)
Balance as at September 30, 2017	15,599,158	44,668	6,655	(74,569)	1,314	(21,932)	(99)	(22,031)

See accompanying notes

PIERIDAE ENERGY

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the nine months ended September 30,	
($000s)	**2018**	**2017**
OPERATING ACTIVITIES		
Net loss	**(26,044)**	(5,772)
Items not affecting cash:		
Depreciation of property, plant and equipment	**16**	5
Impairment of exploration and evaluation assets	**16,985**	-
Deferred tax recovery	**(22)**	-
Share-based compensation	**1,967**	625
Amortization of deferred lease inducements	**(8)**	
Accretion expense	**40**	398
Share of net loss of associates *[note 6]*	**9**	90
Loss on conversion right	**-**	2,987
Foreign exchange gains	**(206)**	(988)
	(7,263)	**(2,655)**
Net change in non-cash operating items		
Receivables	**(1,147)**	94
Prepaid expenses	**(809)**	-
Trade and other payables	**2,202**	1,890
Provision for contingent liabilities *[note 12]*	**(55)**	-
	191	1,984
Cash flows related to operating activities	**(7,072)**	(671)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(493)**	-
Acquisitions of oil and gas properties, net of recovered amounts	**(129)**	-
Increase in exploration and evaluation costs, net of recovered amounts *[note 19]*	**(375)**	-
Cash flows related to investing activities	**(997)**	-
FINANCING ACTIVITIES		
Issuance of share capital, net of costs *[note 14]*	**140**	-
Decrease (increase) in restricted cash and cash equivalents *[note 4]*	**(500)**	29
Repayment of bank borrowings	**(6)**	-
Issuance of promissory note	**-**	148
Repayment of promissory note	**(25)**	-
Cash flows related to financing activities	**(391)**	177
Net decrease in cash and cash equivalents	**(8,460)**	(494)
Cash and cash equivalents, beginning of period	**21,238**	197
Net foreign exchange difference	**(95)**	324
Cash and cash equivalents, end of period	**12,683**	27

See accompanying notes

PIERIDAE ENERGY

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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 2400-440 2nd Avenue SW, Calgary, Alberta, T2P 5E9.

Approval date

These condensed interim consolidated financial statements for the three and nine-month periods ended September 30, 2018 and 2017 were approved by the Board of Directors on November 21, 2018.

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 1percent ownership interest in Goldboro LNG LP and Pieridae Energy (Canada) Ltd. As at September 30, 2018, the ownership interest 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 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 interim 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, 2017.

All amounts are expressed in Canadian dollars unless stated otherwise.

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 nine-month period ended September 30, 2018, consistent with the developmental stage of the organization, the Company generated a net loss of $26,044,000 and negative cash flow from operations of $7,072,000. These conditions indicate the existence of material uncertainties that may cast significant doubt about Pieridae's ability to continue as a going concern. The Company expects to incur further losses in the development of its business and will require additional debt and equity financing to fund future development of its LNG project and associated natural gas assets. While the company has been successful in raising financing in the past, there can be no assurance that it will be able to do so in the future. These 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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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 International Accounting Standards Board ("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 are 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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

4. CASH AND CASH EQUIVALENTS

($000s)	**As at September 30, 2018**	As at December 31, 2017
Cash	**13,813**	21,868
Less: Restricted cash equivalents[1]	**1,130**	630
	12,683	21,238
Less: Cash and cash equivalents held for exploration purposes		
Flow-through shares[2]	**736**	940
Bourque project[3]	**721**	679
	1,457	1,619
Net cash and cash equivalents	**11,226**	19,619

[1] As at September 30, 2018, $1,130,000 is pledged as security for certain performance bonds. The $630,000 tranche of performance bonds bears interest at 1.25% and matures on February 1, 2019. The remaining $500,000 tranche of performance bonds bears interest at 2.15%. 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 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.

5. ACCOUNTS RECEIVABLE

($000s)	**As at September 30, 2018**	As at December 31, 2017
Hydrocarbons Anticosti LP[1]	**1,167**	844
Partner	**-**	9
Commodity taxes	**497**	207
Interest receivable	**11**	7
Other	**-**	25
Total accounts receivable	**1,675**	1,092

[1] Petrolia Anticosti is the operator for Hydrocarbons Anticosti in regards to the exploration work on Anticosti Island, Quebec. The receivable amount represents chargebacks of work performed and the assumption of the liability related to site restoration *[See Note 12]*. 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 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 September 30, 2018, the Company's ownership interest is 20%. Under the terms of the Partnership agreement, the Company is entitled to contribute an additional $14,125,000 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.

($000s)	
Value of the interest as at December 31, 2017	**3,734**
Share in net loss of associates	**(9)**
Value of the interest as at September 30, 2018	**3,725**

($000s)	
Balance as at December 31, 2016	3,854
Share in net loss of associates	(90)
Value of the interest as at September 30, 2017	3,764

As at September 30, 2018, the associates have no contingent liabilities or capital commitments. However, under the terms of the partnership operating agreement there is an annual fee of $60,000 to be paid by Pieridae Production LP to the operator.

Summarized financial statement information of the Partnership is disclosed below:

($000s)	**As at September 30, 2018**	As at December 31, 2017
Current assets	**136**	134
Non-current assets	**20,145**	20,145
Current liabilities	**(1,988)**	(1,947)

	For the nine months ended September 30,	
($000s)	**2018**	2017
Net loss for the period	**(45)**	(150)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

7. PROPERTY, PLANT AND EQUIPMENT

($000s)	Land	Land improvements	Leasehold improvements	IT, office and field equipment	Automotive equipment	Reserves	Field offices	Total
Cost								
Balance as at December 31, 2017	3,425	-	179	94	11	87	54	3,850
Additions	-	**493**	-	**7**	-	-	-	**500**
Disposals	-	-	-	-	-	-	-	-
Balance as at September 30, 2018	**3,425**	**493**	**179**	**101**	**11**	**87**	**54**	**4,350**
Accumulated depreciation								
Balance as at December 31, 2017	-	-	4	38	1	3	2	48
Depreciation	-	-	**18**	**8**	**2**	**12**	**9**	**49**
Balance as at September 30, 2018	-	-	**22**	**46**	**3**	**15**	**11**	**97**
Net carrying amount as at December 31, 2017	3,425	-	175	56	10	84	52	3,802
Net carrying amount as at September 30, 2018	**3,425**	**493**	**157**	**55**	**8**	**72**	**43**	**4,253**

8. EXPLORATION AND EVALUATION ASSETS

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

Management also used the impairment assessment as an opportunity to evaluate all of its properties in Quebec, with the objective of consolidating its holdings in properties deemed to hold the most potential for exploratory and economic success. This exercise resulted in the Company relinquishing a number of licenses, or its pro-rata share of certain licenses. Collectively this exercise resulted in the Company, recognizing impairment of $16,985,000 during the third quarter of 2018. The impairment charge related to oil and gas properties was $2,640,000. The impairment charge related to exploration and evaluation assets was $14,345,000. The vast majority of the charge was recorded in the Haldimand properties as most of these licenses were within the 1,000-meter urban area restriction. Consequently, the Company would have no way of recovering the carrying value of these assets through exploration and development activities.

PIERIDAE ENERGY

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Oil and gas properties

($000s)	As at December 31, 2017	Disposals	Additions	Impairment	As at September 30, 2018
Quebec					
Gastonguay	779	-	**28**	**(430)**	**377**
Gaspésia – Edgar – Marcel-Tremblay	516	-	**23**	**(156)**	**383**
Gaspé	566	-	**35**	**(378)**	**223**
Bourque project	151	-	**8**	**-**	**159**
Haldimand – Tar Point No. 1 projects	2,638	-	**30**	**(1,509)**	**1,159**
Matapédia	216	-	**5**	**(167)**	**54**
Total oil and gas properties	4,866	-	**129**	**(2,640)**	**2,355**

Exploration expenses

($000s)	As at December 31, 2017	Disposals	Additions	Impairment	As at September 30, 2018
Quebec					
Gastonguay	53	-	**-**	**-**	**53**
Gaspésia – Edgar – Marcel-Tremblay	3,172	-	**8**	**(35)**	**3,145**
Gaspé	2,790	-	**183**	**-**	**2,973**
Bourque project	13,843	-	**561**	**-**	**14,404**
Haldimand project	13,686	-	**624**	**(14,310)**	**-**
Tar Point project No. 1	4,031	-	**15**	**-**	**4,046**
Matapédia	513	-	**10**	**-**	**523**
Total exploration expenses	38,088	-	**1,401**	**(14,345)**	**25,144**
Deductions					
Exploration subsidies and partner contributions:					
Bourque project	127	-	**54**	**-**	**181**
Total partner contributions	127	-	**54**	**-**	**181**
Net exploration expenses	37,961	-	**1,347**	**(14,345)**	**24,963**

Summary

($000s)	As at December 31, 2017	Disposals	Additions	Impairment	As at September 30, 2018
Oil and gas properties	4,866	-	**129**	**(2,640)**	**2,355**
Exploration expenses	37,961	-	**1,347**	**(14,345)**	**24,963**
Exploration and evaluation assets	42,827	-	**1,476**	**(16,985)**	**27,318**

PIERIDAE ENERGY

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

9. TRADE AND OTHER PAYABLES

($000s)	**As at September 30, 2018**	As at December 31, 2017
Trade payables and accrued liabilities	**3,932**	1,993
Salaries, fees, vacation pay and director fees	**361**	217
Commodity taxes	-	-
Total trade and other payables	**4,293**	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:

($000s)	**As at September 30, 2018**	As at December 31, 2017
Balance, beginning of period	**679**	-
Business combination	-	806
Partner advances	-	-
Partner contributions to exploration work carried out	**(55)**	(127)
Balance, end of period	**624**	679

11. FLOW-THROUGH SHARE PREMIUM

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

($000s)	**As at September 30, 2018**	As at December 31, 2017
Balance, beginning of period	**104**	-
Business combination	-	104
Reduction of the liability based on the work carried out in respect of which the Company has renounced the tax deductions	**(22)**	-
Balance, end of period	**82**	104

12. PROVISIONS

Provision for site restoration

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at September 30, 2018, the total future estimated amount required to settle obligations related to site restoration, indexed at 2%, was $3,182,000, compared to $2,740,000 at December 31, 2017. The total future amount is discounted using a weighted average rate of 2.5% over time horizons ranging from 1 to 19 years. The total undiscounted amount of the estimated cash flows required to settle these obligations was $3,726,000.

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

($000s)	**As at September 30, 2018**	As at December 31, 2017
Balance, beginning of period	**2,740**	-
Accretion	**40**	-
Change in estimates	**1,663**	-
Site restoration expenses	**(1,261)**	-
Business combination	-	2,740
Balance, end of period	**3,182**	2,740
Less current portion	**(1,991)**	(610)
Non-current portion	**1,191**	2,130

The change in estimates of $1,663,000 reflects the more expedited timelines associated with the restoration of the properties which were impaired in Q3. Expectations are that these expenditures will now occur sooner than previously assumed, so a larger provision was required.

To guarantee the completion of certain site closures, the Company paid security deposits of $600,000, and letters of guarantee totalling $630,000, to the Ministère des Ressources Naturelles *[See note 4]*. The performance guarantees must be kept in place 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. 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 $1,991,000 is comprised of $1,945,000 for Haldimand and Le Ber well abandonments, as well as $46,000 for two wells located on Anticosti Island for which the Government of Quebec, will assume the liability. A receivable for the same amount is recognized in accounts receivable *[See note 5]*.

Provision for contingent liability

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

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

Most of the Company's contingent liabilities arose as a result of a flow-through share financing and reflect spending obligations that were required to be made prior to December 31, 2017. The Company requires certain approvals from the Quebec government in order to fulfill these obligations. 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

Deferred accounts payable reflects the amount due 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.

14. SHARE CAPITAL

Authorized

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

Exercise of stock options

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

Employee Saving Plan

During the nine-month period ended September 30, 2018, the Company issued 19,766 common shares to its employees and directors at an average price of $4.90 per share. No shares were issued in the three-month period ended September 30, 2018.

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 options granted 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 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, options granted to directors' vest immediately. Vesting provisions for other participants are 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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The following table summarizes information regarding Pieridae's Stock Option Plan:

	As at September 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	**1,142,400**	**$5.67**	-	-
Exercised	**(48,800)**	**$2.87**	(1,348,854)	$0.47
Forfeited	**(82,915)**	**$9.39**	(1,041,125)	$10.96
Outstanding, end of period	**2,846,070**	**$4.88**	1,835,385	$4.92
Exercisable	**2,048,123**	**$4.82**	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 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 $2.69 per option at the grant date. There were no options granted in 2017.

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

	Outstanding options		**Exercisable options**	
Range of exercise prices	**Number**	**Weighted average years to expiry**	**Number**	**Weighted average exercise price**
$0.005	**44,115**	**2.69**	**44,115**	**$0.005**
$1.98–$4.08	**1,118,829**	**2.69**	**886,799**	**$3.87**
$5.67–$8.04	**1,683,127**	**3.48**	**1,117,209**	**$5.77**
$0.01–$8.04	**2,846,071**	**3.16**	**2,048,123**	**$4.82**

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
<$0.005–$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 September 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 September 30,		**For the nine months ended September 30,**	
	2018	**2017[1]**	**2018**	**2017[1]**
Net loss attributable to equity holders (in thousands of Canadian dollars)	**$20,341**	$2,131	**$25,994**	$3,064
Weighted average number of shares - basic and diluted	**50,549,763**	34,407,886	**50,530,257**	34,407,886
Net loss per share attributable to the shareholders - basic and diluted	**$0.40**	$0.06	**$0.51**	$0.17

[1] Weighted average number of shares and loss per share, on a pre-consolidation basis, were 15,599,158 and $0.14 respectively for the three-month period ended September 30, 2017 and 15,599,158 and $0.37 respectively for the nine-month period ended September 30, 2017.

16. RELATED PARTY TRANSACTIONS

The Company's related party transactions do not involve any 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:

	For the nine months ended September 30,	
($000s)	**2018**	2017
Short-term employee benefits:		
Salaries and employee benefits	**993**	201
Director fees	**315**	-
Total short-term employee benefits	**1,308**	201
Fees	**52**	-
Share-based compensation	**1,858**	-
Total compensation	**3,218**	201

During the nine-month periods ended September 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:

($000s)	**As at September 30, 2018**
Financial assets (recognized at amortized cost):	
Cash and cash equivalents[1]	**12,683**
Restricted cash equivalents	**1,130**
Accounts receivable[2]	**1,178**
	14,991
Financial liabilities (recognized at amortized cost):	
Trade and other payables	**4,293**
Partners' share in security deposits	**294**
Bank borrowings	**8**
Deferred accounts payable	**7,797**
	12,392

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

($000s)	As at December 31, 2017
Financial assets (recognized at amortized cost):	
Cash and cash equivalents[1]	21,238
Restricted cash equivalents	630
Accounts receivable[2]	885
	22,753
Financial liabilities (recognized at amortized cost):	
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 September 30, 2018, the balance of eligible expenses to be incurred amounted to $736,000 [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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

19. SUPPLEMENTAL CASH FLOW INFORMATION

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

($000s)	For the nine months ended September 30, 2018	2017
Additions to exploration costs, net of recovered amounts	**1,347**	-
Non-cash acquisition:		
Depreciation of property, plant and equipment	**(33)**	-
Amortization of deferred lease inducements	**7**	-
Stock-based compensation	**(161)**	-
Change in non-cash working capital items	**181**	-
Change in provision for site restoration	**(966)**	-
Increase in exploration and evaluation costs, net of recovered amounts	**375**	-

($000s)	For the nine months ended September 30, 2018	2017
Other information:		
Interest paid	**568**	88
Interest received	**165**	-

20. MATERIAL TRANSACTION

On August 24, 2018, the Company and Ikkuma Resources Corp. ("Ikkuma") announced they had 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 a newly formed private corporation ("ExploreCo"), (with Ikkuma shareholders holding 100% of ExploreCo upon completion 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.

One of the conditions precedent in the Arrangement Agreement is that Pieridae shall have procured debt financing and/or completed an equity financing, in each case on commercially reasonable terms, to assume or repay Ikkuma's term debt.

21. SUBSEQUENT EVENTS

On November 5, 2018 all of the 343,747 outstanding warrants of the Company expired.