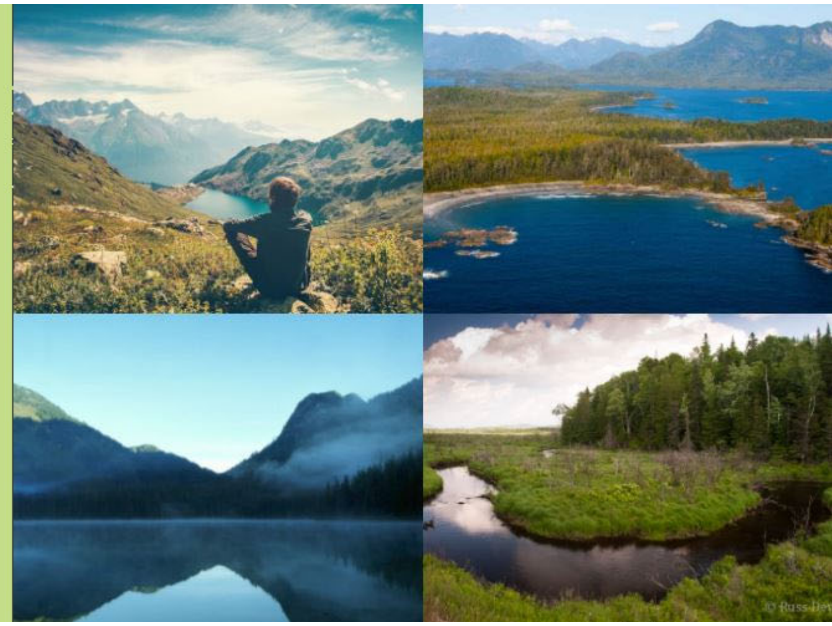
MANAGEMENT'S DISCUSSION AND ANALYSIS

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



This Management's Discussion and Analysis ("MD&A") provides a review by management of the financial position and consolidated results of Pieridae Energy Limited ("Pieridae", "we", "our" or the "Company") for the three and nine-month periods ended September 30, 2018, as well as information about our future prospects. This MD&A has been prepared as of November 21, 2018 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and the accompanying notes for the three and nine month periods ended September 30, 2018 and as well as the audited consolidated financial statements and the MD&A for the year ended December 31, 2017. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The reporting currency is the Canadian dollar. All amounts are presented in Canadian dollars unless otherwise stated.

When preparing our MD&A, we consider the materiality of information. Information is considered material if (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of our shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. We evaluate materiality with reference to all relevant circumstances, including potential market sensitivity.

We are publicly traded on the TSX Venture Exchange ("Exchange") under the symbol PEA. Continuous disclosure materials are available on the Company's website, www.pieridaeenergy.com, or on SEDAR, www.sedar.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain of the statements contained herein including, without limitation, management plans and assessments of future plans and operations, Pieridae's expected capital budget, expected timing for spending capital associated with certain joint venture arrangements, Pieridae's future business plan and strategy, Pieridae's criteria for evaluating acquisitions and other opportunities, Pieridae's intentions with respect to future acquisitions and other opportunities, plans and timing for development of undeveloped and probable resources, timing of when Pieridae may be taxable, estimated abandonment and reclamation costs, plans regarding hedging, wells to be drilled, the weighting of commodity expenses, compensation available from regulatory authorities, and capital expenditures and the nature of capital expenditures and the timing and method of financing thereof, may constitute "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws (collectively "forward-looking statements"). Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue", "shall", "estimate", "expect", "propose", "might", "project", "predict", "forecast" and similar expressions may be used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management.

Forward-looking statements involve significant risk and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of resources estimates, environmental risks, competition from other producers, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources. In addition, there are risks inherent to the industry, ability to obtain additional financing, ability to realize benefits from flow-through share financing, potential for changes in the competitive landscape, potential future regulatory changes and potential future litigation. The recovery and estimates of Pieridae's resources provided herein are estimates only and there is no guarantee that the estimated resources will be recovered. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements.

Forward-looking statements are based on a number of factors and assumptions which have been used to develop such forward-looking statements, but which may prove to be incorrect. Although Pieridae believes that the expectations reflected in such forward-looking statements are reasonable, undue reliance should not be placed on forward-looking statements because Pieridae can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which Pieridae operates; the timely receipt of any required regulatory approvals; the ability of Pieridae to obtain qualified staff, equipment and services in a timely and cost efficient manner; the ability of the operator of the projects which Pieridae has an interest in, to operate the field in a safe, efficient and effective manner; the ability of Pieridae to obtain financing on acceptable terms; the ability to replace and expand oil and natural gas resources through acquisition, development and exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of Pieridae to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Pieridae operates; and the ability of Pieridae to successfully market its oil and natural gas products. Note that as at September 30, 2018, no oil or natural gas reserves have been assigned to any of the properties in which Pieridae has an interest.

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Pieridae's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), and at Pieridae's website (www.pieridaeenergy.com). Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of the MD&A and Pieridae assumes no obligation to update or review them to reflect new events or circumstances except as required by applicable securities laws.

Forward-looking statements contained herein concerning the oil and gas industry and Pieridae's general expectations concerning this industry are based on estimates prepared by management using data from publicly available industry sources as well as from resource reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which Pieridae believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While Pieridae is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.

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BUSINESS UPDATE

Our business and mission

Pieridae's mission is to build shareholder value by becoming the first Canadian fully integrated, independent liquified natural gas ("LNG") producer in Canada. Pieridae's business activities are centred on the development of the following fields of the energy sector: (a) the ownership and production of Canadian and U.S. natural gas and associated products; (b) liquefaction of natural gas at the LNG production facility being developed by Pieridae; and (c) the sale of the LNG to international markets and specific niche markets in North America. Shareholder value is created by taking North American gas, which is over supplied and has limited demand growth, to international markets which are undersupplied and have strong demand growth.

Pieridae's business model is based upon the traditional integrated model for the LNG industry which is characterized by the ownership of both natural gas resources and liquefaction capacity. In terms of liquefaction capacity, Pieridae is developing a natural gas liquefaction facility to be situated on the Atlantic Ocean coast, near the community of Goldboro, Nova Scotia (the "Goldboro LNG Facility"). This traditional business model allows for more flexible management and mitigation of risks along the value chain. Pieridae has deliberately targeted LNG sales in markets with price indexes associated with future markets. This allows Pieridae to use a host of financial derivative tools to manage its commodity price risk.

Recent developments

Appointment of Financial Advisors

Pieridae announced on February 27, 2018 that it has engaged Morgan Stanley & Co, LLC and SG Americas Securities, LLC to serve as financial advisors for Pieridae's Goldboro LNG integrated project. Pieridae intends to raise up to the US $10 billion in equity and project financing to fulfill its mandate to become the first independently operated, fully-integrated LNG project in North America.

On August 15, 2018 Pieridae announced the appointment of KfW IPEX-Bank as an adviser in assisting it to finalize a multibillion U.S. dollar untied loan guarantee from the German federal government under its UFK program.

Agreement to Negotiate Offtake Agreement for Train 2 Produced LNG

Pieridae announced on May 7, 2018 that it entered into a term sheet to negotiate a binding LNG sale and purchase agreement to supply Canadian-sourced liquefied natural gas to Europe from Train 2 of the Goldboro LNG Facility. Under the term sheet with Pieridae, the off taker (subsequently disclosed as AXPO Trading A.G.) will purchase up to one half million tonnes per annum of LNG commencing from the start of commercial deliveries of LNG and last for a 10-year period.

Business combination with Ikkuma Resources Corp.

On August 24, 2018, the Company and Ikkuma Resources Corp. (IKM – TSXV) ("Ikkuma") announced that 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).

The completion of the Arrangement will provide Pieridae with ownership of an extensive area of producing and gas-prone reserve and resource properties situated primarily in the central Alberta Foothills area (the "Natural Gas Properties"). The Arrangement Agreement also provides for the transfer, prior to the effective date of the Arrangement, by Ikkuma, of certain interests in Cardium light oil-focused Alberta Foothills properties (the "Crude Oil Properties") to a newly formed private corporation ("ExploreCo"). The Arrangement is subject to all customary regulatory approvals.

On completion of the Arrangement, each shareholder of Ikkuma will receive 0.1926 of a common share of Pieridae and 0.1 of a share of ExploreCo for each common share of Ikkuma, (with Ikkuma shareholders holding 100% of ExploreCo upon completion of the Arrangement), subject to Alberta Energy Regulator ("AER") approval of the transfer of the Crude Oil Properties. AER approval has been received and the properties were transferred on September 21, 2018.

The proposed acquisition of Ikkuma is an important step in the execution of Pieridae's strategic plans for the acquisition of natural gas reserves and resources in its integrated business model. Pursuant to the Arrangement, Pieridae will acquire the Natural Gas Properties at metrics significantly below the cost of similar reserves and resources in other parts of North America. This is expected to provide Pieridae with a long term, competitive advantage for delivering LNG to European and other markets. The cost of acquisition represents approximately 1.5% of the total cost of Pieridae's proposed Goldboro LNG project and represents a significant step towards reaching its final investment decision. Ikkuma is also expected to be a vehicle through which additional long-life natural gas assets in Alberta and British Columbia, that are complementary to the feedstock needs of Pieridae, are acquired.

The proposed acquisition of Ikkuma advances Pieridae's strategic position in North America as a fully integrated LNG enterprise, from upstream development of natural gas reserves and resources to the production of LNG for sale to its existing customers in Europe. As part of the acquisition Pieridae will retain the experienced and well-regarded team of Ikkuma to lead the development of its natural gas properties both in Western and Eastern Canada. It is expected that the natural gas properties, which are primarily conventional in nature, will be developed without the use of hydraulic fracturing.

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. All conditions and contingencies that must be resolved before the closing of the acquisition are disclosed in Article 5 of the Arrangement Agreement. On November 13, 2018 Pieridae and Ikkuma entered an Arrangement Agreement Amending Agreement (the Amendment). A copy of the Arrangement Agreement (including the plan of arrangement) and the Amendment have been filed on the SEDAR profiles of both Pieridae and Ikkuma and are available on www.sedar.com.

In addition, on November 13, 2018 Ikkuma received an interim order from the Court of Queen's Bench of Alberta to move forward with obtaining Shareholders' approval of the Arrangement. Ikkuma issued an information circular to their shareholders on November 19, 2018 and the shareholders' meeting to vote on the Arrangement is anticipated to be held on or about December 17, 2018. Pieridae and Ikkuma are working towards satisfying the remaining conditions under the Arrangement prior to close including:

- procurement by Pieridae of debt and/or equity financing, to assume or repay Ikkuma's term debt;
- retention of key management staff; and
- execution by Pieridae of the pipeline transportation agreements to transport a stipulated volume of natural gas from western Canada to the proposed Goldboro LNG facility.

Pieridae expects that Pieridae shareholders will own approximately 70% of the outstanding shares of the Company after completion of the transaction. Pieridae shareholders' approval is not required under TSX policies.

The completion of the Arrangement and the concomitant acquisition by Pieridae of Ikkuma represents an important step forward in Pieridae's objective of procuring sufficient long-term volumes of natural gas for use as feedstock and fuel in the production of LNG from Train 1 of the Goldboro LNG Facility. It is a condition to completion of the Arrangement that Pieridae shall have: (i) procured debt financing (including by way of an assumption of amounts owing pursuant to the Term Loan), and/or completed an equity financing, in each case on commercially reasonable terms, to assume or repay all amounts owing pursuant to the Term Loan and unless Pieridae assumes the Term Loan, Pieridae shall have repaid, or made available to Ikkuma sufficient funds to repay, all amounts owing under the Term Loan; and (ii) if Ikkuma shall not have completed the Secondary Transaction for aggregate proceeds of not less than $16 million, procured debt financing (including by way of an assumption of amounts owing pursuant to a debt financing entered into by Ikkuma prior to the Closing Date that is agreed to in writing by Pieridae), and/or completed an equity financing, in each case on commercially reasonable terms, for not less than $16 million and unless Pieridae assumes such debt financing, Pieridae shall have repaid, or made available to Ikkuma sufficient funds to repay, all amounts owing under the Credit Agreement in the event the Secondary Transaction has not been completed, provided that in no event shall there be an obligation to repay more than an aggregate of the sum of $66 million plus the lesser of (i) $12 million and (ii) the total of those expenditures which were incurred by Ikkuma after June 30, 2018 but before five calendar days prior to closing and which can be renounced by Ikkuma to purchasers of flow-through shares pursuant to section 66(12.66) of the Income Tax Act (Canada) on or prior to December 31, 2018 with an effective date of December 31, 2017.

Appointment of CFO

Mario Racicot resigned as the chief financial officer of Pieridae on September 1, 2018 and on September 14, 2018 Pieridae announced the appointment of Ms. Melanie Litoski as Chief Financial Officer ("CFO") of Pieridae.

Regulation changes in the province of Quebec

On September 20, 2018, the Quebec Government adopted the Petroleum Resources Act and its related regulations. The Act and its regulations govern all aspects of the exploration and exploitation of hydrocarbons in Quebec and replaces the Mining Act previously in force. The regulatory changes have multiple impacts for the Pieridae, including but not limited to:

- A complete prohibition of exploration and production within 1,000 meters of urban areas;
- Restrictions in areas within 1,000 meters of a body of water; and
- A ban on fracturing within the first 1,000 meters of the surface.

Following the change in regulation, Pieridae reviewed all its permits in the province to determine the impact of the new regulations, and, at the same time, evaluate if permit optimizations were possible. Pieridae considers this regulatory change a form of appropriation by the government and will be seeking government compensation.

Management concluded that indicators of impairment were present, and that impairment adjustments were required as detailed below:

Haldimand

A portion of the Haldimand property is located within 1,000 meters of an urban area. All of the wells drilled are either in the restricted area, or so close to it that it would likely be very difficult to obtain approvals to drill new wells or re-enter the existing ones. This change in circumstances means the Company will not be able to pursue any development activities in this property under the current regulatory regime. Consequently, an impairment charge of $1.5 million was recorded in Q3, 2018 for all oil and gas ("O&G") licenses on this property. An additional impairment charge of $14.3 million was booked for all of the related exploration and evaluation ("E&E") assets.

Bourque

The Bourque property is located 30 km east of the town of Murdochville on Crown lands. Following analysis of the regulatory texts, it appears that the Bourque project could go forward under the new regulatory framework as it is not a shale resource, nor near any of the restricted areas.

Gaspésia

Pieridae believes this new legislation will allow for the Quebec government to issue permits to complete the proposed seismic program contemplated on the property.

Per additional analysis performed by management, no other impairment indicators have been identified resulting from the new regulations. Additional impairment of $1.2 million was recognized related to the O&G licenses relinquished by the Company. Management has elected to only keep licenses in areas with higher potential and has chosen to relinquish licenses in areas where it would have been less cost effective to pursue exploration. Except for the Marcel Tremblay property that was completely relinquished, and for which both the O&G properties and E&E assets were impaired, all other O&G properties were impaired on a pro-rata basis of the area relinquished. There was no impairment taken on the related E&E assets. Management is of the view that the resource potential of the remaining licenses is similar to prior periods as the permits retained focus on the higher quality areas that were identified through the E&E work performed previously.

Pieridae Eligible to Benefit from Additional Conditional Loan Support from the German Government

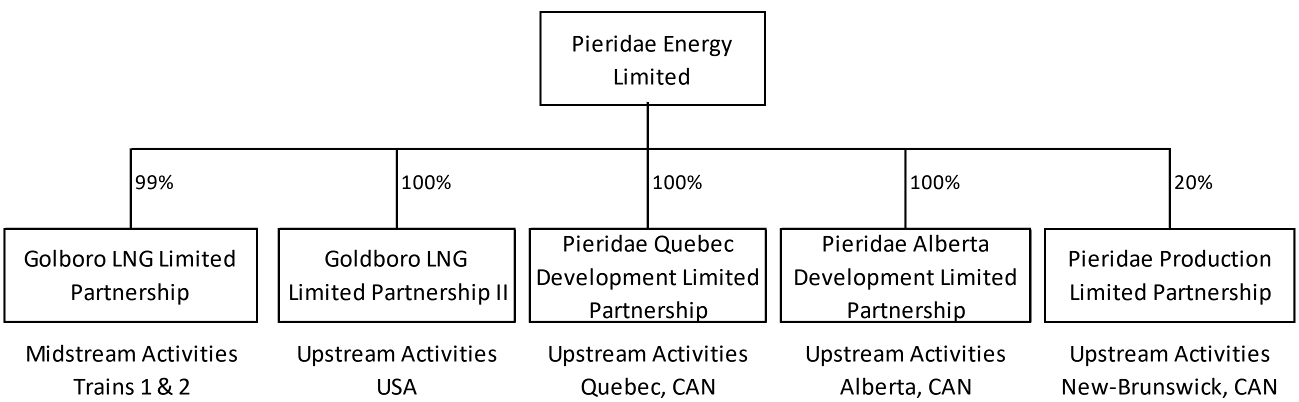
Pieridae announced on October 29, 2018 that its proposed financing of upstream activities within the Goldboro LNG Project has received a written confirmation of eligibility in principle for up to US $1.5 billion of untied loan guarantees by the German federal government under its UFK program (Bundesgarantien für ungebundene Finanzkredite). This confirmation satisfies a condition to completion of the arrangement with Ikkuma Resources Corp. (see below) and marks an important milestone in advancing the integrated Goldboro LNG Project towards a final investment decision. This prospective US $1.5 billion German government loan guarantee is in relation to the proposed financing of conventional upstream natural gas development and is in addition to a similar confirmation of UFK eligibility that was previously announced, namely for up to US $3 billion of prospective German government loan guarantees for the proposed financing of the construction of the Goldboro LNG Project train 1 and all associated facilities. The terms and conditions of both guarantees are yet to be negotiated in the context of an overall project financing. Given that the rationale of Germany´s UFK program is to enhance security of commodity supply, the actual grant of the guarantees will be subject to, among other things, a commitment that a specified amount of LNG produced annually from the proposed Goldboro LNG Facility will be delivered to Germany over a term of twenty years. In 2013, Uniper Global Commodities S.E. entered into a twenty-year take-or-pay agreement with Goldboro Canada LP to purchase approximately 5 million tons per annum of LNG produced from train 1 of the proposed Goldboro LNG Facility. This agreement was subsequently amended on February 3, 2016, June 2, 2017 and November 1, 2018 thereby extending the deadline imposed on Pieridae for satisfying certain conditions thereunder. The amendment of this agreement on November 1, 2018 satisfies a condition to the completion of the plan of arrangement.

Pieridae Receives Permit to Construct the Goldboro LNG Facility

The Nova Scotia Utility and Review Board ("NSURB") issued the permit to construct the Goldboro LNG Facility on November 5, 2018. Pieridae expects to satisfy each of the associated conditions of that permit and to commence the construction of the Goldboro LNG Facility as soon as a final investment decision is taken by Pieridae. In anticipation of the commencement of construction, Pieridae has engaged Hatch Ltd. to act as its engineering adviser. Hatch was selected due to its core competencies in the conversion, storage, handling and transportation of LNG, which is critical to ensuring a well-thought-out plan that incorporates all aspects of the project site. Hatch has a global network of approximately 9,000 professionals spanning over 150 countries in various sectors including energy and infrastructure. Pieridae is also continuing to engage with First Nations so that the Mi'kmaq people will realize on the opportunities contemplated by the Memorandum of Understanding signed in August 2013.

PROJECTS, WORK PROGRAMS AND OUTLOOK

Pieridae carries on its business indirectly, through its several limited partnerships in which it holds an interest as shown in the diagram below. Pieridae's midstream activities are carried on through its 99% interest in Goldboro LNG LP. Upstream activities are structured by geographic location with the United States activities carried on through its 100% interest in Goldboro LNG LP II, Quebec activities carried on through a 100% interest in Pieridae Quebec Development LP, New Brunswick activities carried on through a 20% interest in Pieridae Production LP, and Alberta activities carried on through a 100% interest in Pieridae Alberta Development Limited Partnership. Pieridae is in the development stage of its midstream activities and is in the early acquisition stage of its upstream activities. Therefore, it is not earning revenues from the sale of LNG, natural gas or any other product or service. The Company has no active operations in the United States, Alberta or New Brunswick at this time. Current activities in the Goldboro midstream and Quebec upstream operations is described below.



Goldboro LNG Project

The Goldboro LNG Facility will be located on the coast of the Atlantic Ocean, approximately two kilometres from the communities of Goldboro, Nova Scotia, in the West, and Drum Head, Nova Scotia, in the East. The Facility will include one, or possibly two liquefaction trains, each with the annual production capacity of approximately 5 million metric tonnes per annum ("MMTPA") of LNG. A power plant, which will generate the electricity required to produce LNG; two LNG storage tanks; as well as marine structures and a jetty which will be equipped to accommodate two LNG carriers of up to 250,000 m^3 of LNG each will also be constructed at the site.

Project Background

Integrated LNG Business Model

Pieridae is currently Canada's only integrated LNG enterprise holding key permits and approvals for its current stage of development. Half of the initial capacity of the Goldboro LNG Facility is sold under a 20-year, take-or-pay contract with Uniper Global Commodities SE, a 100% subsidiary of Uniper SE, one of Europe's largest energy companies. From its first acquisition of resources in New Brunswick, to its merger with Pétrolia, Pieridae has built a portfolio of natural gas reserves in key natural gas basins in Quebec and New Brunswick with plans to increase its reserves in the near future. Pieridae's Goldboro LNG Facility will be North America's closest mainland LNG export terminal to Europe. Pieridae's integrated LNG business model enhances our ability to comprehensively manage commercial risk.

Financing (UFK)

The confirmation in principle on April 25, 2013, that the project financing that is secured for the construction of the first train of the Goldboro LNG Facility will qualify for a US $3 billion loan guarantee from the German federal government provided that, among other things, at least 1.5 MMTPA of the 4.8 MMTPA LNG produced from the first train of the Goldboro LNG Facility comitted to Uniper will be delivered to the German domestic gas market. Uniper is contractually obligated to satisfy this condition at all relevant times. The low cost of capital and the amount of leverage which can be achieved represent a significant advantage over competitors. Achieving a debt to equity structure preferential to competitors on processing is an advantage since Pieridae's cost of debt could be lower than its competitors translating into a cost of conversion lower than an integrated LNG company without such guarantee.

World demand

According to the International Energy Agency, global energy demand is expected to grow by 30% between 2015 and 2040[1]. Global demand for LNG is predicted to grow from approximately ~175 MMTPA in 2010 to approximately ~375 MMTPA in 2020 and around ~575 MMTPA by 2035. It is predicted that demand in 2027 will increase ~9% to 280 MMTPA as China and Emerging markets will drive the demand growth over the next few years driven by Southeast Asia's demand. European demand is expected to buoy the global LNG demand from 2026 to 2030[2].

Excess Supply

Pieridae, as part of its value chain strategy, plans to acquire stranded and economically constrained natural gas reserves and move them to world markets at world market prices. This strategy contemplates acquisitions and joint ventures to acquire reserves in Canada and the United States. At the moment, there are multiple producers in Western Canada without a market to export their gas, driving the AECO prices down.

[1] Royal Dutch Shell plc, *Shell LNG outlook 2018: External Environment Creating More Opportunities For Gas And LNG*, page 5.

[2] Todd Kepler, CFA, *Pieridae Energy Limited: On Track to Become Canada's First Major LNG Exporter*, Laurentian Bank Securities, Oil and Gas, January 16, 2018, page 20.

Transport Capacity

The gas supply, from a variety of sources, will be delivered via existing pipelines to the Maritimes and Northeast Pipeline ("M&NP"), located directly adjacent to the project site. Western Canadian production would move through the TransCanada mainline. This represents an opportunity for Trans Canada Pipeline as well, as their TransCanada mainline is currently underutilized. Current capacity of the mainline is approximately 6 billion cubic feet ("Bcf")/day, but it is operating at about 2.4 Bcf/day. There are some sections of the subsidiary lines which will require upgrading to meet Pieridae's capacity requirements. US sourced production would likely be delivered along the Tennessee pipeline system, then into the M&NP.

Delivery

The location of our LNG Facility is another of the advantages of the project. The land where the facility will be built will allow North American gas to be turned into International gas, allowing all targeted markets to be served within a 6-days baseload and a 14-days or less shipping range.

Project Site Acquisition

The Project Site is located in the Municipality of Guysboro and consists of approximately 107.5 hectares (265.5 acres) of undeveloped land situated within the Goldboro industrial park. The Project Site is a suitable location for the proposed Goldboro LNG Facility for several reasons including the fact that the Goldboro industrial park is the origination point of the Canadian portion of the M&NP. It is also the landfall site for the Sable natural gas pipeline. The Project Site also has sheltered access to the deep water of Isaacs Harbour. The Company has completed land deforestation and grubbing in preparation for the next steps.

Pieridae has the right, exercisable on sixty (60) days prior notice at any time before March 31, 2019, to require the Municipality to repurchase the Project Site for $3.2 million on the terms and conditions of a put option registered against title to the Project Site. In addition, the Municipality has the right, exercisable on sixty (60) days prior notice, to repurchase the Project Site for $3.2 million on the terms and conditions of a call option registered against title to the Project Site if Pieridae either: (a) fails to make a final investment decision to proceed with the construction of the Goldboro LNG Facility on or before December 31, 2018; or (b) fails to obtain all regulatory permits that are necessary to construct the Goldboro LNG Facility on or before December 31, 2018. Pieridae is currently negotiating a one year extension to this contract.

Key Milestones

Pieridae has three options to develop the Goldboro LNG Facility:

- Approve a 1 train, 5 MMTPA project with smaller utilities and immediate plans for future expansion (Smaller project);
- Approve a 2 train, 10 MMTPA project with full utilities and a phased construction schedule with train 1 built in the near term and the second train built at a later time (Phased approach); or
- Approve a 2 train, 10 MMTPA project with both trains built concurrently (Full project).

The following is a discussion of the key milestones for the Full project option. Under the Phased approach these milestones would be the same with a modification or staging of the timing. Under the Smaller project, the milestones around securing sales contracts, natural gas supply, and gas transportation would be adjusted for the lower expected volumes and the engineering and design would be adjusted for the smaller facility, however the remaining milestones would be the same as the other options.

Milestone	Status
Secure sales contracts for 10 MMTPA (the design capacity of the two trains).	▪ Pieridae has an agreement with Uniper which contemplates the sale, on a "take or pay" basis, of 4.8 MMTPA of LNG for a term of 20 years commencing at the start of commercial deliveries of LNG. ▪ Pieridae has a term sheet to negotiate a binding LNG sale and purchase agreement to supply up to 1 million tonnes per annum of LNG to Axpo, a Swiss utility. ▪ Negotiations are under way for further sales agreements.
Secure supply of approximatly 1.4 billion cubic feet per day of natural gas, and the related infrastructure improvements required to supply the 10 MMTPA of LNG capacity in the facility.	▪ In partnership with ORLEN Upstream Canada Ltd., Pieridae owns natural gas properties in New Brunswick. ▪ Pieridae aquired Pétrolia Inc., of Quebec, in 2017, resulting in ownership of 22.7% of Quebec's territory under licence and located in the eastern part of the province. ▪ Arrangement Agreement dated August 23, 2018 for the acquisition of Ikkuma. The acquisition of Ikkuma will add 0.62 trillion cubic feet of 2P reserves, and an estimated 16 trillion cubic feet of 3P reserves. That will supply 25% of the gas required for both trains or 50% of Train 1. ▪ Confirmation of eligibility in principle for up to US $1.5 billion of untied loan guarantee by the German federal government under its UFK program to support upstream development. ▪ Pieridae is seeking the remaining gas through additional acquisitions or processing agreements, for which negotiations are ongoing.
Complete engineering and design required for facility construction.	▪ Project site acquired. ▪ Beginning of the land preparation was completed in early 2018. ▪ McDermott (formerly CB&I) has completed the Front End Engineering and Design ("FEED"). ▪ Negotiation of the primary engineering, procurement and construction ("EPC") contract is ongoing.
Secure transportation agreements to deliver natural gas to the Goldboro LNG Facility	▪ Negotiation under way with owners of the pipelines.

Milestone	Status
Obtain all permits and authorizations required to proceed with construction.	▪ As of October 1st, 2018, Pieridae received confirmation from the consultant engaged by the NSURB that Pieridae had provided sufficient information for the issuance of the permit to construct, with certain conditions. An NSURB hearing to inquire into the adequacy aboriginal consultation with the Sipekne'katik First Nation was set for on October 15, 2018. However, in a letter to the NSURB, the Sipekne'katik First Nation announced that it will no longer oppose the issuance of the permit to construct, and will not attend at the hearing. The NSURB issued the permit to construct the Goldboro LNG Facility on November 5, 2018. ▪ The Minister of the Environment of Nova Scotia, issued an Environmental Assessment Approval to Pieridae Energy for the Goldboro LNG Natural Gas Liquefacton Plant and Marine Terminal, on March 31, 2014. Extensions were granted in August 2015 and October 2017. As per the 2017 extension, The Environment Assessment Approval requires construction to start before March 21, 2019. This condition was satisfied as a result of the completion of the site clearing which occurred in early 2018. ▪ The Canadian Environmental Assessment Agency determined that a federal environmental assessment was not required. ▪ Export Licence GL-313 approved the export from Canada up to 16.675 billion cubic meters (589 Bcf) of natural gas each year for a period of twenty years commencing on the date of first export. ▪ Import Licence GL-314 approved the import up to 11.845 billion cubic meters (418 Bcf) of natural gas each year for a period of twenty years commencing on the date of first import. ▪ Department of Energy of the United States (the "US DOE") issued an order ("Order No. 3639") granting authorization to export annually, by pipeline, up to 292 Bcf of natural gas sourced from the United States to Canada for end use in Canada or, after liquefaction in Canada, to export, by vessel. ▪ US DOE issued an order ("Order No. 3768") granting authorization to export annually, using the capacity of the U.S. portion of the M&NP that is in service as of February 5, 2016, up to 292 Bcf of natural gas sourced from the United States to Canada for liquefaction and to re-export as LNG to countries with which the United States does not have a free-trade agreement.

Milestone	Status
Obtain agreement from organized labour and local indigenous groups to mitigate the risk of disruption during construction.	▪ Have negotiated a project special needs collective agreement (the "Collective Agreement") affecting 15 of the relevant trade unions in Nova Scotia, of which 13 have signed and ratified the Collective Agreement. ▪ The Labour Board (Nova Scotia) issued order LB-1322 and order LB-1323 declaring that the Collective Agreement is a project agreement and that it is effective commencing July 27, 2017. ▪ Have signed a memorandum of understanding with The Assembly of Nova Scotia Mi'kmaq Chiefs to cooperate on the project and to negotiate a collaborative benefits agreement to facilitate meaningful Mi'kmaq particpation in and support for the Project.
Secure the required funding.	▪ Confirmation of eligibility in principle for up to US $4.5 billion of untied loan guarantee by the German federal government under its UFK program to support both Midstream and Upstream development. ▪ Pieridae has engaged the following advisors - Morgan Stanley (equity); Societe Generale (debt); KfW bank (debt) .

More information on the above noted contracts and regulatory efforts can be found in the Company's 2017 AIF which can be found on www.sedar.com.

Final Investment Decision ("FID")

The total cost of the project is expected to be approximately USD $10 billion, split USD $4.5 billion for Train 1, USD $3.5 billion for Train 2, and USD $2.0 billion for upstream development. These costs will be refined as we get closer to project construction. Construction phases include, but are not limited to, site preparation, road detour, procurement, camp design and construction, module fabrication and train installation, jetty construction and installation, tank construction, utilities and off-site installation and commissioning.

Pieridae intends to make a soft FID during the first half of 2019, instead of by the end of 2018 as previously expected. This soft FID will allow the Company to start the process of identifying capital partners and funding sources. Milestones for this decision include 1) the completion of the Ikkuma acquisition, 2) securing natural gas transportation from Western Canada to the Golboro LNG Facility site, 3) obtaining additional support from the German government to support Upstream development, and 4) receiving the Permit to Construct from the Nova Scotia government. Milestones 3) and 4) have been achieived while milestones 1) and 2) are pending. To enable it to make this decision, Pieridae is actively working on securing pipeline transportation and is in the final stages of closing the Ikkuma transaction. In addition to these activities, Pieridae continues to negotiate a firm, lump-sum EPC agreement for construction of the Goldboro LNG Facility.

Financing

The Company will be looking to raise US $5 to $10 billion to fund the construction of the project. Expectations are that it will be structured with a high debt to equity ratio, and that it will occur in stages. After completion of the EPC contract and open book estimates, the lenders will be in position to complete their due diligence and proceed with investment decisions. Lenders are expected to provide cashflows on an ongoing basis throughout the different stages of the construction. Financing will also be required to bridge to the lenders investment decisions. This bridge financing is expected to be comprised of both debt and equity. The Company believes that, with its financial advisors, it will have the capacity to achieve the funding required.

Oil and gas properties

Pieridae holds licenses for, and interests in, an area of over 10,117.75 square kilometres (km²), amounting to nearly 22.7% of Quebec's territory under licence. Located in Eastern Quebec, these areas are largely known for their oil potential. Pieridae's territories under licence also offer the potential of discovering natural gas liquids.

There are two partnership agreements covering portions of the Company's Quebec territories under licence:

- For the Baie-des-Chaleurs–Matapédia and Ristigouche licenses, Pieridae and Saint-Aubin Énergie S.A.S. (a subsidiary of Maurel & Prom and Maurel & Prom International), each hold a 50% interest in 13 licenses covering an area of over 1,800 km².
- The interests in the four Bourque property licenses are as follows: Pieridae – 51.03%; TUGLIQ Energy S.A.R.F. – 3.97%; and Ressources Quebec inc. – 45%.

The remaining licence blocks are wholly owned by Pieridae.

Pieridae also holds a 20% interest in Pieridae Production LP, which owns certain natural gas resource properties situated in New Brunswick. Under certain circumstances, it is possible for Pieridae to increase this interest to 50%. However, there is presently a government-imposed moratorium on the use of hydraulic fracturing in New Brunswick which effectively prevents any further exploration and development by Pieridae Production LP ("PPLP") of its natural gas resource properties in the province at this time. However, the incoming Premier-elect in New Brunswick has reaffirmed a campaign promise to selectively allow hydrolic fracturing to occur in the province. The other partner in Pieridae Production LP is ORLEN Upstream Canada Ltd., an affiliate of Polski Koncern Naftowy Orlen Spółka Akcyjna, a public corporation listed on the Warsaw stock exchange. It is a major Polish oil refiner and petrol retailer. It has operations in Poland as well as the Czech Republic, Germany and the Baltic States.

Bourque Project

The Bourque project, which was launched in 2007, is located on the northwestern part of the Gaspé property, 30 km east of Murdochville, and 50 km west of the Town of Gaspé. There are four licenses related to this property. The Company's interest in this project currently amounts to 51.03%, with the interests of Ressources Quebec Inc. and TUGLIQ Energy Corp. in the licenses amounting to 45% and 3.97%, respectively.

A number of exploration programs have been carried out in the property in recent years, including a three-dimensional seismic survey in 2008, the drilling of Bourque 1 and Bourque 2 in 2012, and the re-entry of Bourque 1 and the drilling of Bourque 3 in 2016. As at September 30, 2018 , Pieridae and its partners have invested nearly $31 million in the property.

Following the re-entry of Bourque 1 (Bourque HZ No. 1R1) and the drilling of Bourque 3 (Bourque HZ No. 3), carried out in fall 2016, pressure gauges were installed and the wells were shut-in for the winter. The pressure data recorders installed in the two wells in December 2016 were recovered on May 17, 2017.

On July 19, 2017, production tests on the Bourque No. 1 R1 and No. 3 wells were resumed. The results of the production tests and sample analyses have been used to assess the best means to put these wells into production. In late August 2017, the Company engaged Sproule Associates to process all this new data, as well as 66 km^2 of reprocessed 3D seismic data obtained in 2015. Sproule was then mandated to prepare an update of the evaluation report of the resource contained within the Bourque project, as of September 30, 2017. The final report was delivered on November 15, 2017.

Other Properties

Pieridae reviewed all of its data from his other properties in the Gaspé Peninsula to pinpoint areas with characteristics similar to those found in the Bourque Project and identified high-potential development properties.

For the Gaspé Peninsula, a 169.5 km^2 Pseudo 3D seismic survey is planned to define a major structure mapped with already acquired 2D seismic lines. The new survey is designed to confirm the structural closure. We will also conduct a 1,090 km survey with an Airborne Hydrocarbon Geochemical Sensing System. Additional to this survey, we have planned an optional 1,194 km Airborne Electromagnetic Survey to confirm the prospectivity of this feature. The Company is waiting for the legal authorizations and permits in order to proceed. Given positive results, the drilling of an exploratory well is tentatively forecast for the 2019 drilling season. The main objectives are the Val-Brilliant Silurian sandstones and Sayabec Silurian carbonates, as a dry gas prospect.

MANAGEMENT'S ANALYSIS OF FINANCIAL INFORMATION

Financial highlights

	For the 3 months ended September 30,		For the 9 months ended September 30,	
($000s, except per share amounts)	**2018**	**2017**	**2018**	**2017**
Revenues	215	-	297	-
Administrative expenses	1,707	44	5,148	868
Operating expenses	2,018	877	4,606	1,658
Net loss attributable to equity holders	(20,368)	(2,131)	(26,021)	(5,761)
Basic and diluted net loss per share	(0.40)	(0.06)	(0.51)	(0.17)

For the three and nine month periods ended September 30, 2018, the Company's revenues consist of project management revenues. Project management revenues are management fees invoiced by the Company as a project operator for exploration and restoration work. There were no similar activities, or revenues, in the comparative 2017 periods.

For the three months ended September 30, 2018, the Company reported a net loss attributable to equity holders of $20.4 million, compared with $2.1 million in the comparative period in 2017. The increased loss is due primarilly to $17.0 million of impairment reserves recorded in Q3 2018. The Company identified indicators of impariment in its Quebec properties due to regualtory changes governing oil and gas exploration activities recently enacted by the Quebec government. The new regulations would place severe limitations on Pieridae's ability recover the carrying value of certain properties. Consequently impairment was recorded to better reflect management's assessment of the future econominc benefits associated with these properties. The balance of the increased loss is also attributable to increasing salaries, share-based compensation and professional fees incurred as the Company pushes forward with the development of its Goldboro LNG Facility.

The Company's net loss attributable to equity holders for the nine month period ended September 30, 2018, was $26.0 million compared to $5.8 million for the nine months ended September 30, 2017. The increased loss is related primarily to the $17.0 million impairment reserve in addition to engineering and cosulting costs, increased salary costs, and environmental reviews.

($000s)	As at September 30, 2018	As at December 31, 2017
Cash and cash equivalents	12,683	21,238
Working capital	(52)	10,379
Total assets	52,315	74,045
Total liabilities	16,991	14,683
Equity	35,324	59,362

See the Liquidity and capital resources section of this MD&A for information on the changes in cash and cash equivalents and working capital deficiency.

Detail of administrative expenses

	For the three months ended September 30,		For the nine months ended September 30,	
($000s)	2018	2017	2018	2017
Share-based compensation	126	(90)	1,606	-
Salaries and employee benefits	324	702	1,018	842
Board of Directors fees	135	-	345	-
Travel	6	21	95	21
Professional services	1,058	(594)	1,892	-
Depreciation of property, plant and equipment	6	5	16	5
Other expenses	56	-	184	-
Total administrative expenses before re-invoicing	1,711	44	5,156	868
Re-invoicing of expenses	(4)	-	(8)	-
Total administrative expenses	1,707	44	5,148	868

For the three and nine month periods ended September 30, 2018, administrative expenses, net of re-invoiced expenses, increased $1.7 million and $4.3 million, respectively, from the comparable periods in 2017. The large increase in expenses is indicative of the Company's increase in operating activites over the past year as well as costs incurred related to the Ikkuma transaction and further investment in regards to its Goldboro LNG facility.

Detail of operating expenses

	For the three months ended September 30,		For the nine months ended September 30,	
($000s)	2018	2017	2018	2017
Engineering and consulting	1,064	1,211	2,090	1307
Environmental review	390	-	549	-
Land improvement	-	6	216	128
Share-based compensation	101	(535)	522	-
Salaries and employee benefits	478	207	1,365	223
Travel	41	(9)	145	-
Depreciation of property, plant and equipment	11	(3)	34	-
Other expenses	131	-	299	-
Total administrative expenses before re-invoicing	2,216	877	5,220	1,658
Re-invoicing of expenses	(112)	-	(191)	-
Transfer to land improvement	-	-	(38)	-
Transfer to exploration and evaluation assets	(86)	-	(385)	-
Total operating expenses	2,018	877	4,606	1,658

For the three and nine month periods ended September 30, 2018, operating expenses, net of re-invoiced expenses and transfers, increased $1.1 million and $2.9 million, respectively from the comparative periods in 2017. The key year-over-year differences in operating expenses were in engineering and consulting, environmental review, land improvement, salaries and employee benefits and share-based compensation. The engineering and consulting fees, as well as environmental review, rose due to the continuation of development activities which began following a private placement completed in the third quarter of 2017. Land improvement expenses represents land deforestation and grubbing done in preparation for the construction of the Goldboro LNG Facility and a related construction camp to be located nearby. The increase in salaries and employee benefits reflects the fact that for many employees compensation was temporarily suspended from April to October of 2017, while the Company was closing its private placement and the amalgamation with Petrolia.

Project investment

($000s)	For the three months ended September 30, 2018	2017	For the nine months ended September 30, 2018	2017
Property, plant and equipment	7	-	500	-
Oil and Gas properties	16	-	129	-
Exploration expenses	1,043	-	1,347	-
Total capitalized costs	1,066	-	1,976	-
Goldboro LNG Facility spending	1,853	-	4,329	128
Total project costs	2,919	-	6,305	128

The company has invested more than $60 million to date in its Goldboro terminal development. Expenses were mostly incurred to complete the FEED and to obtaining the environmental assessment approval.

In 2018, the Company incured expenses related to the Goldboro LNG Facility for the design appraisal performed in the process of obtaining the permit to construct and the beginning of the open book estimate. Fees will continue to be incurred to address all the environmental conditions related to the environmental assessment approval. In order to keep the project on schedule certain site preparation work will also need to be completed in 2019 including completion of the land preparation and a road detour.

Exploration expenses for the nine-month period ended September 30, 2018, are detailed below:

($000s)	Geology	Geophysics	Completion and drilling	Analysis	Fracturing	General expenses	Options	Provision	Site maintenance	Total
Anticosti	-	-	-	-	-	-	-	-	-	-
Gastonguay	-	-	-	-	-	-	-	-	-	-
Gaspésia Marcel-Tremblay Edgar	-	-	-	-	-	9	-	-	-	9
Gaspé	-	-	-	-	-	182	-	-	1	183
Bourque	-	-	-	-	3	490	-	-	13	506
Haldimand	-	-	-	1	-	599	-	-	24	624
Tar Point	-	-	-	-	-	13	-	-	2	15
Matapédia	-	-	-	-	-	10	-	-	-	10
	-	-	-	**1**	**3**	**1,303**	**-**	**-**	**40**	**1,347**

Summary of quarterly results

The Company's quarterly results may fluctuate significantly from quarter to quarter owing to the development stage of the Company.

($000s, except per share amounts)	September 2018	June 2018	March 2018	December 2017
Revenues	215	66	16	90
Administrative expenses	1,707	1,759	1,682	1,063
Operating expenses	2,018	1,575	1,013	2,493
Net loss attributable to equity holders	(20,368)	(2,711)	(2,942)	(3,091)
Net loss per share attributable to equity holders				
Basic and diluted	(0.40)	(0.05)	(0.06)	(0.06)
($000s, except per share amounts)	**September 2017**	**June 2017**	**March 2017**	**December 2016**
Revenues	-	-	-	-
Administrative expenses	44	631	193	1,350
Operating expenses	877	48	733	3,778
Net loss attributable to equity holders	(2,131)	(1,572)	(2,058)	(5,915)
Net loss per share attributable to equity holders				
Basic and diluted	(0.06)	(0.05)	(0.06)	(0.38)

LIQUIDITY AND CAPITAL RESOURCES

($000s)	As at September 30, 2018	As at December 31, 2017
Cash and cash equivalents	11,226	19,619
Cash and cash equivalents held for exploration purposes	1,457	1,619
Accounts receivable	1,675	1092
Prepaid expenses	931	122
Trade and other payables	(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	(624)	(679)
Provision for contingent liability	(528)	(583)
Current portion of the provision for site restoration	(1,991)	(610)
Flow-through shares premium	(82)	(104)
Promissory notes	0	(25)
Deferred accounts payable	(7,797)	(7,836)
Net Working Capital (deficit)	(52)	10,379

Our capital strategy is aligned with our business strategy and is focused on ensuring that we have sufficient liquidity to fund our operations and project development. Our principal sources of liquidity are borrowings under credit facilities and equity offerings. Our primary uses of cash are for operating and project expenses. As at September 30, 2018, we had a consolidated cash position of $12.7 million and a small net working capital deficit, compared to a cash position of $21.2 million and working capital of $10.4 million as at December 31, 2017. The reduction in working capital from the comparative period is primarily the result of the decrease in our consolidated cash balance. This is due primarily to the Company's investments in capital expenditures and the purchase of intangible assets. Our sources and uses of cash are described below. Our credit facilities are discussed in greater detail in the Capital Resources section below.

Sources and uses of cash flows

($000s)	For the 9 months ended September 30, 2018	2017
Cash flows related to operating activities	(7,072)	(671)
Cash flows related to investing activities	(997)	-
Cash flows related to financing activities	(391)	177

For the nine month period ended September 30, 2018, the cash flows from operating activities were negative $7.1 million. This compares with cash flow from operating activities of negative $0.7 million for the same period in 2017. The increase in negative cash flow from operating activities arose primarily from the Company's increased operational activities over the past twelve months, and the associated increase in costs and expenditures.

Investing activities for the nine month period ended September 30, 2018, were negative $1.0 million compared to nil in 2017. These expenditures are representative of the land improvements performed at the Goldboro site and an increase in exploration and evaluation costs.

Cash flows from financing activities in the first three quarters of 2018 were negative $0.4 million. The negative total resulted primarily from the increase in restricted cash and cash equivalent related to a guarantee provided in the process of obtaining the permit to construct the Goldboro LNG Facility. This amount is offset by proceeds of $0.1 million from the issuance of 48,800 shares through the exercise of stock options. These proceeds are reduced by the repayment of promissory notes by an amount of $25,000. During the same period in 2017, financing activities generated cash totalling $0.2 million, stemming primarilly from the issuance of promissory notes totalling $0.1 million.

Capital resources

Our capital structure is composed of total shareholders' equity, and loans and borrowings, less cash and cash equivalents. The following table summarizes our capital structure at September 30, 2018, and December 31, 2017.

($000s)	September 30, 2018	December 31, 2017
Cash and cash equivalents	12,683	21,238
Less: loans and borrowings	(8)	(14)
Net cash and cash equivalents	12,675	21,224
Shareholders' equity	35,324	59,362

Cash and cash equivalents

The balance of $12.7 million in cash and cash equivalents at September 30, 2018 does not include $1.1 million pledged as security for performance bonds. The $0.6 million tranche of performance bonds bears interest at 1.25% and matures on February 1, 2019. The remaining $0.5 million tranche bears interest at 2.15%. Both instruments are redeemable at any time without penalty. An additional $0.7 million of the cash and cash equivalents are held for exploration purposes related to flow-through shares, representing the unexpended proceeds of a flow-through share financing. According to restrictions imposed under financing arrangement, the Company must spend these funds on the exploration of oil and gas properties. Restricted cash and cash equivalents of $0.7 million related to the Bourque project represent the remaining cash from partner advances which must be spent on exploration work on the Bourque project. The net cash and cash equivalents not restricted is $11.2 million.

Share Capital

As of September 30, 2018 the Company had 50,549,763 common shares outstanding (December 31, 2017— 50,481,197). At November 21, 2018 the Company 50,572,765 common shares were outstanding. During the nine-month period ended September 30, 2018, the Company issued 19,766 common shares to its employees, in accordance with Pieridae's RRSP matching policy, at an average price of $4.90 per share. No shares were issued in the three-month period ended September 30, 2018.

As of September 30, 2018, 343,747 warrants (December 31, 2017— 343,747) were outstanding. These warrants expired on November 5, 2018.

As at September 30, 2018, there were 2,846,071 stock options outstanding.Exercise prices range from $0.005 to $8.04. During the nine-month period ended September 30, 2018, 48,800 stock options were exercised for proceeds of $140,000. On November 21, 2018 there were 2,802,947 stock options outstanding with exercise prices ranging from $0.005 to $8.04.

COMMITMENTS AND CONTINGENCIES

Commitments

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.

Off-balance sheet arrangements

We did not have any off-balance sheet arrangements at September 30, 2018, or November 21, 2018, not disclosed or discussed previously.

Contingencies

The Company can be named in legal claims in the normal course of business. The outcome of any outstanding claims is not determinable therefore no provision for settlement has been made in the financial statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Risk management policy

The Company's financial assets and liabilities expose it to various risks. The following analysis provides an assessment of those risks as at September 30, 2018.

Credit risk

The assets that give rise to potential credit risk exposure for the Company consist primarily of cash and cash equivalents, accounts receivable and security deposits. The Company's cash and cash equivalents are held with, or are issued by, established Canadian financial institutions. Security deposits are made directly to the Government of Quebec. Accounts receivable are mostly amounts related to commodity taxes or from subsidiaries of the Government of Quebec. Management considers the risk of non-recovery to be low.

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's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements as they become due. The Company manages its capital structure, being its share capital and debt facilities, and makes adjustments to it based on the funds available to the Company, in order to support future business opportunities. The Company manages the capital structure and makes adjustments in light of changes in economic and market conditions and the risk characteristics of the underlying assets. To maintain, or adjust the capital structure, the Company may issue new shares, additional debt facilities and/or consider strategic alliances including joint venture partners. To date, the Company has funded its share of commitments from existing cash balances and equity raises.

The Company will require additional financing to support operations. 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 may be affected.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market conditions. Market risk comprises three types of risk: interest rate risk, currency risk and price risk.

Interest rate risk

The Company is potentially exposed to fair value risk through increases in interest rates. Both the Bank Of Canada and the United States Fed have been increasing their benchmark interest rates in 2018, and the related commentary supports additional increases into 2019. These rate increases will have an impact on any debt finiancing negotiated by Pieridae as it looks to raise capital to fund its Goldboro LNG project.

Currency risk

The Company is also exposed to fluctuations in foreign exchange rates as certain accounts payable and accrued liabilities and commitments are denominated in US dollar, UK pound sterling and Euro. These risks will be materially enhanced if the Company secures debt financing denominated in any currency other than Canadian dollars. If the Canadian dollar was to change by five percent against the various currency exposures, the impact to the foreign exchange gain or loss would have been approximately $66,000 for the nine months ended September 30, 2018. To date, the Company has not entered into any foreign currency transactions or financial instruments to manage currency risks.

Price risk

While the Company is still in a pre-development phase, it is not directly subject to fluctuations in commodity prices. However, fluctuations in commodity prices, specifically the price of LNG and the price of the North American gas supply, have a significant impact on the Company's final investment decision for the LNG project. These commodity prices also have a significant impact on the Company's ability to attract the necessary investment to ultimately construct the LNG project. As the Company advances toward a final investment decision for the LNG project and pursues the required financing it will evaluate a number of options to potentially manage this risk.

Environmental risk

LNG, oil and natural gas operations involve risks that could cause damage to the environment, or other unforeseen conditions, that could result in damage to the properties of the Company or to properties owned by third parties.This could lead to potential liability toward third parties. The industry is subject to extensive environmental legislation providing restrictions and prohibitions on the emissions or release of certain substances produced in various activities within the industry. In addition, the legislation requires that land, wells and facility sites that are abandoned be reclaimed to the satisfaction of government authorities at the end of the licence validity period.

Regulatory risk

The LNG and oil and natural gas industry is subject to controls and regulations established by the various levels of government with respect to prices, royalties, land tenure, production quotas, imports and exports of LNG, oil, natural gas and environmental protection.

Nothing allows us to mitigate, with certainty, the impact these control measures and regulations and their amendments will have on the Company's operations.

The industry is subject to environmental regulations pursuant to a variety of provincial and federal legislation. This legislation provides restrictions and prohibitions on the emission or release of various substances produced or used in association with certain production activities within the industry and which affect the costs and location of wells and facilities and the extent to which activities are authorized. In addition, the legislation requires land, wells and facility sites that are abandoned to be reclaimed to the satisfaction of provincial authorities. Any breach of such legislation may result in the imposition of fines and penalties, suspension or revocation of necessary licenses, permits and authorizations to operate a business and enforcement of civil liabilities for pollution damages. In Quebec, environmental issues are governed mainly by the Environment Quality Act (Quebec). The act imposes obligations with respect to the environment, disclosure and monitoring. Furthermore, the law sets forth an impact study and broader public consultation process regarding environmental assessment and law enforcement issues. In Nova Scotia, environmental issues are governed mainly by the Environment Department and the Environment Policy Documents, the environmental acts, legislations and regulations. There are also Agencies, Boards and Commissions regarding the environment which has legal authority to exercise power over people or an activity and function independent of Government. Their powers may include licensing, advising a Minister, rule and policy-making, and issuing approvals.

The royalty program implemented by each province is a significant factor in the profitability of LNG, oil and natural gas production. Royalties are determined by government regulation. They are calculated as a percentage of the gross value of output and, typically, the rate of royalties payable depends in part on the prescribed benchmark price, well productivity, geographical location, field discovery date and the type or quality of the resource produced.

International operations

International operations can expose the Company to uncertain political, economic and other risks. The Company's operations in certain jurisdictions may be materially and adversely affected by political, economic or social instability or events. These events may include, but are not limited to, renegotiation or nullification of agreements and treaties, imposition of onerous regulation, changes in laws governing existing operations, financial constraints, including currency restrictions and exchange rate fluctuations, unreasonable taxation and behaviour of public officials. This could materially and adversely affect the Company's interest in its foreign operations, results of operations and financial condition.

Business risks and uncertainties

The Company is subject to a number of business risks. There were no changes to our principal risks and uncertainties from those reported in our 2017 MD&A and the Annual Information Form for the year ended December 31, 2017.

RELATED PARTY TRANSACTIONS

The Company’s related parties include key management personnel, as described below. None of the transactions with related parties involve special terms or conditions, and no guarantees were given or received. Outstanding balances are usually settled in cash or shares. Key management personnel compensation includes the following:

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

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The preparation of the the Company’s unaudited interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the amounts reported and disclosed in the financial statements and related notes. These include estimates that, by their nature, are uncertain, and actual results could differ materially from these estimates. The impacts of such estimates may require accounting adjustments based on future results. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

Further information on our critical accounting estimates can be found in the notes to the audited consolidated financial statements for the year ended December 31, 2017 as filed on SEDAR at www.sedar.com. In preparing the unaudited interim consolidated financial statements, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2017 except for those changes described within Accounting Policy section herein.

Accounting policies

The accounting policies applied in the Company's unaudited interim consolidated financial statements for the three and nine month periods ended September 30, 2018, are consistent with those of the annual financial statements prepared for the year ended December 31, 2017 except for IFRS 9 and IFRS 15 which were adopted by the Company on January 1, 2018. There was no material impact as a result of the adoption these policies.

Future accounting standards

Standards that are issued but not yet effective and that we reasonably expect to be applicable at a future date are listed below.

IFRS 16 Leases

IFRS 16 introduces a single accounting model for leases. The standard requires a lessee to recognize assets and liabilities on its statement of financial position for all leases with a term of more than 12 months. IFRS 16 can be applied through a full or modified retrospective approach for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 revenue from contracts with customers has also been applied. The Company intends to adopt the new standard on the required effective date, and is currently assessing the impact the amendment will have on the consolidated financial statements.

SUBSEQUENT EVENTS

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