Consolidated financial statements
[Expressed in Canadian dollars]

Pieridae Energy Limited

September 30, 2017
(UNAUDITED)

NOTICE OF DISCLOSURE OF NON-AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIODS ENDED September 30, 2017 AND 2016

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if the independent auditors have not performed a review of the condensed interim consolidated financial statements [the "consolidated financial statements"], the consolidated financial statements must be accompanied by a notice indicating that they have not been reviewed by the auditors. The accompanying consolidated financial statements of Pétrolia inc. [the "Company"] for the periods ended September 30, 2017 and 2016 have been prepared in accordance with International Financial Reporting Standards and are the responsibility of management. The Company's independent auditors, Ernst & Young LLP, have not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada ["CPA Canada"] for a review of interim financial statements by an entity's independent auditors.

PIERIDAE ENERGY LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[Expressed in thousands of Canadian Dollars]

As at	**September 30, 2017**	**December 31, 2016**
	(unaudited)	
ASSETS		
Current		
Cash and cash equivalents	**27**	197
Restricted cash	**39**	68
Other current assets	**25**	119
Conversion right *[note 6[a]]*	**—**	2,429
Total current assets	**91**	2,813
Investments in associates *[note 3]*	**3,764**	3,854
Property, plant and equipment, net *[note 4]*	**3,356**	3,361
	7,211	10,028
LIABILITIES AND EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	**9,836**	15,447
Promissory notes *[note 7]*	**2,277**	2,129
Goldboro Land Mortgage *[note 5]*	**3,200**	3,200
Convertible loan *[note 6[b]]*	**6,240**	6,297
Deferred Accounts Payable [note 15]	**7,689**	—
Total current liabilities	**29,242**	27,073
Shareholders' deficiency		
Share capital *[note 8]*	**44,668**	44,668
Contributed surplus	**6,655**	5,896
Deficit	**(74,569)**	(68,808)
Other comprehensive income	**1,314**	1,287
Deficiency attributable to equity holders of the Company	**(21,932)**	(16,957)
Non-controlling interest *[note 10]*	**(99)**	(88)
Total shareholders' deficiency	**(22,031)**	(17,045)
	7,211	10,028

Subsequent event [note 16]

Alfred Sorensen	Thom Dawson
Signed	Signed

See accompanying notes

PIERIDAE ENERGY LIMITED
STATEMENT OF COMPREHENSIVE LOSS

[Expressed in thousands of Canadian Dollars]

	For the nine months ending September 30, 2017	**For the nine months ending September 30,2016**
	(unaudited)	(unaudited)
EXPENSES		
Terminal development	**128**	6,320
Employee benefits	**1,065**	2,288
Professional fees	**1,307**	386
Travel	**21**	82
Depreciation of property, plant and equipment	**5**	6
Loss before the following	**2,526**	9,082
OTHER EXPENSE (INCOME)		
Share of associates' loss *[note 3]*	**90**	90
Loss (gain) on conversion right *[note 6[a]]*	**2,987**	(985)
Interest expense *[note 13]*	**1,157**	1,140
Foreign exchange (gain)	**(988)**	(686)
	3,246	(441)
Net loss for the period	**5,772**	8,641
Other comprehensive income to be reclassified to profit or loss in subsequent years:		
Exchange differences on translation of foreign operations	**(27)**	(554)
Total comprehensive loss for the period	**5,745**	8,087
Attributable to:		
Equity holders of the Company	**5,734**	7,999
Non-controlling interest *[note 10]*	**11**	88
	5,745	8,087
Loss per share – basic and diluted	**(0.37)**	(0.52)

See accompanying notes

PIERIDAE ENERGY LIMITED
STATEMENT OF CHANGES IN EQUITY

[Expressed in thousands of Canadian Dollars]

Attributable to equity holders of the Company

(unaudited)

	Share capital	Contributed Surplus	Deficit	Foreign currency translation reserve	Total	Non-controlling interest	Total shareholders' deficiency
Balance as at December 31, 2016	**44,668**	**5,896**	**(68,808)**	**1,287**	**(16,957)**	**(88)**	**(17,045)**
Shares issuances	—	—	—	—	—	—	—
Share-based compensation [note 9]	—	759	—	—	759	—	759
Convertible loan issuance [note 6]	—	—	—	—	—	—	—
Non-controlling interest [note 10]	—	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	(5,761)	27	(5,734)	(11)	(5,745)
Balance as at September 30, 2017	**44,668**	**6,655**	**(74,569)**	**1,314**	**(21,932)**	**(99)**	**(22,031)**

(unaudited)

	Share capital	Contributed Surplus	Deficit	Foreign currency translation reserve	Total	Non-controlling interest	Total shareholders' deficiency
Balance as at December 31, 2015	**43,918**	**2,397**	**(54,806)**	**1,125**	**(7,366)**	**(53)**	**(7,419)**
Shares issuances	750	—	—	—	750	—	750
Share-based compensation [note 9]	—	1,482	—	—	1,482	—	1,482
Convertible loan issuance [note 6]	—	1.346	—	—	1,346	—	1,346
Non-controlling interest [note 10]	—	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	(8,553)	554	(7,999)	(88)	(8,087)
Balance as at September 30, 2016	**44,668**	**5,225**	**(63,359)**	**1,679**	**(11,787)**	**(141)**	**(11,928)**

See accompanying notes

PIERIDAE ENERGY LIMITED
STATEMENT OF CASH FLOW

[Expressed in thousands of Canadian Dollars]

	For the nine months ending September 30, (unaudited)	**For the nine months ending September 30,** (unaudited)
OPERATING ACTIVITIES		
Net loss for the year	**(5,772)**	(8,641)
Adjustments to reconcile net loss for the year to cash used in operating		
Share-based compensation *[note 9]*	**625**	1,482
Depreciation of property, plant and equipment	**5**	6
Share of associates' loss	**90**	90
Loss on conversion right	**2,987**	(985)
Accretion of convertible loan	**398**	412
Foreign exchange (gain) loss	**(988)**	(1,098)
Net change in non-cash working capital balances related to operations	**(5,705)**	455
Cash used in operating activities	**(8,360)**	(8,279)
FINANCING ACTIVITIES		
Proceeds of share issuance [note 8]	**—**	250
Proceeds of warrants issuance	**—**	500
Long term deferral of accounts payable [note 15]	**7,689**	
Restricted cash *[note 5]*	**29**	80
Issuance of promissory note *[note 7]*	**148**	1,863
Cash provided by financing activities	**7,866**	2,693
Net decrease in cash during the period	**(494)**	(5,586)
Cash and cash equivalents, beginning of year	**197**	4,499
Net foreign exchange difference	**324**	1,210
Cash and cash equivalents, end of period	**27**	123
Cash interest paid	**124**	114

See accompanying notes

1. Corporate information and basis of presentation

Corporate information

Pieridae Energy Limited [the "Company"] 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 in Calgary, Alberta.

The consolidated financial statements of the Company as at and for the nine months ended September 30, 2017 and were authorized for issue in accordance with a resolution of the directors on November 23, 2017.

Basis of presentation and consolidation

The consolidated financial statements and the notes hereto, have been prepared as at and for the nine months ended September 30, 2017 in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"]. The same accounting policies and methods of computation were followed in the preparation of these interim financial statements as were applied in the preparation of the annual consolidated financial statements for the year ended December 31, 2016. These interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2016 Financial Statements. All amounts have been presented in Canadian dollars, unless stated otherwise.

The consolidated financial statements have been prepared on a going concern basis using the historical cost convention, which contemplates the realization of assets and settlements of liabilities in the normal course of operations for the foreseeable future. As at September 30, 2017, the Company had negative working capital and during the six months ended September 30, 2017, consistent with the developmental stage of the organization, had generated a net loss and negative cash flow from operations. These conditions indicate the existence of material uncertainties that may cast significant doubt about Pieridae Energy Limited's ability to continue as a going concern. The Company expects to incur further losses in the development of its business and will require additional debt and equity financing to fund future phases in the development of its LNG project and associated natural gas assets. These consolidated financial statements do not reflect adjustments in the carrying value of assets and liabilities, revenue or expenses, nor the statement of financial position classification that would be necessary if the going concern assumption was not valid; such adjustments could be material. Refer to note 9 "Financial risk management objectives and policies" and the section within entitled "Liquidity and funding risk" for a detailed description of the requirements for additional debt and equity financing.

[Expressed in thousands of Canadian dollars, unless stated otherwise]

The consolidated financial statements include the following entities of the Company:

	Jurisdiction of incorporation	% ownership
Pieridae Energy Limited	Canada	Private shareholders
Pieridae Energy (Canada) Ltd.	Canada	99%
Goldboro LNG LP	Canada	99%
9290834 Canada Ltd.	Canada	99%
Pieridae Energy (USA) Ltd.	Canada	100%
Goldboro LNG LP II	Canada	100%
Atlantic Offshore Production Ltd.	Canada	100%
Pieridae Offshore Development LP	Canada	100%
Pieridae Production GP	Canada	50%
Pieridae Production LP	Canada	20%

On March 13, 2014, the Company, Pieridae Energy (Canada) Ltd. and Uniper Global Commodities Canada Inc. ["Uniper"], formerly E.ON Climate & Renewables Canada Ltd., entered into an agreement whereby Uniper acquired a 1% ownership in Goldboro LNG LP and Pieridae Energy (Canada) Ltd.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full. When there is a party with a non-controlling interest in a subsidiary that the Company controls, that non-controlling interest is reflected as "non-controlling interest".

3. Investments in associates

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

[Expressed in thousands of Canadian dollars, unless stated otherwise]

	$
Balance, January 1, 2017	**3,854**
Contributions	**—**
Share of associates' loss	(90)
Balance, September 30, 2017	**3,764**

Summarized financial statement information for 2017 of the Partnership is disclosed below:

	September 2017	**September 2016**
	$	$
Current assets	**111**	40
Non-current assets	**20,145**	20,201
Current liabilities	**(1,774)**	(1.044)
Net loss for the year	**(450)**	(450)

The associates have no contingent liabilities or capital commitments as at September 30, 2017; however, under the terms of the operating agreement in place for the Partnership there is an agreed annual fee of $600 to be paid by Pieridae Production LP to the operator.

4. Property, plant and equipment

	Goldboro Land	**Office equipment**	**Total**
	$	$	$
January 1, 2016	3,354	35	3,389
Additions *[note 5]*	—	—	—
September 30, 2017	**3,354**	**35**	**3,389**
Accumulated depreciation			
January 1, 2016	—	21	21
Depreciation		7	7
December 31, 2016		28	28
Depreciation	—	5	5
September 30, 2017	—	**33**	**33**
Net book value			
December 31, 2016	3,354	7	3,361
September 30, 2017	**3,354**	**2**	**3,356**

[Expressed in thousands of Canadian dollars, unless stated otherwise]

5. Goldboro Land Mortgage

On December 3, 2015, the Company completed the purchase of approximately 107.5 hectares [265.5 acres] of land from the Municipality of the District of Guysborough [the "Goldboro Land"] for $3,200. This property is located in the Goldboro Industrial Park and will serve as the site for the proposed LNG facility. As part of the purchase agreement, the Company has the right to sell the land back to the Municipality of the District of Guysborough at any time prior to March 31, 2019 for the purchase price. The Municipality of the District of Guysborough also has the right to repurchase the land for the purchase price at any time after December 31, 2018 if the Company has not made its final investment decision on the construction of its LNG project or not received the necessary regulatory permits to commence construction of the LNG project. The Company capitalized a further $154 of legal and other costs associated with the acquisition of the Goldboro Land.

In connection with this purchase, the Company entered into a $3,200 loan agreement [the "Goldboro Land Mortgage"] with the Bank of Nova Scotia in Halifax to finance the purchase. Under the terms of the Goldboro Land Mortgage, interest is to be paid monthly at a rate equal to the prime lending rate of the Bank of Nova Scotia plus 2.0% per annum. The Goldboro Land Mortgage matures on November 4, 2017. The loan is secured by the Goldboro Land and a restricted bank account has been established to fund the interest payable to maturity. Subsequent to the end of the quarter, the loan was repaid on November 1, 2017.

6. Convertible loan and conversion right

On November 27, 2015, the Company agreed to a US$5,000,000 loan with one of its shareholders [the "Loan Agreement"]. Under the terms of the Loan Agreement interest is to be paid at a rate of 10% per annum, with interest paid at maturity of the loan. Any outstanding amount under the Loan Agreement, including any unpaid interest, can be converted into common shares of the Company at either the option of the holder, at a conversion price of $15.00 per share at any time prior to maturity, or at the option of the Company, at a conversion price of $12.50 per share on the day prior to maturity. The Loan Agreement provides security to the holder of a floating charge of all of the Company's right, title, estate and interest in and to all of its present and after-acquired real property. The loan was to mature at the earlier of October 1, 2017 and the date the final investment decision is made by the Company on the Goldboro LNG facilities or the date there is a change of control of the Company. Subsequent to the end of the quarter; the loan was converted by the Company on October 20, 2017 for 449,120 common shares of the Company.

[a] Conversion right

	2017	**2016**
	$	$
January 1	**2,429**	927
Gain (loss) on change in value of conversion right	**(2,987)**	985
Foreign exchange gain (loss)	**554**	(20)
Change in fair value attributable to extension of loan agreement		802
September 30	—	2,694

Upon completion of the Loan Agreement, the initial value of the conversion right was calculated utilizing a valuation method that incorporated both the Black-Scholes valuations of the conversion rights held both by the Company and holder of the Loan Agreement and the associated estimated probabilities of each conversion right being exercised. Subsequent changes in the fair value of the equity conversion component were recorded within the consolidated statement of comprehensive loss. The various assumptions utilized for the calculation of the conversion right are as follows:

[Expressed in thousands of Canadian dollars, unless stated otherwise]

	September 30, 2017	September 30, 2016
Canadian to US dollar conversion rate	$1.248	$1.3117
Share price	$12.50	$9.00
Risk free rate	0.48%	0.53%
Expected life	0.25 years	0.001 years
Expected volatility	60%	60%
Probability of holder exercising	5%	5%
Probability of Company exercising	95%	95%

[b] Convertible loan

	2017	2016
	$	$
January 1	**6,297**	6,487
Accretion	**398**	412
Foreign exchange gain	**(455)**	(342)
Extension of Loan Agreement	**—**	(544)
September 30	**6,240**	6,013

Upon completion of the Loan Agreement, the initial value of the convertible loan was calculated as the present value of the expected future payments, including interest, utilizing an estimated market interest rate for a similar loan of 20%. The difference between the loan proceeds received by the Company and the present value of the expected future payments, and the value of the conversion right, was recognized as contributed surplus. Subsequently, the Company has recognized accretion of the convertible loan and the change in value associated with the change in the foreign exchange rate of the loan, with these being recorded within the consolidated statements of comprehensive loss.

7. Promissory Notes

	2017	2016
	$	$
Total US	**1,717**	1,443
Total Canadian	**560**	300
	2,277	1,743

[Expressed in thousands of Canadian dollars, unless stated otherwise]

8. Shareholders' equity

Common shares

As at September 30, 2017, the Company is authorized to issue an unlimited number of common shares. The common shares are without nominal or par value.

The issued and outstanding common shares of the Company are as follows:

	Number of shares	$
Balance, January 1, 2016	15,523,602	43,918
Issued April 27, 2016	20,000	250
Issued July 1, 2016	55,556	500
Balance, December 31, 2016 and September 30, 2017	**15,599,158**	**$44,668**

9. Stock options

Pursuant to the Stock Option Plan, the Board of Directors may grant options to directors, officers, employees and other service providers. The aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued and outstanding common shares of the Company on a non-diluted basis as at the time of granting. Stock options expire not more than five years from the date of grant, or earlier if the individual ceases to be associated with the Company, and the option vesting period is determined at the discretion of the Board of Directors when granted. These options are equity settled share-based payment transactions.

The following tables present the reconciliation of stock options granted:

	Number of options	Weighted average exercise price $
Outstanding, January 1, 2016	1,425,000	6.46
Granted during 2016	200,000	12.50
Outstanding as at December 31, 2016 and September 30, 2017	1,625,000	7.20

There were no options granted during the six months ended September 30, 2017. The fair value of all options granted during the year ended December 31, 2016, excluding those that vest upon certain performance criteria being met, have been estimated at the grant date using the Black-Scholes pricing model and are summarized in the following table:

	2016
For the year ended December 31, 2016	
Weighted average fair value of stock options granted	$3.08
Weighted average share price	$9.00
Risk free interest rate	0.68%
Expected life	3 – 5 years
Expected volatility	60%
Dividend per share	Nil

[Expressed in thousands of Canadian dollars, unless stated otherwise]

The average expected volatility used to estimate the fair value of options granted was based on volatility for other private companies in similar early development opportunities. In addition, no estimated forfeiture rate has been used in the calculation of share-based payment expense. During the nine months ended September 30, 2017, the Company recognized $625 [month ended September 30, 2016; $943] of share-based compensation costs as employee benefits an additional $134 of salary was paid for in shares rather than cash. The shares were issued subsequent to the quarter end.

The following table summarizes the stock options outstanding and exercisable under the Stock Option Plan as at September 30, 2017:

Range of exercise price $	**Number of options outstanding**	**Average remaining contractual life** [years]	**Weighted average exercise price** $	**Number of options exercisable**	**Average remaining contractual life** [years]	**Weighted average exercise price** $
$0.01 – $0.99	20,000	4.0	$0.01	—	—	—
$1.00 – $8.99	605,000	0.7	$1.00	305,000	1.9	$1.00
$9.00 – $12.49	400,000	3.9	$9.00	280,000	3.9	$9.00
>$12.49	600,000	4.2	$12.50	240,000	4.2	$12.50

10. Non-controlling interest

During 2014, the Company, Pieridae Energy (Canada) Ltd. and Uniper entered into an agreement, whereby Uniper acquired a 1% ownership in Goldboro LNG LP and Pieridae Energy (Canada) Ltd. for total consideration of $288. The 1% ownership is being accounted for as a non-controlling interest.

11. Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks, including market and, credit risk and liquidity risk. Reflecting the current stage of the Company, to invest in the development of a fully integrated LNG project to be built in Goldboro, Nova Scotia, the Company's overall risk management program focuses on facilitating the Company's growth plans and seeks to minimize potential adverse effects on the Company's ability to execute its business plan. Risk management is the responsibility of management and material risks are identified and monitored by management.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and equity or commodity prices. The Company is exposed to interest rate risk to the extent that changes in market interest rates will impact interest earned on the Company's cash and cash equivalents and on interest paid on the Goldboro Land Mortgage. As a result of the Goldboro Land Mortgage, if the market interest rates change by 1%, the impact on the interest expense is approximately $14 over the remaining term of the mortgage. The Company is also exposed to fluctuations in foreign exchange rates as certain accounts payable and accrued liabilities and commitments *[note 13]* are US dollar, UK pound sterling and Euro denominated. If the Canadian dollar was to change by one cent against the various currency exposures, the impact to the foreign exchange gain or loss would have been approximately $94. To date, the Company has not entered into any foreign currency transactions or financial instruments to manage these interest rates or currency risks.

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.

Credit risk

Credit risk arises from cash and cash equivalents and restricted cash balances held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash and cash equivalents are held at large Canadian chartered banks and invested when appropriate on short-term interest savings accounts. The Company's accounts receivable balances relate to input tax credits associated with the Goods and Service Tax it is required to pay on certain of its expenditures. As a result, management believes the risk of loss is remote on these balances.

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 [Goldboro Land Mortgage and convertible loan], 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, equity raises and through the issuance of the Goldboro Land Mortgage and convertible loan.

As at September 30, 2017, the Company's anticipated future funding requirements include the funding of its negative working capital [including the Goldboro Land Mortgage] and its commitments, prior to reaching a final investment decision on the development of a fully integrated LNG project is estimated at $50 million. In general, the Company's ability to continue operations and to ultimately pursue the development of the LNG project is dependent on its ability to access additional funding over time. The Company at the date of the consolidated financial statements has provided notification to certain vendors included in the accounts payable and accrued liabilities, with which it has significant balances, that payment is pending the completion of an equity financing.

12. Related party transactions

The Company transacts with certain related parties in the normal course of business. Related parties include Pieridae Production LP, Pieridae Production GP and the Company's directors [key management personnel] who receive a management fee for their services. The Company has identified its directors and officers as its key management personnel. For the nine months ended September 30, 2017, the compensation for key management of the Company and its subsidiaries amounted to $201 [September 30, 2016 – $623].

[Expressed in thousands of Canadian dollars, unless stated otherwise]

The convertible loan and conversion right issued on November 27, 2015 and described in note 6 were entered into with a material shareholder of the Company.

The promissory notes described in note 7 where with shareholders of the Company. The promissory notes are unsecured, bear interest at a rate of 10% per annum and are due upon demand.

13. Interest

	Nine months ending September 30, 2017	Nine months ending September 30, 2016
	$	$
Interest expense on Goldboro Land Mortgage	**124**	114
Interest expense on convertible loan	**478**	496
Accretion on convertible loan	**398**	412
Interest on promissory note	**157**	118
Interest expense	**1,157**	1,140

The interest associated with the Convertible loan and Promissory note has been accrued as at September 30, 2017 and 2016 and will either be paid at the maturity date of the loan or converted to common shares.

14. Income taxes

Deferred tax assets are recognized to the extent that the realization of the related benefit through future taxable profit is probable. The Company did not recognize any deferred tax assets because it is not probable that future profits will be available against which the Company can utilize the benefits.

As at December 31, 2016, the Company has unrecognized tax losses of $67,827 that are available for 18 – 20 years for offsetting against future taxable profits of the companies in which the losses arose.

15. Deferred Accounts Payable

On July 29, 2017 the Company entered into an agreement with its vendor CB&I UK Limited (“CB&I”) whereby the Company agreed to pay GBP 1,837,200 of total amounts due to CB&I of GBP 6, 352,304. In exchange for the agreed payment, CB&I has agreed the remaining amount of GBP 4,515,104 (CAD 7,689,000) will be paid only if a proceed decision on the LNG project results in the award of an engineering contract to CB&I or another party. If the project does not proceed, or at any time Pieridae cancels or abandons the project, the Company has no obligation to pay the remaining amount.

16. Subsequent Event

On May 15, 2017 the Company and Pétrolia Inc., a Quebec based exploration and production company listed on the TSX Venture Exchange, jointly announced the execution of a definitive agreement (the “Arrangement Agreement”) contemplating a business combination by way of plan of arrangement under section 192 of the Canada Business Corporations Act (the “Arrangement”) pursuant to which the Company and Pétrolia Inc. will amalgamate to form a new entity (the “Amalgamated Company”) that will be Canada’s first publically traded LNG focused natural gas company.

As a condition of closing of the Arrangement, Pieridae completed a private placement of subscription receipts at a price of $12.50/subscription receipt for minimum net proceeds of $24,632,500. In conjunction with the private placement, Pieridae incurred agency commissions of $1,019,125 on the private placement which will be settled by issuing 81,530 compensation shares at $12.50. All subscription receipts issued in the private placement will automatically be converted into common shares of Pieridae immediately prior to the completion of the Arrangement.

The Agreement also requires that, immediately prior to completion, the common shares of Pétrolia Inc. be consolidated on the basis of one post-consolidation common share of Pétrolia Inc. for every twelve preconsolidation common shares of Pétrolia Inc.

As a consequence of the Arrangement, each common share of Pétrolia Inc. shall be exchanged for one common share of the Amalgamated Company and each common share of the Company shall be exchanged for 2.2057526 common shares of the Amalgamated Company. Upon completion of the Arrangement it is expected that the shareholders of common shares of Pétrolia Inc. will hold approximately 18% of the common shares of the Amalgamated Company and the shareholders of the Company will hold approximately 82% of the common shares of the Amalgamated Company. Thus the Arrangement will result in a reverse takeover of Pétrolia Inc., as defined in the policies of the TSX Venture Exchange (the “Exchange”).

The Arrangement was completed on October 24, 2017.