

Interim Condensed Carve-Out Financial Statements of

Briko Energy Corp.

(formerly 2136884 Alberta Ltd.)

Assets and Operations from Ikkuma
Resources Corp.

For the period ended September 30, 2018

INTERIM CONDENSED CARVE-OUT STATEMENTS OF FINANCIAL POSITION

<i>(Expressed in thousands of Canadian dollars; unaudited)</i>				
As At:		September 30, 2018		December 31, 2017
ASSETS				
Current assets				
Accounts receivable		\$	1,921	\$ 270
Prepaid expenses and deposits			127	22
Fair value of risk management contracts	<i>(Note 10)</i>		27	13
			2,075	305
Non-current assets				
Exploration and evaluation	<i>(Note 6)</i>		1,498	1,498
Property, plant and equipment	<i>(Note 7)</i>		23,618	24,683
Total Assets		\$	27,191	\$ 26,486
LIABILITIES, SHAREHOLDERS' EQUITY AND OWNERS' NET INVESTMENT				
Current liabilities				
Accounts payable and accrued liabilities		\$	1,774	\$ 763
Fair value of risk management contracts	<i>(Note 10)</i>		790	-
			2,564	763
Non-current liabilities				
Fair value of risk management contracts	<i>(Note 10)</i>		155	-
Decommissioning obligation	<i>(Note 8)</i>		9,251	9,319
			9,406	9,319
Shareholders' equity and owners' net investment				
Share capital	<i>(Note 9)</i>		15,221	-
Owners' net investment			-	16,404
			15,221	16,404
Total Liabilities, Shareholders' equity and Owners' net investment		\$	27,191	\$ 26,486

Commitments *(Note 11)*

The accompanying notes are an integral part of these interim condensed carve-out financial statements.

On behalf of the Board

"Signed"

M.G. Kohut
Director

INTERIM CONDENSED CARVE-OUT STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

<i>(Expressed in thousands of Canadian dollars; unaudited)</i>	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Revenues				
Petroleum and natural gas	(Note 5) \$ 2,355	\$ 270	\$ 6,523	\$ 875
Royalties	(494)	(10)	(1,477)	(52)
	1,861	260	5,046	823
Realized gain (loss) on risk management contracts	(190)	3	(320)	3
Unrealized gain (loss) on risk management contracts	(106)	2	(931)	8
Other income	173	2	281	2
	1,738	267	4,076	836
Expenses				
Operating	982	267	2,809	667
Transportation	183	43	418	116
General and administrative	60	12	167	35
Share-based compensation	9	3	29	3
Depletion and depreciation	(Note 7) 427	148	1,165	419
	1,661	473	4,588	1,240
Income (loss) from operations	77	(206)	(512)	(404)
Finance expense	(Note 8) (56)	(6)	(160)	(20)
Income (loss) before taxes	21	(212)	(672)	(424)
Taxes				
Deferred income tax expense	-	68	-	586
Net income (loss) and comprehensive				
income (loss)	\$ 21	\$ (280)	\$ (672)	\$ (1,010)

The accompanying notes are an integral part of these interim condensed carve-out financial statements.

INTERIM CONDENSED CARVE-OUT STATEMENTS OF CHANGES IN OWNERS' NET INVESTMENT & SHAREHOLDERS' EQUITY

(Expressed in thousands of Canadian dollars)

Owner's net investment / Shareholders' equity		
Balance at December 31, 2016	\$	8,985
Net contributions from Ikkuma Resources Corp.		15,843
Flow-through share premium		(427)
Share-based compensation		7
Net loss		(1,010)
Balance at September 30, 2017	\$	23,398
Net contributions to Ikkuma Resources Corp.		10,869
Share-based compensation		4
Net loss		(17,867)
Balance at December 31, 2017	\$	16,404
Net contributions to Ikkuma Resources Corp.		(555)
Share-based compensation		44
Net loss		(672)
Balance at September 30, 2018	\$	15,221
Owner's net investment opening balance:		15,221
Transfer to share capital		(15,221)
Share capital Balance at September 30, 2018	\$	15,221

The accompanying notes are an integral part of these interim condensed carve-out financial statements.

INTERIM CONDENSED CARVE-OUT STATEMENTS OF CASH FLOWS

<i>(Expressed in thousands of Canadian dollars; unaudited)</i>	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Operating activities				
Net income (loss)	\$ 21	\$ (280)	\$ (672)	\$ (1,010)
Depletion and depreciation	427	148	1,165	419
Share-based compensation	9	3	29	3
Unrealized loss (gain) on risk management contracts	106	(2)	931	(8)
Accretion	56	6	160	20
Deferred tax expense (recovery)	-	(24)	-	120
Changes in non-cash working capital	(310)	(67)	(528)	31
Cash provided by (used in) operating activities	309	(216)	1,085	(425)
Financing activities				
Issuance of shares, net of issue costs	(270)	-	(555)	-
Owners' net investment	-	4,812	-	15,843
Cash provided by (used in) financing activities	(270)	4,812	(555)	15,843
Investing activities				
Property, plant and equipment Expenditures	(39)	(6,479)	(313)	(15,920)
Changes in non-cash working capital	-	1,883	(217)	502
Cash used in investing activities	(39)	(4,596)	(530)	(15,418)
Change in cash and cash equivalents	-	-	-	-
Cash & cash equivalents, beginning of period	-	-	-	-
Cash & cash equivalents, end of period	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these interim condensed carve-out financial statements.

NOTES TO THE INTERIM CONDENSED CARVE-OUT FINANCIAL STATEMENTS

*For the three and nine months ended September 30, 2018 and 2017.
(Expressed in thousands of Canadian dollars; unaudited)*

1. REPORTING ENTITY

On August 23, 2018, Pieridae Energy Limited (the “Purchaser”) and Ikkuma Resources Corp. (“Ikkuma”) entered into an arrangement agreement (the “Arrangement”), whereby the Purchaser will acquire all of the issued and outstanding shares of Ikkuma in exchange for 0.1926 of a common share of Pieridae for each Ikkuma common share. Additionally, Ikkuma shareholders will receive 0.1 of a share of Briko Energy Corp. (the “Corporation” or “Briko”) for each Ikkuma common share and 0.1 of a common share purchase warrant (“Warrant”) of Briko for each Ikkuma common share. Each whole Warrant will entitle the holder to acquire one common share of Briko at an exercise price of \$1.10 per share at any time on or before 180 days following the closing of the Arrangement. Pursuant to the Arrangement and the conveyance agreement entered into between Ikkuma and Briko on September 21, 2018, Ikkuma transferred certain Cardium light oil focussed properties and associated infrastructure assets (the “Cardium Oil Properties”) to Briko in exchange for the common shares and Warrants of Briko.

The principal address of Briko is located at 2700, 605 – 5th Avenue S.W. Calgary, AB, T2P 3H5. The registered address of Briko is located at 1900, 520-3rd Avenue S.W. Calgary, AB, T2P 0R3. Briko was incorporated under the Business Corporations Act (Alberta) on August 13, 2018 as 2136884 Alberta Ltd. On September 11, 2018, Articles of Amendment were filed to change the name of the Corporation to Briko Energy Corp.

2. BASIS OF PRESENTATION

These interim condensed carve-out financial statements for the three and nine months ended September 30, 2018 and 2017 (“Carve-out Financial Statements”) have been prepared following the same basis of measurement, critical accounting judgements and estimates and accounting policies as summarized in notes 3, 4 and 5, respectively, to the audited carve-out financial statements of Briko as at and for the years ended December 31, 2017 and 2016 as included in Appendix D of the information circular and proxy statement of Ikkuma with respect to the Arrangement dated November 14, 2018. They do not include all of the required disclosures for annual financial statements and therefore should be read in conjunction with the Annual carve-out financial statements and the notes thereto. The Carve-out Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and were authorized for issuance by the Board of Directors of Briko on December 19, 2018. The Carve-out Financial Statements are based on the terms of the Arrangement and present the historic carve-out financial position, results of operations, changes in owners’ net investment & shareholders’ equity and cash flows of the Cardium Oil Properties transferred to Briko. The data presented in these Carve-out Financial Statements is derived from the accounting records of Ikkuma. The Carve-out Financial Statements consist of statements of financial position, statements of loss and comprehensive loss, statements of changes in owners’ net investment & shareholders’ equity and statement of cash flows.

The Carve-out Financial Statements are presented in Canadian dollars, which is the functional currency for both Briko and Ikkuma.

3. CHANGES IN ACCOUNTING POLICIES

The Corporation has applied the following new and revised accounting pronouncements in preparing the September 30, 2018 Carve-out Financial Statements. The Corporation has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

IFRS-9 Financial Instruments

As of January 1, 2018, the Corporation has adopted IFRS-9 Financial Instruments, which is the result of the first phase of the IASB project to replace IAS-39 Financial Instruments: Recognition and Measurement. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has two classification categories: amortized cost and fair value. The classification of financial assets under IFRS 9 is generally based

NOTES TO THE INTERIM CONDENSED CARVE-OUT FINANCIAL STATEMENTS

on the business model for managing the financial assets and the financial asset's contractual cash flow characteristics. IFRS-9 eliminates the previous IFRS-39 categories of held to maturity, loans and receivables and available for sale. The new standard introduces changes to hedge accounting requirements to align accounting with an entity's risk management activities.

The transition to IFRS-9 had no material effect on the Corporation's financial statements. Cash and cash equivalents, if any, accounts receivables and accounts payables continue to be measured at amortized cost and are now classified as amortized cost. Briko does not currently apply hedge accounting to its financial instrument contracts.

IFRS-15 Revenue from Contracts with Customers

As of January 1, 2018, the Corporation has adopted IFRS-15 Revenue from Contracts with Customers. The standard replaces IAS-11 Construction Contracts; IAS-18 Revenue, IFRIC-13 Customer Loyalty Programmes, IFRIC-15 Agreements for the Construction of Real Estate, IFRIC-18 Transfers of Assets from Customers and SIC-31 Revenue-Barter Transactions Involving Advertising Services. The standard dictates the recognition and measurement requirements for reporting the nature, amount, timing and uncertainty of revenue resulting from an entity's contracts with customers. The Corporation adopted IFRS-15 via the modified retrospective adoption approach effective January 1, 2018. Briko has reviewed its revenue streams and underlying contracts with customers using the IFRS 15 five-step model, which did not result in any changes to the comparative period or the opening deficit.

Revenue Recognition Policy

Revenue from the sale of petroleum and natural gas is measured based on the consideration specified in contracts with customers. The Corporation recognizes revenue when it transfers control of the product to the buyer. This is generally at the time the customer obtains legal title to the product and when it is physically transferred to the custody transfer point accepted by the customer, often terminals, pipelines or other transportation methods.

The Corporation evaluates its arrangements with 3rd parties and partners to determine if the Corporation acts as the principal or as an agent. In making this evaluation, management considers if the Corporation obtains control of the product delivered, which is indicated by the Corporation having the primary responsibility for the delivery of the product, having the ability to establish prices or having inventory risk. If the Corporation acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the Corporation from the transaction.

4. FUTURE ACCOUNTING POLICIES

As of January 1, 2019, the Corporation will be required to adopt IFRS-16 Leases. For lessees applying the new standard, a single recognition and measurement model for leases would be adopted and would require recognition of assets and liabilities for most leases. The standard may be applied retrospectively or by using a modified retrospective approach. Briko is in the process of identifying and gathering contracts impacted by the new standard. It is anticipated that the adoption of IFRS-16 will have an impact on the Corporation's statement of financial position.

NOTES TO THE INTERIM CONDENSED CARVE-OUT FINANCIAL STATEMENTS

5. PETROLEUM AND NATURAL GAS REVENUE

The Corporation's major revenue sources are comprised of sales from the production of light oil, natural gas, natural gas liquids ("NGLs") and sulphur. The sale of these products is recognized when control of the product transfers to the customer and the cash collection is reasonably probable, upon delivery of the product. The sale of produced commodities are under contracts of varying terms of up to one year. Revenues are typically collected on the 25th day of the month following production. Product sales are based on fixed or variable price contracts. Transaction prices for variable priced contracts are based on benchmark commodity prices and other variable factors, including quality differentials and location.

Gross Revenue <i>(thousands of dollars)</i>	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Major product lines				
Light oil	\$ 1,428	\$ 253	\$ 4,298	\$ 822
Natural gas	447	7	1,155	29
NGLs	480	10	1,069	24
Sulphur	-	-	1	-
Petroleum and natural gas revenue	\$ 2,355	\$ 270	\$ 6,523	\$ 875

The Corporation generates gas processing income for fees charged to third parties provided at facilities where Briko has an ownership interest. This revenue is classified as 'other income' on the condensed interim statement of loss and comprehensive loss.

6. EXPLORATION AND EVALUATION

<i>(thousands of dollars)</i>	
At December 31, 2016	\$ 1,539
Transfers to property, plant and equipment	(41)
At December 31, 2017 and September 30, 2018	\$ 1,498

Exploration and evaluation ("E&E") assets consist of the Corporation's undeveloped land, seismic and exploration projects that are pending the determination of technical feasibility and commercial viability.

7. PROPERTY, PLANT AND EQUIPMENT

Cost <i>(thousands of dollars)</i>	
At December 31, 2016	\$ 12,048
Additions	17,409
Acquisitions	8,736
Transfers from exploration and evaluation	41
Change in decommissioning obligations	6,669
At December 31, 2017	44,903
Additions	328
Change in decommissioning obligation	(228)
At September 30, 2018	\$ 45,003

NOTES TO THE INTERIM CONDENSED CARVE-OUT FINANCIAL STATEMENTS

Accumulated Depletion and Depreciation	
<i>(thousands of dollars)</i>	
At December 31, 2016	\$ 150
Depletion and depreciation	570
Impairment	19,500
At December 31, 2017	20,220
Depletion and depreciation	1,165
At September 30, 2018	\$ 21,385

Net Book Value	
<i>(thousands of dollars)</i>	
At December 31, 2017	\$ 24,683
At September 30, 2018	\$ 23,618

Depletion

At September 30, 2018, future development costs of Briko's proved plus probable reserves of \$18.2 million were included in the depletion calculations (December 31, 2017, \$18.2 million). Residual value of \$1.4 million (December 31, 2017, \$1.4 million) was excluded from the depletion calculations.

At September 30, 2018 it was determined that no impairment indicators existed on the Corporation's cash generating units and therefore no impairment tests were performed.

8. DECOMMISSIONING OBLIGATION

<i>(thousands of dollars)</i>	Nine months ended September 30, 2018	Year ended December 31, 2017
Decommissioning obligation, beginning of period	\$ 9,319	\$ 864
Obligation incurred	-	466
Obligation acquired	-	1,748
Change in estimated future cash outflows	(228)	227
Change in discount rate on acquisition	-	5,976
Accretion expense	160	38
Decommissioning obligation, end of period	\$ 9,251	\$ 9,319

The Corporation's decommissioning obligations result from net ownership interests in petroleum and natural gas assets including well sites and processing facilities. The Corporation estimates the total undiscounted amount of cash flows required to settle its decommissioning obligations is approximately \$14.0 million (December 31, 2017 – \$14.0 million). As at September 30, 2018, a risk free rate of 2.41% (December 31, 2017 – 2.26%) and an inflation rate of 2.0% (December 31, 2017 – 2.0 %) was used to calculate the fair value of the decommissioning obligations.

9. SHARE CAPITAL

Pursuant to the Arrangement and the conveyance agreement entered into between Ikkuma and Briko on September 21, 2018, Briko issued nine common shares to Ikkuma. The Briko common shares will ultimately be distributed to former Ikkuma shareholders upon closing of the Arrangement.

NOTES TO THE INTERIM CONDENSED CARVE-OUT FINANCIAL STATEMENTS

As the common shares were issued on September 21, 2018, the owners' net investment was transferred into share capital as at September 30, 2018.

10. FINANCIAL RISK MANAGEMENT

It is the Corporation's policy to economically hedge some oil and natural gas sales through the use of various financial forward sales risk management contracts. The Corporation does not apply hedge accounting for these contracts. The Corporation's production is sold using "spot" or near term contracts, with prices fixed at the time of transfer of custody or on the basis of a monthly average market price. Briko does not enter into commodity contracts other than to meet the Corporation's expected sales requirements. The commodity contracts included are the full contracts that were allocated to Briko based on production volumes.

The fair value of options and costless collars is based on option models that use published information with respect to volatility, prices and interest rates. These instruments are considered level two under the fair value hierarchy. The fair value of forward contracts and swaps is determined by discounting the difference between the contracted prices and published forward price curves as at the date of the statement of financial position, using the remaining contracted oil and natural gas volumes and a risk-free interest rate (based on published government rates).

At September 30, 2018 the Corporation held risk management commodity contracts in place through Ikkuma as follows:

Natural Gas (AECO \$Cdn)

Remaining Term	Option Traded	Volume (GJ/d)	Strike Price
October 1, 2018 - December 31, 2018	Fixed price swap ⁽¹⁾	2,500	\$2.80
October 1, 2018 - December 31, 2018	Call option - sold	2,500	\$2.80
October 1, 2018 - December 31, 2018	Fixed price swap	5,000	\$2.70
October 1, 2018 - December 31, 2018	Fixed price swap	5,500	\$2.72
November 1, 2018 - March 31, 2019	Fixed price swap	10,000	\$1.89
January 1, 2019 - December 31, 2019	Call option - sold	6,000	\$3.00
January 1, 2019 - December 31, 2019	Call option - sold	7,000	\$3.00

⁽¹⁾ This contract has a European option whereby if the price on settlement each month exceeds \$2.80/GJ the contract doubles to 5,000 GJ @ \$2.80.

Natural Gas (NYMEX \$Cdn)

Remaining Term	Option Traded	Volume (MMBtu/d)	Strike Price
January 1, 2019 - December 31, 2019	Fixed price swap	10,000	\$3.69

At September 30, 2018, a 10% decrease to the natural gas price outlined in the contracts above would result in an approximate nil increase in net income (loss) (September 30, 2017 – nil).

Light Oil (WTI \$Cdn)

Remaining Term	Option Traded	Volume (bbl/d)	Strike Price
October 1, 2018 - December 31, 2018	Call option - sold	200	\$77.50
January 1, 2019 - June 30, 2019	Fixed price swap	100	\$80.60
January 1, 2019 - December 31, 2019	Fixed price swap	100	\$80.00

Subsequent to September 30, 2018 the Corporation settled the following commodity hedges through Ikkuma for a total settlement amount of \$(0.4) million:

NOTES TO THE INTERIM CONDENSED CARVE-OUT FINANCIAL STATEMENTS

Natural Gas (AECO \$Cdn)

Remaining Term	Option Traded	Volume (GJ/d)	Strike Price
November 1, 2018 - March 31, 2019	Fixed price swap	10,000	\$1.89

Light Oil (WTI \$Cdn)

Remaining Term	Option Traded	Volume (bbl/d)	Strike Price
October 1, 2018 - December 31, 2018	Call option - sold	200	\$77.50
January 1, 2019 – June 30, 2019	Fixed price swap	100	\$80.60
January 1, 2019 - December 31, 2019	Fixed price swap	100	\$80.00

The following table provides a summary of how risk management contracts allocated to the Corporation are classified on the statement of financial position:

<i>(thousands of dollars)</i>			
As at:	September 30, 2018	December 31, 2017	
Current assets	\$ 27	\$ 13	
Current liabilities	(790)	-	
Non-current liabilities	(155)	-	
Net fair value of risk management contracts	\$ (918)	\$ 13	

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's approach to managing liquidity is to ensure that they will have sufficient liquidity to meet its short-term and long-term financial obligations when due, under both normal and unusual conditions, without incurring unacceptable losses or risking harm to the Corporation's reputation. The Corporation's financial liabilities include accounts payable and accrued liabilities that are due within the next year. To manage liquidity risk, the Corporation will seek to issue equity, issue debt or operate within cash flow.

Capital Management

The Corporation's objective when managing capital is to maintain a flexible capital structure that will allow it to execute on its capital expenditure program, which includes expenditures on oil and gas activities that may or may not be successful. Therefore, the Corporation monitors the level of risk incurred in its capital expenditures to balance the proportion of debt and equity in its capital structure. The Corporation's share structure includes owners' net investment, shareholders' equity and working capital. The Corporation monitors its capital structure and makes adjustments on an ongoing basis in order to maintain the flexibility needed to achieve long-term objectives. To manage the capital structure, the Corporation may adjust capital spending, hedge future revenue and costs, issue new equity or issue new debt.

11. COMMITMENTS

<i>(thousands of dollars)</i>										
	2018	2019	2020	2021	2022	Thereafter	Total			
Operating Leases	\$ 5	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ 10			
Firm transportation	46	183	106	44	35	106	520			
Total	\$ 51	\$ 188	\$ 106	\$ 44	\$ 35	\$ 106	\$ 530			