

MARCH 25, 2021

Annual Report 2020

Progress During
Unprecedented
Times

PIERIDAE
ENERGY 

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Annual Report 2020 – Progress During Unprecedented Times

PROVIDING THE ENERGY TO FUEL PEOPLE’S DAILY LIVES

We are eager to be a leader in building a secure energy future for Canada and the globe.

The idea of delivering Canadian energy around the world started over a decade ago with a dream to achieve great things in the energy industry.

Cleaner natural gas will play a large role in replacing higher carbon sources such as coal, decreasing global GHG emissions substantially.

THE GOLDBORO LNG ADVANTAGE

Located near the picturesque village of Goldboro, Nova Scotia, 250 kilometres northeast of Halifax, the site where we will build the LNG facility is situated just a few hundred metres from the Atlantic Ocean.

It is an ideal location for a liquefied natural gas plant.

But as solid as the granite base that dominates the site location of the LNG Facility is Pieridae’s commitment to three fundamental priorities that are driving the Project’s development:

- A commitment to addressing climate concerns
- A focus on Indigenous Peoples reconciliation
- A desire to create economic opportunity for the country and our Company

Actions Not Words

We are committed to achieving net zero emissions for the LNG Project by 2050. Reducing emissions from three million tonnes annually to zero is the equivalent of taking 650,000 cars off the road.

Our project supports Indigenous Peoples reconciliation through our partnership with the Nova Scotia Mi’kmaw Nation to build a \$720 million workforce lodge to house the 5,000 workers who will build the LNG Facility.

The LNG Project is well positioned as a COVID recovery initiative that would put thousands of Canadians to work during construction and for decades after it begins operating. A study researched by MNP concluded Pieridae’s multi-billion-dollar Goldboro LNG Project would have substantive, positive impacts on the Canadian economy, creating 87,000 jobs (FTEs) and \$28 billion in total output during construction and natural gas production. Once the Project is operational, MNP found that, annually, thousands of additional jobs would be created all along the value chain as natural gas is produced and transported to Nova Scotia, then processed and shipped overseas.

Pieridae is committed to addressing climate concerns, advancing reconciliation and creating economic opportunities for all.

THE LARGEST FOOTHILLS PRODUCER IN NORTH AMERICA

As the largest Foothills producers in North America, our upstream assets are diverse and make up some of the largest conventional gas reservoirs on the continent.

Across Alberta and British Columbia, our footprint stretches over one million acres; with ownership of three deep cut, sour gas plants, more than 3,800 kilometres of pipelines and production growth ranging from 40,000-45,000 boe/d, including 200 mmcf/d of gas and 8,500 bbls/d of liquids, producing conventional natural gas which will primarily be used to supply the LNG Facility.

Over a Million Acres of Land

Pieridae's assets with the highest production are in the Southern and Central Foothills of Alberta's Rocky Mountains.

The Waterton, Carbondale, Burmis and Hinton wells have been producing oil and natural gas for 20 to 50 years, providing the fuel families need every day to heat their homes and cook their food.

We also have production capacity in the Northern Foothills of Alberta and in Northern BC.

A crucial part of being Canada's only fully integrated LNG company is owning the entire value chain from the field where the gas is produced to the flange where that gas is liquefied and shipped overseas.



Our gas supply for the Goldboro LNG Project will come from more environmentally friendly conventional Foothills reservoirs of the Western Canadian Sedimentary Basin (WCSB) thanks to the knowledge and insight of our experienced technical team.

LETTER TO SHAREHOLDERS

2020 will forever be known as the year a global pandemic, the likes of which many have and will never experience again, impacted us all.

To make matters worse, a third price collapse in 12 years ravaged the oil and gas industry, with prices touching 30-year lows.

Some now feel the impacts of COVID-19 will accelerate a tectonic shift in the energy industry as the word 'transition' takes further hold.

Yet by all accounts and analysis, oil and gas will remain strong for decades. As McKinsey & Company concluded, *"Given its role in supplying affordable energy, it's too important to fail. The question of how to create value in the next normal is therefore fundamental."*

Innovation, repositioning and bold moves are needed to move forward to survive and thrive.

At Pieridae, we made it through the adversity of 2020 thanks, in large part, to the work of our employees in keeping our assets operating safely and reliably both during the pandemic and other unexpected challenges we faced. The words from Mark Weiss, our Superintendent at Pieridae's Caroline Gas Complex, made during the eye of the pandemic sum things up nicely: *"The success we have had so far all across the board – maintaining production with no material incidents – speaks to the quality of the people we have and the respect they have for one another."*

While we maintained safe, reliable operations, Pieridae employees took things one step further. With limited resources and capital, the Company managed to replace almost half of its production and that's a big win that needs to be recognized.

And let's also not forget the Company did post 2020 results that showed solid improvement compared to 2019 on such items as net operating income and cash flow, largely due to the acquisition and integration of the South Alberta Foothills assets into our business. We should acknowledge the significance of this accomplishment, which was made possible due to the Company closing the financing for the acquisition in 2019 when most other companies were unable to raise capital.

But for all the success the Company had in battling through COVID-19, there remain challenges. Going forward, we must re-double our efforts to increase our liquidity. Relative to our industry peers, improvements are needed and reducing our operating costs remains a priority. We know one of the ways we can do this is by increasing production volumes at our facilities, and the company is looking to have a more aggressive drilling program in 2021 and 2022 to help achieve this goal.

A key matter we are looking to resolve in 2021 is the transfer of licenses from Shell to Pieridae for the assets we purchased in the fall of 2019. We should remember that despite the license transfer denial in 2020 by the Alberta Energy Regulator ("AER"), Pieridae continues to own and operate the assets – nothing has changed there. We are committed with Shell to finding a solution, one that works for both companies and one that respects the underlying deal that allowed us to purchase the assets in the first place. A re-application for the license transfer was submitted by Shell to the AER in early January 2021 and we are hopeful to conclude the matter by mid-year.

Our strong base of conventional assets is well positioned heading into a better commodity price environment. Oil prices rallied in the first two months of 2021 by 30% while natural gas prices have stabilized as well. These higher commodity prices should help the Company to continue to increase its net operating income and cash flow in 2021.

Throughout all this adversity we maintained the support of many key stakeholders, especially our core shareholders and Pieridae's lender Third Eye Capital, which has been supportive and has helped to ensure the business remains on track to be positioned for success as we move past the pandemic and industry downturn.

"Let's bring our cost structure in line with the industry norm and the best way to do that is to increase our volumes into our facilities."

Alfred Sorensen – Chief Executive Officer

Even with stronger commodity prices and a more bullish outlook for 2021, the aftermath of 2020 also shows us the impact of developing the very large multi-billion-dollar Goldboro LNG Project had and continues to have on a small firm's balance sheet. We have and continue to look for a partner, whether it be private enterprise or government. Fundamentally, for the LNG Project to be successful at this time, it requires some form of a partnership to ensure there are sufficient resources to bring it to completion.

Arguably the most important advancement we made with the LNG Project in 2020 was to solidify our relationship with the Nova Scotia Mi'kmaw Nation. Building trust and respect is paramount and the lessons we have learned partnering with the Mi'kmaq are used across the Company.

Hiring Bechtel as our engineering, procurement, construction and commissioning ("EPCC") contractor for the LNG Project was another big win for Pieridae. But wins can come at a cost. The need to find a new partner to build and design the LNG Facility with KBR's decision to exit the project and resulting transition costs did help create some of our liquidity issues and slowed down our progress. It was a costly change.

That said, in the aftermath of historically low LNG prices that created an environment where many global LNG projects were either deferred or cancelled, Pieridae made inroads with its Goldboro LNG initiative and found a way to advance the Project.

We have made our case to many about the merits of the LNG Project, not the least of which is government. Through multiple conversations, meetings, presentations and answering questions, the Government of Canada, Government of Alberta and Government of Nova Scotia are all quite familiar with and supportive of Pieridae's initiative and focus on providing the energy to fuel people's daily lives in Canada and globally. This outreach should help us in the months and years to come as our business expands and shapes itself into the new policies and attitudes that will continue to influence the goal of building a better energy future.

The many advancements with Goldboro LNG and other aspects of our business made in 2020 are highlighted beginning on the next page.



Future Site of the Goldboro LNG Facility in Nova Scotia

"In 2020 we were likely in the worst downturn in North American oil and gas markets in the last 30 years. Combined with historically low LNG prices, this created an environment where many projects that were in line or heading towards FID were cancelled or suspended. Despite that, we were able to advance our Goldboro LNG Project."

Pieridae Board Chair Myron Tétreault

2020 BUSINESS ACCOMPLISHMENTS

Progress During Unprecedented Times

Uniper Deadline Extensions

On May 5, 2020, the Company announced that it and energy company Uniper Global Commodities agreed to extend key deadlines under their joint, 20-year agreement. The deadline extensions included expected commercial deliveries of gas to Uniper to start between August 31, 2025 and February 28, 2026; and the extension to June 30, 2021 of the deadline to make a positive final investment decision for the Company's proposed Goldboro LNG Facility. The 20-year agreement with Uniper is for all the liquefied natural gas produced at Goldboro Train 1 or 4.8 million tonnes per annum.



Alberta Energy Regulator Decision

On May 13, 2020, the AER made the decision to deny Shell's application to transfer the licenses associated with the Southern Alberta Foothills assets to Pieridae. This denial was due to concerns regarding the application to split the liability associated with Jumping Pound and Waterton gas processing facilities where Shell would have retained the liability associated with subsurface sulfolane contamination. Pieridae and Shell are working together to resolve the AER's concerns, and management does not anticipate any changes to its financial position or future cash flows because of this decision. The Company continues to own and operate the assets.



2020 BUSINESS ACCOMPLISHMENTS

Progress Through Unprecedented Times

New SVP LNG Hired

On August 27, 2020, we were excited to welcome Andy Mukherjee P. Eng. as Senior Vice-President LNG to lead the development of the multi-billion-dollar Goldboro LNG Project. Mr. Mukherjee is a veteran LNG industry professional with worldwide expertise in front-end engineering and design and EPC contracts. He worked on modular design and execution of four major global LNG projects: Qatargas NFE LNG, Cameron LNG, INPEX-Ichthys LNG and British Gas QCLNG, with additional experience working with EPC contractors Jacobs, FLUOR, Wood Group and JGC.

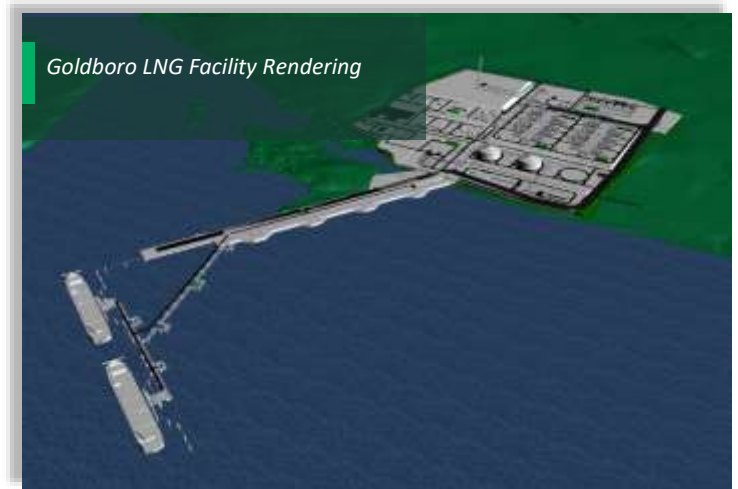
Pieridae Engages EPC Contractor Bechtel

On September 29, 2020, we signed a services agreement with respected global engineering firm Bechtel related to the LNG Project. Bechtel has been focused on: reviewing scope and design of the Goldboro LNG Facility and developing a comprehensive EPC execution plan by March 31, 2021; delivering a final lump sum, turnkey EPC contract price proposal by May 31, 2021; and conducting meaningful engagement with the Nova Scotia Mi'kmaq including their participation in the construction of a workforce lodge at the LNG site. Bechtel has a proven track record of delivering projects throughout the world on time and on budget.

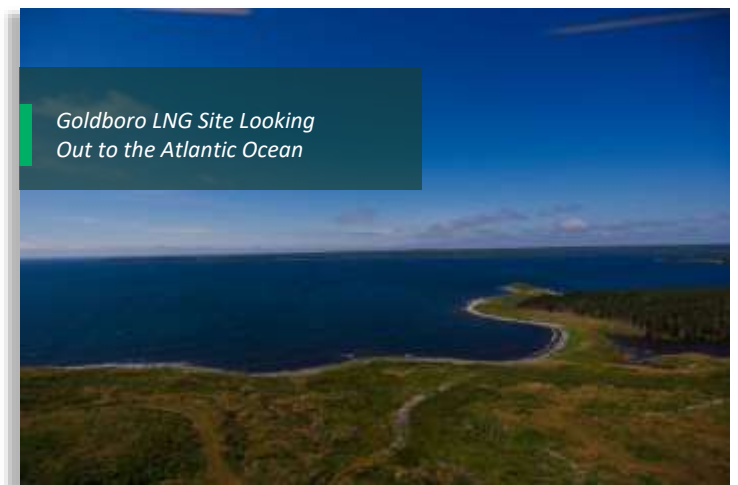
Nova Scotia Mi'kmaq, Black Diamond Group Given Opportunity to Build Large-Scale Workforce Lodge

On October 1, 2020, all 13 Nova Scotia Mi'kmaq communities and Black Diamond Group had received a Letter of Award from Pieridae which gives them the exclusive right to negotiate the contract to build a \$720 million workforce lodge during the four year construction phase of the Goldboro LNG Facility. The lodge will be home to 5,000 workers who will build the multi-billion-dollar LNG Facility. Black Diamond will be responsible for the lodge, the Mi'kmaq would provide hospitality services such as catering, housekeeping and guest services.

"We are excited about what this Project means to the Mi'kmaq communities and the benefits it will bring to all of Atlantic Canada. A key component of reconciliation in Canada is the ability to have meaningful involvement in projects happening within our territories," said Chief PJ Prosper and Chief Terence Paul.



Goldboro LNG Facility Rendering



Goldboro LNG Site Looking Out to the Atlantic Ocean



Lukow Workforce Lodge

2020 FINANCIAL ACCOMPLISHMENTS



Pieridae Graduates to the TSX

Last summer, Pieridae’s common shares were approved for listing on the TSX and began trading on the TSX at the opening of the market on July 3, 2020 under the symbol “PEA.TO”.

Being a member of the TSX allows Pieridae to tell its story to a bigger investor audience, including the Canadian institutional investment community, which should improve liquidity in the stock over time.

As we were in the middle of a pandemic, we did have a celebration by having the privilege of opening the markets on the Toronto Stock Exchange when Pieridae’s share began trading. We were virtually separated in different locations but all were quite

enthusiastic nonetheless in marking this significant milestone for Pieridae!

2020 FINANCIAL RESULTS

The Company saw increased year over year income and production during a global pandemic and one of the harshest years on record in the energy sector. We responded by monetizing certain hedge positions, limiting non-essential capital and operating spending, and taking active steps to reduce our administrative costs.

Safe, reliable operations were maintained during the pandemic and Pieridae has not suffered any measurable loss of productivity during the fourth quarter and year ended December 31, 2020. Production increased year over year from 22,397 barrels of oil equivalent per day (“boe/d”) in 2019 to 42,000 boe/d in 2020, an increase of 88%. With limited resources and capital, the Company managed to replace almost half of its production.

The PDP base decline of the corporation is now at ~ 10% (based on 2021 PDP forecasts), which is one of the lowest in industry. This decline will provide a very reliable base production from which the Company will grow significantly in the next few years to supply the Goldboro LNG Facility.

Annual Highlights

(\$ 000s unless otherwise noted)	2020	2019	2018
Production			
Natural gas (mcf/day)	201,040	121,263	102,952
Condensate (bbl/day)	3,020	807	211
NGLs (bbl/day)	5,473	1,379	139
Sulphur (ton/day)	1,985	410	362
Total production (boe/d)	42,000	22,397	17,509
Financial			
Net loss	(100,693)	(71,573)	(34,870)
Net loss per share basic and diluted	(0.64)	(0.73)	(0.68)
Net operating income ⁽¹⁾	50,723	25,001	(530)
Cashflow provided by (used in) operating activities	909	(51,772)	(8,407)
Adjusted funds flow from operations ⁽¹⁾	26,866	608	(8,530)
Total assets	612,651	602,474	370,670
Working capital deficit	(19,615)	19,105	(76,010)
Capital expenditures	17,243	169,167	981
Development expenses	18,742	9,150	8,801

⁽¹⁾ Refer to the “Non-GAAP measures” section of the Company’s MD&A.

OUR RESPONSIBILITY

Pieridae is a Company that Lives Its Values

We have tied many of our commitments, values and ideals to the over arching theme that is 'Our Responsibility' - *the state or fact of being responsible, answerable, or accountable for something within one's power, control or management.*

At Pieridae, we embrace the notion of ethical responsibility and the value that belief brings to what we strive to accomplish each and every day.

The current lexicon companies use to bring this notion to life is ESG: Environmental, Social and Governance. ESG is colouring almost every business decision a company now makes.

This is a good thing.

A focus on ESG can help a company understand the positive impact and manage the risks its operations have on customers, investors, employees and communities.

Embracing sustainability is twofold: supporting the resilience of the business, while enabling positive social and environmental impacts.

Pieridae formally started its ESG journey in 2020. We are committed to finding the right path and will release our first ESG Report in 2021.

ESG today is imperative for future financing in particular for financing a project the size of Goldboro LNG. We have to be able to access capital worldwide and to access capital worldwide we have to provide potential investors with the information they require.



ESG – A GROWING NECESSITY

The safety of our employees, communities and the environment are top priorities. We want to deliver clean energy to the world while committing to ESG frameworks.

ESG is weaved into the pillars of our business: communication, connection, leadership, shared value and a focus on results. These are supported by a foundation we call 'One Pieridae'. Together, this foundation and five pillars hold up our integrated business and environment, social and governance strategy.

Environment



‘Reuse, Repurpose, Recycle’

Pieridae’s motto is ‘Reuse, Repurpose, Recycle’. It grounds us and is embedded in our ESG journey. It supports the resilience of our business, establishes mutually beneficial relationships with our stakeholders and means less impact on the environment now and in the future.

We have met all our environmental obligations that we committed to in 2020 and we continue to meet the regulatory requirements and ensure that we aren’t on the enforcement ladder.

The Company has focused its future environmental goals on three key areas: methane reduction, carbon sequestration, and using less water to improve our overall impact on the environment. The principle reason why we chose the location for the LNG Facility and purchased our assets in the Alberta Foothills was to be able to reuse existing assets and limit Pieridae’s environmental footprint. This has been a big part of our story from the very beginning.

Climate and Air Emissions

We manage climate change and air emissions by focusing on lowering risk and complying with all environmental regulatory standards to align with our Energy Management Plan (“EMP”). Our EMP focuses on ensuring carbon-related risks and opportunities are evaluated as we set our goals and refine our business plan. This is achieved, in part, by including the cost of carbon in the early stages of planning for new capital projects and then sharing with senior management and our Board the long-term impacts of carbon taxation on Pieridae’s business.

Priorities of our Energy Management Plan

- Maintaining a focus on achieving asset level targets
- Implementing projects to lower our GHG emissions
- Securing Government grants and funding to help achieve our goals
- Supporting advocacy for fair carbon taxation

Land and Reclamation

Pieridae continuously strives to strike a balance between land, reclamation and biodiversity requirements to ensure we minimize the negative impacts and optimize the positive ones.

We support initiatives that improve our understanding of biodiversity in the areas where we operate all with the goal of minimizing our environmental footprint.

When we make decisions to retire assets, the company strives to accelerate the restoration of the land back to its original state as best we can. An important, voluntary initiative we are taking part in is the area-based closure program which encourages energy companies to work together to retire and restore assets for the benefit of all Albertans to limit their potential exposure to paying for cleaning up inactive sites.

Water Management

We need fresh water to operate our gas facilities and other assets as well as for future development.

Pieridae follows all water management regulations and focuses on innovative solutions to responsibly reuse, reduce and recycle as much water as is economically feasible. And where possible, we reduce the amount of fresh water we use beyond what is required by regulations to ensure this important resource is used responsibly and sustainably.

When we look at water usage for new projects, the company evaluates risk, including reliability of supply, technical feasibility, net environmental effect, economics, and regulatory and stakeholder concerns. Plans are developed to manage and lower any risk.

Our overriding goal is to protect people's health and the environment.

Social



Creating Trust & Respect – Building Relationships One Conversation at a Time

As we experience challenging times during this COVID-19 pandemic, companies that stay true to their values and commitments are the ones that will make it through with their trust and respect intact.

We must earn and keep – by each of our decisions and actions – the trust of our shareholders, employees and other stakeholders as well as that of the communities and Indigenous Peoples we live and work with.

We will do this by living Pieridae's commitments to integrity and a respect for community as we build strong relationships with all.

Indigenous Engagement

Pieridae has a rich history of respect for Indigenous Peoples and has continued that philosophy of respectful engagement across Canada, including the Nova Scotia Mi'kmaw Nation and Treaty 7 Nations in Alberta.

We signed a Benefits Agreement in February of 2019 with the 13 Chiefs of the Assembly of Nova Scotia Mi'kmaq Chiefs.

The agreement sets the framework for how the Mi'kmaq will benefit economically from the development, construction and operation of the Goldboro LNG Facility.

As highlighted earlier in the report, that framework and the subsequent letter of agreement with the Mi'kmaq and Black Diamond to build a \$720 million workforce lodge for the 5,000 individuals who will build the LNG Facility is a clear demonstration the Benefits Agreement is real and that there will be more opportunities to come.

Equal opportunity and sharing of the resource was the first message delivered to the Stoney Nakoda in the summer of 2019, whose Chief and senior officials met with Pieridae senior leaders just hours after Pieridae announced its acquisition of all of Shell Canada's Foothills assets, some of which have sat on Stoney traditional territory for decades.

Pieridae remains committed to actively engaging with the Stoney and other members of the Treaty 7 Nations. Our company has re-positioned the relationship as one of equality in sharing the benefits of the resource.

We will look at holding annual meetings to discuss this forward-looking approach and listen to concerns and ideas as we work to grow our business.



Our Community

Since the inception of the Goldboro LNG Project, our company has built strong, local ties in the rural Nova Scotia community where we will build the LNG Facility.

Whether it be conversations over a coffee or the more formal setting of the Community Liaison Committee, a cross section of local residents and Pieridae meet twice a year to offer project updates and listen to concerns with the focus of finding solutions.

Being forthright and upfront with landowners and stakeholders who may be impacted by our operations is an absolute: we will not compromise.

Giving back demonstrates we are committed to being part of a community.

We have a clear policy of financial support that outlines how individual groups can access funding for things that truly make a difference.

Pieridae takes pride in supporting local initiatives such as education through high school STEM scholarships, safety through emergency services and culture through rodeos.



“I play both the role of the community in the company, as well as being the face of Pieridae in the community,” said Indigenous Affairs Manager Colin Anton. “These can be conflicting. To square the circle, I go into every relationship with trust in mind: build the trust with an authentic view to help solve any issues or problems that arise. I can then share the voice of the community back to the company so that we are making the best decisions to the benefit of all.”

Our People



Pieridae's Most Important Resource

To say growth has impacted our company would be an understatement.

Since early 2019, we have experienced 1,200% growth in the number of employees working at Pieridae.

With such a diverse mix of cultures and people coming together quickly from different companies, we are committed to defining our identity, our values and our culture.

In the end, we will unite as 'One Pieridae' even as COVID has made that task a difficult one.

In lockstep with the 'One Pieridae' initiative, the company continues to set up the HR structure needed to build a successful company.

Solid progress has been made.

A robust recruitment practice is now in place to ensure consistency in fair and equitable hiring.

We are also implementing a new policy to address 'fit for work' requirements along with drug and alcohol testing in support of providing a safe work environment.

Diversity in the workplace is vital for employees and leaders. Pieridae recognizes this and understands diversity begins at the top. In 2020, we added experienced and competent individuals to our Board and management team who will bring fresh ideas and perspectives to build a stronger company.

A good start but more needs to be done.

Senior leadership defines the goals and measurement to drive a company's prosperity. These goals are the fundamentals of annual performance agreements leaders develop and sign. Achieving these goals is directly tied to compensation, making everyone accountable for the company's success and ultimately benefiting from that success fairly.

Pieridae recognizes the tremendous level of experience gained from employees who joined our company after acquiring the extensive Southern Alberta Foothills assets. This is especially true for the highly complex deep cut natural gas plants we are now operating.

We know we must work hard to retain this expertise and train the core employees of the future to maintain our license to safely operate.

Our summer student program has been providing some of those opportunities the last couple of years and we plan to build this initiative even further.



Employees are the foundation, the fuel and the future of Canadian natural gas. Together, we will build an energy future we can all be proud of.

Safety

We are committed to safety and operations excellence.

We have a "Choose Safety" culture and have put in the place the necessary structures and processes to ensure we create the right environment to achieve our safety goals.

We strengthen our commitment through our rigorous Operations Management System and demonstrate it by achieving safe, reliable operations and an injury free workplace.

Through a shared responsibility amongst employees and contractors we will continually progress safety competence, safeguard our culture and uphold our reputation for safety compliance.

Pieridae workers are asked not to tolerate risky behaviour.

It is everyone's responsibility to follow the guidelines set up to keep everyone safe.

We follow this motto across the company and will do the same with the Goldboro LNG Project.

Pieridae had a very successful year in 2020 with excellent ratings on all its health, safety and environment programs, and no major incidents.

That's a major success for the Company.

Pieridae's continued focus on safety was evidenced by no lost time incidents ("LTIs") recorded during the year, and total reportable injury frequency ("TRIF") of 0.34 during the year, on a target of less than 1.0. As a comparison, 10 peer companies had an average TRIF of 0.55 in 2019.



"Choose Safety" – because safety is a choice every day.

Governance

Our Management and Board of Directors are dedicated to supporting and living our five pillars of ‘One Pieridae’.

- communication
- connection
- results-focus
- leadership
- shared value

Governance at Pieridae is based on a foundation of integrity. Our commitment to it is much more than simply meeting legal requirements and obligations. We continue to implement changes in our corporate policies to improve Pieridae’s overall governance and that was evidenced by our clean Institutional Shareholder Services (“ISS”) Report issued in 2020.

Pieridae’s Board works to ensure the company's success by approving the Company’s strategic and financial plan, policies, ESG objectives and risk management initiatives.

Senior leadership defines the goals and measurement to drive that outcome. These goals are the bedrock of annual performance agreements leaders develop and sign. Achieving these signed goals is tied to compensation, making everyone accountable for the company’s success. Ultimately, everyone at Pieridae benefits from the company’s success in an equitable manner.

We continue to evaluate the mix of our skill sets on our Board and within our management team to ensure that we have a high-performing, effective organization. We recognize that, in order to achieve this, it is important to have diverse opinions, not only just from a gender perspective, but also from a background point of view so that we can look at things from a much wider perspective. This is an area where we will endeavour to continue to improve in the future.

To help broaden that perspective, Pieridae added Kiren Singh to the Board in the summer of 2020. Ms. Singh is a financial executive and corporate director who served as Chief Financial Officer, Vice President Risk Management and Treasurer during her 30-year career in the energy sector. She brings a wealth of financial experience to our Board which will help immeasurably as we move to finalize financing for our Goldboro LNG Project and the upstream development.

Pieridae has always had an ESG mantra behind it and really what is being done now through a recognition and a developmental plan for our ESG journey is codifying that belief.

The Path Forward

As we learn from looking back, we also need to glance beyond the horizon to see what is to come. And what we see in 2021 is an opportunity for us to generate significantly improved operating results in a higher commodity price environment and to make a strong push to bring our Goldboro LNG Project to the stage of a final investment decision.

We believe this optionality is what makes Pieridae unique in the Canadian energy industry and provides us with the best opportunity to create value for our stakeholders.

During the year, we will seek to improve our liquidity position, continue to reduce our operating costs and increase the volumes at our gas plants. We will also increase our efforts to find additional partners for our LNG Project and to properly capitalize the company for accomplishing its goals.

We will continue to build our ‘One Pieridae’ culture and work hard to maintain our strong health and safety record. We will also continue to advance against our environmental, social and governance objectives and be a positive, contributing force in the communities in which we operate. We believe that, as the world looks for a transition in the energy industry, there will be an important place for Canadian natural gas for many years to come.

Pieridae intends to be a key player in this space.

Progress During Unprecedented Times – both in 2020 and beyond.

Pieridae Board Chair Myron Tétreault

Pieridae Chief Executive Officer Alfred Sorensen

Management's Discussion and Analysis

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 years ended December 31, 2020 and 2019, as well as information about our future prospects. This MD&A has been prepared as of March 24, 2021 and should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes for the years ended December 31, 2020 and 2019 (the "consolidated financial statements"). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), sometimes referred to in this MD&A as Generally Accepted Accounting Principles ("GAAP") as issued by the International Accounting Standards Board ("IASB"). Pieridae's 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.

Reference is made to crude oil and natural gas in common units called barrel of oil equivalent ("boe"). A boe is derived by converting six thousand cubic feet ("mcf") of natural gas to one barrel ("bbl") of crude oil (6 mcf:1 bbl). This conversion may be misleading, particularly if used in isolation, since the 6 mcf:1 bbl ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In comparing the value ratio using current crude oil prices relative to natural gas prices, the 6 mcf:1 bbl conversion ratio may be misleading as an indication of value.

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

SPECIAL NOTE REGARDING NON-GAAP FINANCIAL MEASURES

This MD&A includes references to financial measures such as net operating income ("NOI"), operating netback or net back, adjusted funds flow from operations ("AFFO") and project investment. The Company feels that these financial measures are important to the understanding of its business activities. These financial measures are not defined by IFRS and therefore are referred to as non-GAAP measures. The non-GAAP measures used by the Company may not be comparable to similar measures presented by other companies. The Company uses these non-GAAP measures to evaluate its performance. The non-GAAP measures should not be considered an alternative to, or more meaningful than, measures determined in accordance with IFRS, as an indication of the Company's performance. The non-GAAP measures are reconciled to their closest GAAP measure on pages 24 and 25 of this MD&A.

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 Energy Limited's expected 2021 capital budget, 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 the Company may be taxable, estimated abandonment and reclamation costs, plans regarding hedging, wells to be drilled, the weighting of commodity expenses, expected production and performance of oil and natural gas properties, results and timing of projects, access to adequate pipeline capacity and third-party infrastructure, growth expectations, supply and demand for oil, natural gas liquids, and natural gas, industry conditions, government regulations and regimes, 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 (as defined herein) (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", "target", "goal" 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.

The forward-looking statements are based on current expectations, estimates and projections about the Company and the industry in which the Company operates, which speak only as of the earlier of the date such statements were made or as of the date of the report or document in which they are contained, and are subject to known and unknown risks and uncertainties that could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others: general economic and business conditions (including

as a result of demand and supply effects resulting from the COVID-19 virus pandemic and the actions of OPEC and non-OPEC countries) which will, among other things, impact demand for and market prices of the Company's products; volatility of and assumptions regarding crude oil, natural gas and natural gas liquids ("NGL") prices.

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 and the risk factors outlined under "Risk Factors" and elsewhere herein. The recovery and resource estimates of Pieridae's reserves 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; timing and amount of capital expenditures, future sources of funding, production levels, weather conditions, success of exploration and development activities, access to gathering, processing and pipeline systems, advancing technologies, and the ability of Pieridae to successfully market its oil and natural gas products.

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 hereof 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 reserve 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.

DEFINITIONS AND ABBREVIATIONS

Bcf	Billion cubic feet	Mmcf	Million cubic feet
Bcm	Billion cubic metres	MMBtu	Million British thermal units
GJ	Gigajoules	USD	United States Dollars

PIERIDAE'S OBJECTIVES AND STRATEGY

Pieridae is focused on becoming the first Canadian owned liquefied natural gas (“LNG”) producer that integrates (a) upstream activities consisting primarily of the acquisition and development of natural gas resource properties situated primarily in Alberta, the extraction of natural gas and other commodities from those properties and the initial processing of the natural gas in or near the field (the “Upstream Segment”) and (b) midstream activities consisting primarily on the delivery of natural gas by pipeline to the site of the proposed Goldboro LNG Facility (as described below) where it is further processed and liquefied to produce LNG for sale to customers for export to international markets and to specific markets in North America (the “LNG Segment” and together with the Upstream Segment, the “Goldboro LNG Project”).

The Company’s fundamental strategy is to acquire under-valued natural gas reserves (primarily in Alberta) which can be developed for the purpose of supplying natural gas to the proposed Goldboro LNG Facility (the “Goldboro LNG Facility” or the “Facility”), to construct the Facility and develop the natural gas reserves with low cost project financing (which is supported to a substantial degree by government guarantees) and to operate the Facility to produce high-valued LNG for sale in international markets. This strategy encompasses a “reuse, revitalize, repurpose” mandate aligned to the Company’s environmental, social and governance (“ESG”) values and goals to make the best use of existing local and national infrastructure and industrial footprints.

The Company intends to construct its Goldboro LNG Facility near the community of Goldboro situated in the municipality of the district of Guysborough on the North Eastern coast of Nova Scotia. The Facility will be constructed in phases and will include (a) two trains (“Train One” and “Train Two”, respectively), each with the capacity to produce approximately 4.8 million tonnes of LNG annually, (b) a power plant which will generate the electricity required to operate the Facility, (c) two LNG storage tanks and (d) marine structures and a jetty which will be equipped to accommodate concurrently two LNG vessels, each with a cargo capacity of up to 250,000 m³ of LNG.

The Company takes a long-term approach to growth and investments in order to mirror the long-term nature of the infrastructure, and to focus on creating long-term shareholder value. Operational discipline, safe, effective and efficient operations, community outreach, and cost control are fundamental to the Company. By consistently managing costs and continuing to integrate ESG considerations into our business plan, the Company believes it will achieve its long-term objectives. Opportunities to further integrate ESG considerations into our corporate strategy are being sought, and a plan is in place to ensure ESG risks and opportunities are addressed throughout the project lifecycle. Strategic, accretive acquisitions are a key component of the Company’s strategy. The Company has selectively acquired properties generating future cash flows and aligning with its long-term objective. The Company may also selectively purchase other resource owners’ gas or provide LNG processing services to the extent there is spare capacity at the Facility.

ANNUAL HIGHLIGHTS

<i>(\$ 000s unless otherwise noted)</i>	2020	2019	2018
Production			
Natural gas (mcf/day)	201,040	121,263	102,952
Condensate (bbl/day)	3,020	807	211
NGLs (bbl/day)	5,473	1,379	139
Sulphur (ton/day)	1,985	410	362
Total production (boe/d)	42,000	22,397	17,509
Financial			
Net loss	(100,693)	(71,573)	(34,870)
Net loss per share basic and diluted	(0.64)	(0.73)	(0.68)
Net operating income ⁽¹⁾	50,723	25,001	(530)
Cashflow provided by (used in) operating activities	909	(51,772)	(8,407)
Adjusted funds flow from operations ⁽¹⁾	26,866	608	(8,530)
Total assets	612,651	602,474	370,670
Working capital deficit	(19,615)	19,105	(76,010)
Capital expenditures	17,243	169,167	981
Development expenses	18,742	9,150	8,801

⁽²⁾ Refer to the “Non-GAAP measures” section of this MD&A.

QUARTERLY HIGHLIGHTS

Pieridae reports business results in two segments: Upstream and LNG. The tables below provide a summary of the consolidated financial results for the quarter of 2019 and 2020:

(\$ 000s unless otherwise noted)	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Production								
Natural gas (mcf/day)	212,220	184,080	208,689	199,234	204,262	86,884	90,942	102,221
Condensate (bbl/day)	3,259	2,807	3,166	2,850	2,840	121	131	114
NGLs (bbl/day)	6,171	4,722	5,843	5,156	5,253	55	80	85
Sulphur (ton/day)	1,829	2,232	1,970	1,906	938	269	204	224
Total production (boe/d)	44,800	38,209	43,791	41,211	42,137	14,657	15,368	17,236
Financial								
Net loss	(45,968)	(29,845)	(13,396)	(11,484)	(25,873)	(13,178)	(19,530)	(12,996)
Net loss per share, basic and diluted	(0.29)	(0.19)	(0.09)	(0.07)	(0.18)	(0.15)	(0.23)	(0.17)
Net operating income (loss) ⁽¹⁾	12,829	(646)	19,301	19,239	24,470	(2,699)	(1,928)	5,158
Cashflow provided by (used in) operating activities	1,037	(4,541)	(2,013)	6,426	(17,748)	(238)	(16,702)	(17,084)
Adjusted funds flow from operations ⁽¹⁾	8,535	(6,779)	12,466	12,644	14,448	(7,665)	(6,517)	342
Total assets	612,651	583,942	588,415	609,437	602,474	364,095	366,067	369,049
Working capital (deficit) surplus	(19,615)	(9,164)	15,109	15,596	19,105	(88,430)	(77,892)	(66,192)
Capital expenditures	8,926	6,033	264	2,020	165,764	1,914	917	572
Development expenses	8,682	2,472	4,129	3,459	805	504	7,841	-

⁽¹⁾ Refer to the "Non-GAAP measures" section of this MD&A.

2020 OPERATIONAL AND FINANCIAL HIGHLIGHTS

Continued Safe Operations of Pieridae's Assets and Completion of Planned Maintenance

Pieridae continues to proactively respond to the challenges associated with the global COVID-19 pandemic and remains committed to ensuring the health and safety of all its employees and contractors in the field and in our corporate office, as well as to the safe and reliable operation of our assets.

The first half of 2020 was characterized by extremely negative movements in liquids pricing coupled with unprecedented uncertainty, during which time Pieridae responded strongly by monetizing certain hedge positions, limiting non-essential capital and operating expenditures, and taking active steps to reduce general and administrative expenses ("G&A"), while continuing to support safe and reliable asset operations. During this challenging first half, Pieridae is proud to have avoided any pandemic-related layoffs.

In the third quarter, the impact from the COVID-19 pandemic began to diminish slightly due to the easing of restrictions imposed by governments in order to limit the spread of the pandemic. Pieridae responded by successfully completing a number of deferred sustaining capital and maintenance projects. The Company's continued focus on safety was evidenced by no lost time incidents ("LTIs") recorded during the year, and total reportable injury frequency ("TRIF") of 0.34 during the year, on a target of less than 1.0.

Pieridae's assets returned to strong production in the fourth quarter, averaging production of 44,800 boe/day, a 17% increase from the prior quarter, and a 6% increase from the comparative quarter in 2019. However a robust natural gas hedging program, put in place earlier in 2020 to protect revenues, prevented Pieridae from fully participating in strengthening natural gas prices until below-market fixed price sales contracts rolled off late in the year. Realized natural gas price was \$2.16/mcf in the fourth quarter vs an AECO benchmark of \$2.67/mcf. While below benchmark, realized prices in the fourth quarter were 27% higher than the third quarter and 13% higher than the comparative quarter in 2019.

In the fourth quarter of 2020, Pieridae generated cashflow from operating activities of \$1.0 million, and adjusted funds flow from operations ("AFFO") of \$8.5 million a decrease of \$5.9 million or 41% compared to the same period in 2019. While the Company achieved higher production through better asset performance and realized higher commodity prices, these benefits were offset by increased operating costs and royalties, and continued investment in the Goldboro LNG Project. For the year ended December 31, 2020, the Company generated cashflow from operations of \$0.9 million, and AFFO of \$26.9 million, an increase of \$26.3 million from 2019, due to a full year's worth of production and revenue from Pieridae's acquisition of Shell Canada's southern foothills assets on October 16, 2019 (the "South Foothills Asset" acquisition). Cashflow from operations was offset by the continued progress on the Goldboro LNG project, activities from which must be expensed until the Company reaches a successful final investment decision ("FID").

Throughout the challenges COVID-19 has posed during a year of operational and cultural integration stemming from the significant recent acquisitions, Pieridae remains committed to and impressed by the operational resilience of our assets and our team. The Company took definitive action during the year to defend its financial position, including ensuring operational flexibility in capital program execution and working to improve cost efficiencies across the business.

The Company continues to have a strong hedging program in place to insulate itself from volatile commodity prices, which has proven successful at providing a degree of price certainty and revenue stability during these uncertain and challenging times. Pieridae's senior secured lender Third Eye Capital Corporation ("TEC") has temporarily waived their requirement to have 60% of production hedged on an 18-month rolling average basis in order to allow the Company to take advantage of strengthening crude and natural gas markets. However, as at December 31, 2020, 119,000 GJ/d of fixed price contracts of natural gas were in place at a weighted-average price of \$2.33/GJ, and 1785 bbl/day of 2021 condensate production was hedged at a weighted average price of \$55.90/bbl.

Management's Response to the COVID-19 Pandemic

Pieridae remains committed to the health and safety of all personnel and to the safety and continuity of operations. In accordance with government guidelines to limit the risk of the outbreak, the Company has implemented measures such as self-quarantine policies, travel restrictions, enhanced sanitation measures and social distancing requirements. Gradual easing of restrictions during the summer and fall of 2020 allowed most corporate staff to return to working in the office under modified health and safety protocols in July, and allowed the resumption of certain maintenance activities in the field, however restrictions were re-imposed in November 2020. Since that time office staff have successfully worked remotely while activity in our field operations has been reduced to restrict access to only essential personnel and prevent unnecessary travel. As a result of the ongoing vigilance by our staff and continued updates to work-safe protocols, Pieridae has not suffered any significant loss of productivity related to COVID-19 during the fourth quarter and year ended December 31, 2020.

Extensions of Key Deadlines

In May 2020, Pieridae announced extensions of key deadlines under its 20-year agreement with German energy company Uniper Global Commodities ("Uniper"). These include expected commercial deliveries of gas to Uniper to start between August 31, 2025 and February 28, 2026; and the extension to June 30, 2021 of the deadline to make a positive final investment decision for the Company's proposed Goldboro LNG Facility. Our relationship with Uniper remains strong and we very much appreciate their on-going support. The 20-year agreement with Uniper is for the purchase of all gas produced by Train 1 at the Facility or 4.8 million tonnes per annum ("MMTPA") of liquefied natural gas produced at Train One from the proposed facility.

Alberta Energy Regulator decision regarding license transfer application

In May 2020, the Alberta Energy Regulator ("AER") made the decision to deny Shell's application to transfer the licenses associated with the South Foothills Assets to Pieridae. This denial was as a result of the AER's concerns regarding the application structure to split the liability associated with Jumping Pound and Waterton gas processing facilities, whereby Shell will retain the liability associated with subsurface sulfinol contamination.

Shell and Pieridae moved swiftly to evaluate options on the transfer applications and sought clarity from the AER on an appropriate path forward. On January 4, 2021 Shell resubmitted the applications to transfer the licenses for the Shell Foothills Assets to the Company and the AER is processing the applications in the normal course.

Pieridae Graduates to the TSX

On June 1, 2020 Pieridae's common shares were approved for listing on the TSX and began trading on the TSX at the opening of the market on July 3, 2020 under the symbol "PEA". Concurrent with the TSX listing, the common shares of Pieridae were de-listed from the TSXV. Being a member of the TSX allows Pieridae to reach a larger investor audience, including the Canadian institutional investment community, which should improve liquidity in the stock over the longer term.

KBR Alters its Position Regarding the Goldboro LNG Contract

On July 13, 2020 Pieridae received written notice from KBR regarding the firm's exit from fixed price energy projects in order to refocus on its government services business, resulting in them no longer being prepared to negotiate and conclude a lump-sum turnkey Engineering, Procurement, Construction and Commissioning ("EPCC") contract in relation to the proposed Goldboro LNG Facility.

Guarantee Facility from Export Development Canada (“EDC”)

In July 2020, Pieridae received approval from EDC for a \$6 million guarantee facility as part of the EDC’s Account Performance Security Guarantee (“APSG”) program. This guarantee facility bears interest at 0.29% and provides a 100% guarantee to the issuing bank of certain of the Company’s existing and future letters of credit (“LCs”). The APSG will allow Pieridae to release existing and future cash collateral requirements provided as security for certain existing and potential future LCs.

Pieridae Hires Experienced SVP to Lead the Goldboro LNG Project

In August 2020, Pieridae announced it had engaged veteran LNG industry professional Andy Mukherjee P.Eng. as Senior Vice-President LNG to lead the development of its multi-billion-dollar Goldboro LNG Project. Mr. Mukherjee has worldwide expertise in front-end engineering and design; detailed engineering, procurement, contracts, construction, and commissioning; including module fabrication and construction related to four mega LNG projects in addition to oil and gas in North America and overseas.

Pieridae Engages EPCC Contractor Bechtel

In September 2020, Pieridae announced that it had signed a services agreement with respected global engineering firm Bechtel related to Pieridae’s Train Two Goldboro LNG Facility. Bechtel has a proven track record of delivering projects throughout the world on time and on budget.

Some of the key deliverables of the Bechtel services agreement are:

- Initiating a detailed review of the scope and design of the Goldboro LNG Facility and developing a comprehensive EPCC execution plan by March 31, 2021
- Delivering a final lump sum, turnkey EPCC contract price proposal by May 31, 2021 and
- Conducting a meaningful engagement with the Nova Scotia Mi’kmaq First Nations including their participation in the construction of a large-scale work camp at the LNG site.

Bechtel remains on schedule to deliver these items.

Nova Scotia Mi’kmaq, Black Diamond Group Given Opportunity to Build Large-Scale Workforce Lodge

On October 1, 2020, all 13 Nova Scotia Mi’kmaq communities and Black Diamond Group had received a Letter of Award from Pieridae which gives them the exclusive right to negotiate the contract to build a \$720 million workforce lodge during the four-year construction phase of the Goldboro LNG Facility. The lodge will be home to 4,500 - 5,000 workers who will build the multi-billion-dollar LNG Facility. Black Diamond will be responsible for the lodge, the Mi’kmaq would provide hospitality services such as catering, housekeeping and guest services.

UPSTREAM SEGMENT

The upstream segment is primarily comprised of the activities of Pieridae’s wholly owned subsidiary Pieridae Alberta Production Ltd, which owns Pieridae’s petroleum and natural gas production operations and properties in Western Canada; refer to Note 6 of the consolidated financial statements. Upstream is currently the only segment generating operating revenues.

Production

	Three months ended		Year ended	
	December 31		December 31	
	2020	2019	2020	2019
Natural gas (mcf/day)	212,220	204,262	201,040	121,263
Condensate (bbl/day)	3,259	2,840	3,020	807
NGLs (bbl/day)	6,171	5,253	5,473	1,379
Sulphur (ton/day)	1,829	938	1,985	410
Total production (boe/day)	44,800	42,137	42,000	22,397

Production in the fourth quarter of 2020 was 44,800 boe/d, an increase of 2,663 boe/day or 6% compared to the same quarter in 2019. On a year-to-date basis, production was 42,000 boe/d, an increase of 19,603 boe/day or 88% compared to the same period in 2019. These respective increases are primarily due to production capabilities acquired from the South Foothills Asset acquisition, partially offset on a year-to-date basis by planned and unplanned outages, most significantly during the first quarter of 2020 as a result of unseasonably cold weather, and in the third quarter of 2020 as a result of planned maintenance in a number of production fields. The significant growth in condensate and NGL production in the three months and year ended December 31, 2020 reflects the deep cut capability of the processing facilities acquired as part of the South Foothills Asset acquisition.

RESERVES

Deloitte Touche Tohmatsu Limited (“Deloitte”), Pieridae’s independent, qualified reserves evaluator, performed reserves evaluations of the Company’s assets as at December 31, 2020 and December 31, 2019. The following table summarizes Pieridae’s reserves based on the Deloitte reserves report:

(\$ 000s unless otherwise noted)	Year ended December 31,			
	2020		2019	
	MMboe	\$ ⁽¹⁾	MMboe	\$ ⁽¹⁾
Reserves Category				
Net proved developed producing (“PDP”) reserves	108.6	505,243	133.0	592,649
Net proved (“1P”) reserves	150.1	718,495	157.2	725,250
Net proved plus probable (“2P”) reserves	204.0	976,147	216.5	1,062,453

⁽¹⁾ Estimated pre-tax net present value of discounted cash flows from reserves using a 10% discount rate.

Pieridae’s net PDP reserve volumes decreased by 24.4 MMboe, or 18% year over year as production of 15.5 MMboe and technical revisions of 8.5 MMboe were offset by reserve replacement of 6.8 MMboe, a reserve replacement ratio of 44%. These reserves were added for \$2.7 million in total capital expenditure. Total net 1P reserves were 150.1 MMboe, a decrease of 7.1 MMboe or 5% compared to the prior year, primarily due to the lack of exploration activity Pieridae was able to conduct in 2020 offset by future development location bookings. Pieridae’s total net 2P reserves were 204 MMboe, a decrease of 12.5 MMboe or 6% compared to the prior year, also primarily offset by booking future development locations. On a net 2P basis, and calculated based on 2020 total production, Pieridae’s reserve life index is 13.2 years.

The Company’s 2P reserves as at December 31, 2020 were estimated to have a pre-tax net present value of approximately \$976 million using a 10% discount rate, compared to \$1,062 million in the prior year. The decrease in value was primarily due to lower commodity price forecasts and 2020 production depletion, partially offset by reduction in decommissioning liability, modifications to certain royalty assumptions, and future development location bookings.

Benchmark Prices

	Three months ended		Year ended	
	December 31		December 31	
	2020	2019	2020	2019
AECO benchmark price (CAD/mcf)	2.67	2.49	2.26	1.53
Condensate benchmark price USD/bbl)	42.99	57.29	37.40	44.06
NYMEX benchmark price (USD/MMBtu)	2.76	2.41	2.13	2.52
WCS heavy differential from WTI (USD/bbl)	9.64	21.96	11.49	(10.88)
Dated Brent benchmark price (USD/bbl)	45.26	61.84	43.21	64.24
NBP UK natural gas benchmark price (USD/MMBtu)	5.58	5.20	3.28	4.84
US/Canadian dollar average exchange rate (USD)	0.7675	0.7576	0.7455	0.7536
US/Canadian dollar period-end exchange rate (USD)	0.7854	0.7699	0.7854	0.7699

Realized Prices

	Three months ended		Year ended	
	December 31		December 31	
	2020	2019	2020	2019
Natural gas (\$/mcf)	2.16	1.91	2.00	1.75
Condensate (\$/bbl)	53.48	58.67	51.24	58.83
NGLs (\$/bbl)	15.11	11.47	12.91	11.61
Sulphur (\$/ton)	22.97	(1.36)	11.69	28.78

Petroleum and Natural Gas Revenue

(\$ 000s except per boe)	Three months ended		Year ended	
	December 31		December 31	
	2020	2019	2020	2019
Natural gas	42,242	35,857	147,300	77,425
Condensate	16,033	15,328	56,639	17,331
NGLs	8,579	5,545	25,870	5,843
Sulphur	3,866	(117)	8,270	4,311
Petroleum and natural gas revenue	70,720	56,613	238,079	104,910
Petroleum and natural gas revenue (\$/boe)	17.16	14.60	15.49	12.83
Other income	488	881	3,157	2,665
Third party processing	5,801	5,389	25,538	6,831
Realized gain (loss) on risk management contracts	-	-	12,708	(657)
Total revenue	77,009	62,883	279,482	113,749

Petroleum and natural gas revenue in the fourth quarter of 2020 was \$70.7 million, an increase of \$14.1 million or 25% compared to the same quarter in 2019. On a year-to-date basis, petroleum and natural gas revenue was \$238.1 million, an increase of \$133.2 million or 127% compared to the same period in 2019. These respective increases are primarily due to additional production and new revenue streams brought on by the South Foothills Asset acquisition. A slight increase in the realized price for natural gas and other NGLs in 2020 as compared to 2019 was partially offset by a corresponding decrease in the realized price of condensate.

Third party processing revenue is derived from fees charged to third party for processing their production and sulphur volumes through Pieridae's three sour gas processing facilities acquired as part of the South Foothills Asset acquisition. This income adds significantly to the economic benefits realized from these facilities by offsetting operating costs, which are highly fixed in nature. Third party processing income was \$5.8 million and \$25.5 million for the three and twelve months ended December 31, 2020, an increase of 8% and 274% respectively from 2019.

For the year ended December 31, 2020, the Company recognized \$12.7 million in realized gains on risk management contracts, compared to a realized loss of \$0.7 million in 2019 due to the Company's hedging strategy and monetization of certain WTI-linked commodity forward contracts during 2020.

Royalties

(\$ 000s except per boe)	Three months ended		Year ended	
	December 31		December 31	
	2020	2019	2020	2019
Royalties	4,402	2,387	9,609	3,755
Royalties (\$/boe)	1.07	0.62	0.63	0.46

Royalties in the fourth quarter of 2020 were \$4.4 million (\$1.07/boe), an increase of \$2.0 million or 84% compared to the same quarter in 2019. On a year-to-date basis, royalties were \$9.6 million (\$0.63/boe), an increase of \$5.9 million or 156% compared to the same period in 2019. These respective increases are due to a combination of an overall increase in production level as a result of the South Foothills Asset acquisition, higher realized prices, and the increase in condensate and liquids as a percentage of total production as a result of the South Foothills Asset acquisition, which on average attract higher royalty rates than natural gas.

Operating Expense

(\$ 000s except per boe)	Three months ended		Year ended	
	December 31		December 31	
	2020	2019	2020	2019
Operating expense	55,485	32,949	203,432	77,036
Operating expense (\$/boe)	13.46	8.50	13.23	9.42
Adjusted operating expense ⁽¹⁾	45,818	27,677	169,624	65,894
Adjusted operating expense (\$/boe) ⁽¹⁾	11.12	7.14	11.03	8.06

⁽¹⁾ Refer to the "Non-GAAP measures" section of this MD&A.

Operating expense in the fourth quarter of 2020 was \$55.5 million (\$13.46/boe), an increase of \$21.8 million or 68% increase compared to the same quarter in 2019. On a year-to-date basis, operating expense was \$203.4 million (\$13.23/boe), an increase of \$126.4 million or 164% compared to the same period in 2019. These respective increases reflect changes to the Company's operating cost structure as a result of the acquired gas processing facilities, which operated in 2020 at approximately 66% of current capacity while attracting a high percentage of fixed operating costs. While operating at less than 100% capacity impacts operating cost per boe, it also presents a significant opportunity to Pieridae should the Company be able to attract additional owned or third-party volumes to these facilities.

On an adjusted operating expenses per boe basis, operating costs were \$11.12/boe in the fourth quarter of 2020, and \$11.03/boe on a year-to-date basis compared to \$7.14/boe and \$8.06/boe for the comparative period in 2019 respectively, reflecting the higher cost base of the South Foothills Assets acquired in late 2019. This adjusted basis is a non-GAAP measure, refer to "Non-GAAP Measures" in this MD&A, and is intended to reflect normalized operating expense by deducting third-party revenue and sulphur production revenue from operating costs, as both offset incurred additional costs to generate those additional revenue which is not reflected in per-boe comparatives.

As a result of third-party processing fees earned from these facilities, revenues generated on a per boe basis increased together with operating expenses per boe. These concurrent increases contributed to the increase in operating netback to \$3.31/boe for the twelve months ended December 31, 2020.

Transportation Expense

(\$ 000s except per boe)	Three months ended		Year ended	
	December 31		December 31	
	2020	2019	2020	2019
Transportation expense	4,293	3,077	15,718	7,957
Transportation expense (\$/boe)	1.04	0.79	1.02	0.97

Transportation expense in the fourth quarter of 2020 was \$4.3 million (\$1.04/boe), an increase of \$1.2 million or 40% compared to the same quarter in 2019. On a year-to-date basis, transportation expense was \$15.7 million (\$1.02/boe), an increase of \$7.8 million or 98% compared to the same period in 2019. These respective increases are mainly driven by higher production volumes and the increase in Pieridae's securement of firm service capacity on the Nova Gas Transmission Ltd. ("NGTL") System.

General and Administrative Expense

(\$ 000s except per boe)	Three months ended		Year ended	
	December 31		December 31	
	2020	2019	2020	2019
G&A expense - Upstream	6,142	2,038	13,122	6,452
G&A expense - Corporate and LNG	(2,195)	6,440	9,367	13,472
G&A expense (\$/boe) - Upstream	1.49	0.53	0.85	0.79
G&A expense (\$/boe) - Corporate and LNG	(0.53)	1.66	0.61	1.65

Upstream G&A expense in the fourth quarter of 2020 was \$6.1 million (\$1.49/boe), an increase of \$4.1 million or 201% compared to the same quarter in 2019. On a year-to-date basis, Upstream G&A expense was \$13.1 million (\$0.85/boe), an increase of \$6.7 million or 103% compared to the same period in 2019 due to the expanded geological and engineering capabilities acquired as part of the South Foothills Asset acquisition in 2019 as well as the need for additional staff and incremental insurance expense required to support the growing size and complexity of the Company's operations. Additionally, an amendment during the fourth quarter of 2020 to the Company's operations overhead allocation methodology resulting in a reclassification of \$5.7 million of overhead expenses from operating expense to G&A.

Corporate and LNG G&A expense in the fourth quarter of 2020 was (\$2.2) million, a decrease of \$8.6 million or 134% compared to the same quarter in 2019. On a year-to-date basis, Corporate and LNG G&A was \$9.4 million, a decrease of \$4.1 million or 30% compared to the same period in 2019. During the fourth quarter \$5.1 million in year-to-date G&A expense associated with the Goldboro project was reclassified to development expense, which drove the majority of the year over year and quarter over quarter decreases.

Finance Expense

(\$ 000s)	Three months ended		Year ended	
	December 31		December 31	
	2020	2019	2020	2019
Interest expense	7,623	11,250	31,008	12,210
Accretion of financing costs	5,825	-	16,842	2,913
Interest income	-	(1,600)	(76)	(1,753)
Accretion of decommissioning obligations	208	817	840	2,959
Interest on lease liabilities	45	95	155	95
Total finance expense	13,701	10,562	48,768	16,424

Finance expense in the fourth quarter of 2020 was \$13.7million, an increase of \$3.1 million or 30% compared to the same quarter in 2019. On a year-to-date basis, finance expense was \$48.8 million, an increase of \$32.3 million or 197% compared to the same period in 2019. These respective increases are due to the \$206 million Credit Agreement entered into on October 16, 2019 with TEC (the "Credit Agreement"). The Credit Agreement bears interest at a fixed rate of 12.0% per annum from the date of issue, accrued daily and payable quarterly in cash. Additional interest of 3.0% per annum is payable quarterly in cash or, at the option of the Company and subject to the lender's approval, payable in kind by way of accruing to the principal outstanding. Refer to Note 12 of the consolidated financial statements for additional information on the Credit Agreement. In the first quarter of 2019, a term loan of \$50 million was outstanding with the Alberta Investment Management Corporation ("AIMCo"), bearing interest at a fixed rate of 9.5%. Effective October 16, 2019, this term loan was repaid by the simultaneous establishment of the Credit Agreement.

Accretion of financing costs increased for the fourth quarter and year-to-date basis of 2020 compared to the same period in 2019 due to the additional amortization on the closing and deferred fee.

Accretion on decommissioning liabilities decreased due to a decrease in the real risk-free rate of interest as at December 31, 2020 compared to prior year. Refer to Note 13 of the consolidated financial statements for additional information on this change in estimate.

Depletion and Depreciation

(\$ 000s)	Three months ended		Year ended	
	December 31		December 31	
	2020	2019	2020	2019
Depletion and depreciation	15,452	10,044	44,013	21,986

Depletion and depreciation in the fourth quarter of 2020 was \$15.5 million, an increase of \$5.4 million or 54% compared to the same quarter in 2019. On a year-to-date basis, depletion and depreciation was \$44.0 million in 2020, an increase of \$22.0 million or 100% compared to the same period in 2019. These respective increases are due to an increase in the depletable base from higher decommissioning costs and future development costs and increases in production resulting from the acquisition of the South Foothills Assets.

Impairment

(\$ 000s)	Three months ended		Year ended	
	December 31		December 31	
	2020	2019	2020	2019
Impairment of property, plant and equipment	16,876	-	16,876	-
Impairment of exploration and evaluation assets	-	19,731	-	27,590

As at December 31, 2020 the Company determined that impairment indicators were present for the Company's upstream Northern and Central CGU assets. Impairment tests were performed and an impairment of \$16.9 million was recognized on the Company's Northern CGU as the estimated recoverable amount exceeded its carrying value. No impairment was recognized on the Company's Central CGU. At December 31, 2019, no indicators of impairment were identified. Refer to Note 8 of the consolidated financial statements for additional information on impairment.

No indicators of impairment were noted on the Company's exploration and evaluation assets or right of use assets at December 31, 2020. During the year ended December 31, 2019, the Company recognized an impairment charge of \$27.6 million on its exploration and evaluation assets located in the province of Quebec.

Share-based Compensation

(\$ 000s)	Three months ended		Year ended	
	December 31		December 31	
	2020	2019	2020	2019
Share-based compensation - Upstream	221	309	389	456
Share-based compensation - Corporate and LNG	334	345	594	1,042

Upstream share-based compensation in the fourth quarter of 2020 was \$0.2 million which was relatively consistent to \$0.3 million for the same quarter in 2019. On a year-to-date basis, share-based compensation was \$0.4 million, a decrease of \$0.1 million or 15% compared to the same period in 2019. These respective decreases are a result of lower value of options granted in 2020.

Corporate and LNG share-based compensation in the fourth quarter of 2020 was \$0.3 million which was relatively consistent to \$0.3 million for the same quarter in 2019. On a year-to-date basis, share-based compensation was \$0.6 million, a decrease of \$0.4 million or 43% compared to the same period in 2019. These respective decreases are also a result of lower value of options granted in 2020 partially offset by incremental expense recognized.

LNG SEGMENT

Project Background

The LNG segment contains all activities associated with the development of the Company's proposed Facility in Goldboro, Nova Scotia in addition to the majority of Pieridae's corporate overhead activities.

The Goldboro LNG site is near the community of Goldboro, Nova Scotia. The site was selected to make use of existing infrastructure and is aligned with the Company's goal to minimize capital exposure by reusing existing, underutilized midstream infrastructure. The site is close to a decommissioned sour gas processing facility which gathered gas from numerous offshore reservoirs. This plant processed gas from the offshore Scotia shelf at the Sable Island project and tied into an existing sales pipeline (Maritimes and Northeast Pipeline ("M&NP")) which is conveniently located next to the site, and which will be modified to deliver gas to the Goldboro LNG Facility.

The Goldboro LNG Facility has progressed to the open book estimate ("OBE") stage and KBR was previously engaged to review the previously completed Front-End Engineering Design ("FEED") study and provide a fixed price contract to construct the gas liquefaction facility. In July 2020 Pieridae received written notice from KBR regarding the firm's exit from fixed price energy projects in order to refocus on its government services business. As a result, On September 29, 2020 Pieridae announced that it had signed a services agreement with respected global engineering firm Bechtel related to Pieridae's Two-Train Goldboro LNG Facility. Some of the key deliverables of the Bechtel services agreement are:

- Initiating a detailed review of the scope and design of the Goldboro LNG Facility and developing a comprehensive EPCC execution plan by March 31, 2021
- Delivering a final lump sum, turnkey EPCC contract price proposal by May 31, 2021 and
- Conducting a meaningful engagement with the Nova Scotia Mi'kmaq First Nations including their participation in the construction of a large-scale work camp at the LNG site

Pieridae has retained sole responsibility to contract the site preparation, marine civil works, and worker camp. These projects will be financed concurrently with a positive FID decision, and project execution will commence thereafter.

Under the FEED study, Air Products and Chemicals, Inc. developed a plan to design and deliver a two-train (each 4.8 MMTPA) facility. A two-train construction project is contemplated to span approximately 56 months. Much of the construction contemplates assembling modules built in offshore yards while employing approximately 4,500 to 5,000 local workers during the peak construction phase. These employees will be housed at a temporary camp, which will be built on or nearby the existing decommissioned Sable Island sour gas plant site. Site preparation, site drainage, highway reconstruction, marine facilities, are amongst some of the major projects that must be assembled in tandem with, or prior to, the LNG liquefaction facility construction.

Integrated LNG Business Model

The acquisition of the South Foothills Assets further solidifies Pieridae's position as a fully integrated LNG enterprise holding key permits and approvals. It also greatly expands its portfolio of natural gas reserves, and its ability to generate sufficient natural gas to supply the Facility. With the completion of the South Foothills Asset acquisition, the Company estimates that it has enough resource capacity, to fill Train One of the proposed Facility at Goldboro. The Company plans to continue to add to these resources and reserves as markets and

finances permit. A 20-year, take-or-pay contract with Uniper, together with the additional sales contract with Axpo, ensures that there will be a long-term, stable offtake for more than half of the planned capacity of the Facility.

Financing (UFK)

On April 25, 2013, Pieridae received written confirmation of eligibility in principle for up to US \$3.0 billion of untied loan guarantee by the German Federal Government, provided that, among other things, at least 1.5 MMTPA of the 4.8 MMTPA LNG produced from Train One will be delivered to the German domestic gas market. The eligibility in principal for the loan guarantee is expected to result in a lower cost of capital for Pieridae and enhance the leverage which can be achieved. This should represent a significant advantage over its competitors and translate into a cost of capital lower than an integrated LNG company without such guarantees.

On October 29, 2018, the proposed financing of upstream activities within the Goldboro LNG received a written confirmation of eligibility in principle for up to US \$1.5 billion of untied loan guarantees by the German Federal Government. This confirmation marked an important milestone in advancing the integrated Goldboro LNG Project towards FID. This eligibility in principal for up to US \$1.5 billion German government loan guarantee in relation to the proposed financing of conventional upstream natural gas development is in addition to the eligibility in principle for up to US \$3.0 billion by the German government loan guarantees for the proposed financing of the construction of Train One of the Goldboro LNG Facility and all associated facilities.

Stranded Supply

Part of Pieridae’s value chain strategy is to acquire stranded and economically constrained natural gas reserves and move them to world markets, capitalizing on higher global market prices. The Company has executed on this strategy in each of the past two years. In December 2018, the Company acquired Ikkuma and in October 2019, acquired the South Foothills Assets. The advancement of the Goldboro LNG Project is one advantage unique to Pieridae, and it could help facilitate additional acquisitions for the Company.

Transport Capacity

The gas supply for the Goldboro LNG Facility will be delivered via existing pipelines to the M&NP, located directly alongside the project site. Western Canadian production would move through TC Energy’s Canadian Mainline ("Canadian Mainline"). This represents an opportunity for TC Energy, as their Canadian Mainline is currently substantially underutilized. There are some sections of the subsidiary lines which will require upgrading to meet Pieridae’s capacity requirements, and engineering work is ongoing to refine the adjustments required.

Key Milestones

The following is a discussion of the key milestones for the Goldboro LNG Project:

Milestone	Status
Secure sales contracts for 9.6 MMTPA (the design capacity of the two trains).	<ul style="list-style-type: none"> • 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 1.0 MMTPA of LNG to Axpo, a Swiss utility. • Negotiations are under way for additional sales agreements.
Secure supply of approximately 1.4 billion cubic feet of natural gas, and the related infrastructure improvements required to supply the 9.6 MMTPA of LNG to the proposed Goldboro LNG Facility.	<ul style="list-style-type: none"> • In 2019, Pieridae added 1,077 million cubic feet of total proved plus probable natural gas reserves through its acquisition of the South Foothills Assets. • The upstream reserves, including approximately 500 potential drilling locations identified to date, in various stages of de-risking/technical due diligence, will provide sufficient productive capacity to fill Train One at Goldboro. • In December 2018 Pieridae added 671 million cubic feet of total proved plus probable natural gas reserves through the Ikkuma acquisition. • 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 to support upstream development. • Pieridae is acquiring and reprocessing a significant amount of 3D seismic information on its growing reserve base. This will be used to formulate a comprehensive drilling plan that will ultimately grow production to the levels required to fill Train One. • Pieridae continues to seek additional gas properties through acquisitions or processing agreements, for which negotiations are ongoing.

<p>Complete engineering and design required for Facility construction.</p>	<ul style="list-style-type: none"> • Project site acquired. • Beginning of the land preparation was completed in early 2018. • Preliminary FEED has been completed. • As a result of a depressed market environment in early 2020 and COVID-19 impacts, Pieridae negotiated an extension with Uniper and TEC to June 30, 2021 for the deadline to make a positive FID. • Bechtel is progressing on the OBE and associated work for the primary EPCC contract. Work continues, and a cost estimate and associated EPCC contract is pending. • Work is also continuing on site preparation and planning. Detailed engineering work is being finalized on water intake, the wharf and jetty, and stormwater drainage and treatment options in addition to detailed planning of the road relocation, work camp and site terracing
<p>Secure transportation agreements to deliver natural gas to the Goldboro LNG Facility.</p>	<ul style="list-style-type: none"> • Memorandums of understanding have been completed with owners of the respective pipelines for long-term capacity. • The Company is eligible to request, at any time, an open season process to finalize these agreements.
<p>Obtain all permits and authorizations required to proceed with construction.</p>	<ul style="list-style-type: none"> • The Company has received all the major permits for the Project, including: <ul style="list-style-type: none"> ○ Environmental Assessment Approval ○ National Energy Board LNG Export License ○ National Energy Board Import License ○ US DOE LNG FTA Export Permit ○ US DOE NAFTA Export Permit ○ Goldboro Construction Permit
<p>Obtain agreement from organized labour and local indigenous groups to mitigate the risk of disruption during construction.</p>	<ul style="list-style-type: none"> • Project special needs collective agreements (the "Collective Agreement") have been negotiated with 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. • On February 4, 2019, Pieridae signed a Benefits Agreement with The Assembly of Nova Scotia Mi'kmaq Chiefs. The agreement means the Mi'kmaq will benefit economically as the Goldboro LNG Facility is developed, built and begins operating. • On September 30, 2020 Pieridae signed a Letter of Award selecting Black Diamond and the 13 Nova Scotia Mi'kmaq communities to exclusively negotiate the contract to build the \$720 million workforce lodge and amenities during the four-year construction phase of the Facility
<p>Secure the required funding.</p>	<ul style="list-style-type: none"> • The confirmation of eligibility in principle on April 25, 2013, that the project financing to be secured for constructing the first train of Goldboro will qualify for a US \$3.0 billion loan guarantee from the German Federal Government. • On October 29, 2018, the proposed financing of upstream activities within the Goldboro LNG Project received a written confirmation of eligibility in principle for up to US \$1.5 billion of untied loan guarantee by the German Federal Government.

More information on the above noted contracts and regulatory efforts can be found in the Company's 2020 Annual Information Form ("AIF") which can be found on www.sedar.com.

Extensions of Key Deadlines

Targeted FID date for the Goldboro LNG Project has been moved to June 30, 2021. To that end, on May 5, 2020, Pieridae announced extensions of the key deadlines under its 20-year agreement with German energy company Uniper. These include expected commercial deliveries of gas to Uniper to start between August 31, 2025 and February 28, 2026, and the extension to June 30, 2021 of the deadline to make a positive FID for the Company's proposed Goldboro LNG Project. The 20-year agreement with Uniper is for the liquefied natural gas produced at Train One or 4.8 MMTPA.

The completion of the FEED study and comprehensive EPCC execution plan will allow us to complete our final due diligence and proceed with project financing. Concurrently, we are working with several firms on the planning and pre-construction work for six priority areas outside of Bechtel's EPCC scope:

- Site roadwork

- Water pipeline construction
- Water Treatment plant construction
- Terracing of the site
- Building the work camp
- Building the wharf and jetty

Once financing is in place, the Company anticipates some of this work would begin immediately.

Development Expense

(\$ 000s)	Three months ended		Year ended	
	December 31		December 31	
	2020	2019	2020	2019
Development expense	8,862	805	18,742	9,150

Development expense in the fourth quarter of 2020 was \$8.9 million, an increase of \$8.1 million compared to the same quarter in 2019. On a year-to-date basis, development expenses were \$18.7 million, an increase of \$9.6 million or 105%. The expenditure in 2020 is a result of continued development of the Goldboro project, including the onboarding of Bechtel and continued progress towards a fixed price, lump sum turn-key EPCC contract estimate. Additionally, during the fourth quarter \$5.1 million of G&A associated with the Goldboro project was reclassified to development expense.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

Pieridae held \$11.1 million in cash and cash equivalents and restricted cash of \$2.0 million as at December 31, 2020. Restricted cash is comprised of security pledged for various letters of credit which are required to be posted with provincial agencies and other companies in order to facilitate the Company's ongoing operations. The amount of \$14.2 million previously self-restricted by Pieridae in anticipation of potential LCs that could be required as a result of the South Foothills Asset acquisition was released to cash and cash equivalents until the Company has more certainty regarding as the timing and amount.

Guarantee Facility from Export Development Canada ("EDC")

In July 2020, the Company received a \$6 million guarantee facility from Export Development Canada which provides for 100% guarantee to the issuing banks of the Company's existing and future letters of credit, of which \$4.9 million was drawn at December 31, 2020.

Loans and Term Debt

On October 16, 2019, the Company entered into a fully drawn senior secured non-revolving term Credit Facility for \$206.0 million. This Credit Facility bears interest at a fixed rate of 12.0% per annum from the date of issue, accrued daily and payable quarterly in cash, plus an additional 3.0% per annum, which is payable quarterly either in cash or, at the option of the Company and subject to the lender's approval, in kind by way of accruing to the principal outstanding. The Credit Facility is repayable in full on October 16, 2023; however, the Company has discretion to repay the principal in whole or in part any time prior to this date upon 90 days written notice to the lender, without penalty. The Company used the proceeds of the Credit Facility to partially fund the acquisition of the South Foothills Assets, repay the existing \$50.0 million term debt facility with AIMCo in full, fund letters of credit required for existing and purchased assets, and to satisfy all fees and expenses associated with the Credit Facility and Acquisition. Refer to Note 12 of the consolidated financial statements for additional information on the Credit Facility. As at December 31, 2020 the Company was in compliance with, or had obtained the required waivers for, all covenants of the Credit Facility.

Working Capital and Capital Structure

Pieridae's working capital decreased from \$19.1 million at December 31, 2019 to a deficit of \$19.6 million at December 31, 2020 primarily as a result of increases in accounts payable and accrued liabilities and an increase in the current portion of decommissioning obligations, reflecting Pieridae's 2021 planned reclamation and remediation activities. Working capital was pressured as a result of net losses experienced during the period, which arose from a combination of: weakness in condensate and liquids pricing as a result of macroeconomic conditions, fixed price natural gas sales contracts which were under-market during the third and fourth quarters of 2020, higher than planned operating costs, Goldboro development expenses, and a reduction in third-party processing fees as a result of counterparties shutting in volumes. This working capital deficiency is expected to be temporary, and working capital is anticipated to trend higher over the next 12 months. Refer to the "Outlook and Guidance" section of this MDA.

The Company is actively working to source additional funding to support and grow its upstream asset base, fund the deferred fee payable, and proceed with the construction of the proposed Goldboro LNG Facility. Although there is no guarantee that it will be successful, management believes the Company presents a compelling opportunity to potential lenders and investors due to the status of approvals for the Facility, the eligibility for untied loan guarantees from the German Federal Government, and the strong potential returns on investment from the Goldboro LNG Facility. The 2019 acquisition of the upstream and midstream assets from Shell further strengthens the investment thesis for Pieridae.

Pieridae's capital strategy is aligned with its business strategy and is focused on ensuring the Company has sufficient liquidity to fund operations and project development. Externally, Pieridae's principal sources of liquidity are the Credit Agreement, EDC LC backstop facility, and additional debt and/or equity offerings.

Capital Resources

As at December 31, 2020, Pieridae's capital structure was comprised of share capital, working capital and term debt, less cash and cash equivalents. The following table summarizes our capital structure on December 31, 2020 and December 31, 2019:

(\$ 000s)	December 31, 2020	December 31, 2019
Cash and cash equivalents	11,069	9,567
Less: term debt	(219,555)	(202,913)
Net debt	(208,486)	(193,346)
Shareholders' equity	4,384	104,315

Sources and Uses of Cash Flows

(\$ 000s)	Three months ended		Year ended December	
	2020	2019	2020	2019
Cash flows related to operating activities	1,037	(17,748)	909	(51,772)
Cash flows related to investing activities	(9,990)	(165,764)	(13,669)	(169,167)
Cash flows related to financing activities	(743)	184,814	14,251	220,425

Operating cash flows in the fourth quarter of 2020 increased by \$16.7 million or 94% compared to the same quarter in 2019. On a year-to-date basis, operating cash flows increased by \$52.7 million or 102% compared to the same period in 2019. Both the quarter and year-to-date increases were due to accretive cash flows generated from the South Foothills Assets acquired partially offset by lower realized prices for condensate due to pressure from the current global pandemic.

Investing cash outflows in the fourth quarter of 2020 decreased by \$155.8 million or 94% compared to the same quarter in 2019. On a year-to-date basis, investing cash outflows decreased by \$155.5 million or 92% when compared to the same period in 2019 due to the acquisition of the South Foothills Assets that occurred in the fourth quarter of 2019.

Financing cash flows in the fourth quarter of 2020 decreased by \$185.6 million or 100% compared to the same quarter in 2019. On a year-to-date basis, financing cash flows decreased by \$206.2 million or 94% compared to the same period in 2019 as there were no new financing transactions during the current periods other than the payment of lease obligations and restricted cash movements; in the year ended December 31, 2019, the Company raised funds through issuances of debt, convertible debt and issuances of share capital for the South Foothills Asset acquisition that occurred in the fourth quarter of 2019.

SHARE CAPITAL, WARRANTS AND STOCK OPTIONS OUTSTANDING

As at December 31, 2020 and March 24, 2021 the Company had 157,641,871 (December 31, 2019 - 157,561,174) common shares outstanding. As at December 31, 2020 8,322,072 (December 31, 2019 - 6,392,072) stock options were outstanding with a weighted average exercise price of \$1.99/share.

As at December 31, 2020 there were no warrants outstanding (December 31, 2019 - 1,889,755) as the remaining warrants expired in December 2020.

COMMITMENTS, PROVISIONS AND CONTINGENCIES

The Company has entered into several financial obligations during the normal course of business. As at December 31, 2020 these obligations, and the expected timing of their settlement, are detailed below:

(\$ 000s)	2021	2022	2023	2024	Thereafter	Total
Interest on term debt	81,133	31,134	24,651	-	-	136,918
Firm transportation	8,827	5,282	1,598	928	1,115	17,750
Total	89,960	36,416	26,249	928	1,115	154,668

Provisions and Contingencies

In April 2020, the Company entered into an arbitration agreement with a third party to resolve an on-going commercial dispute. The matter was settled in November 2020 and resulted in the recognition of a total liability of \$14.4 million, of which \$7.2 million was recognized as long term and \$4.2 million was classified as current in accounts payable and accrued liabilities at December 31, 2020. Refer to Note 21 of the consolidated financial statements for additional information.

The Company is also involved in various claims and litigation arising in the normal course of business. While the outcome of these matters is uncertain and there can be no assurance that such matters will be resolved in the Company's favor, the Company does not currently believe that the outcome of adverse decisions in any of these pending or threatened proceeding related to these and other matters or any amount which it may be required to pay by reason thereof would have a material adverse impact on its financial position or results of operations.

Off Balance Sheet Transactions

The Company does not have any financial arrangements that are excluded from the consolidated financial statements nor are any such arrangements outstanding as of the date at this MD&A.

RISK FACTORS

The Company monitors and complies with current government regulations that affect its activities, although operations may be adversely affected by changes in government policy, regulations, or taxation. In addition, Pieridae maintains a level of liability, property and business interruption insurance which is believed to be adequate for the Company's size and activities but is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims. Risk to Pieridae's business and operations include, but are not limited to:

Risks Related to the Oil and Gas Industry
Weakness in the Oil and Gas Industry
Prices, Markets and Marketing of Crude Oil and Natural Gas
Reserve Decline, Exploration, Development and Production Risk
Reserve Estimates
Liability Management
Royalty Regimes
Alternatives to and Changing Demand for Petroleum Products
Hydraulic Fracturing
Other Risks Inherent to Pieridae's Business
Additional Financing
Liquidity
Access to Capital
Epidemics or Pandemics
Environmental Incidents
Climate Change
Chronic Climate Change Risks
Acute Climate Change Risks
Climate Change Regulations
Permits, Licenses and Approvals
Insurable Risk
Co-ownership of Assets and Operational Dependence

Growth Management
Third Party Credit Risk
Political, Geo-Political and Public Perception Risk
Impact of Future Financings on Market Price
Competition
Availability and Cost of Material and Equipment
Title to Production Assets and Reserves
Estimation of Abandonment and Reclamation Costs
Possible Failure to Realize Anticipated Benefits of Acquisitions
Project Risk
Conflicts of Interest
Litigation
Regulatory
Variations in Foreign Exchange and Interest Rates
Hedging
Tax Horizon
Changes in Risk Profile
Reliance on Key Personnel
Cost of New Technologies
Internal Controls
Breach of Confidentiality
Information Technology Systems and Cyber-Security
Reputation Risk
Estimates and Assumptions
Forward-Looking Statements and Information May Prove Inaccurate
Risks Related to Pieridae's Common Shares
Volatility
Dilution
Return on Investment
Dividends

Refer to the Company's Annual Information Form for the year ended December 31, 2020 for fulsome discussion of these risks. See also "Forward Looking Statements" in this MDA.

The current challenging economic climate due to the COVID-19 pandemic appears to be normalizing gradually, and significant recovery in commodity prices has been experienced during late 2020 and into the first quarter of 2021. However, the COVID-19 pandemic may still have significant adverse impacts to the Company, including but not limited to:

- Material declines in revenue and cash flows due to future reducing commodity prices
- Material decline in future revenues may result in potential impairment on non-financial assets
- Increase in the risk of non-performance by our customers and partners, resulting in a higher risk of default

While Pieridae believes the COVID-19 pandemic to be temporary, the situation is dynamic and the future economic impact of COVID-19 on the results of operations and financial condition cannot be reasonably estimated at this time. Pieridae will continue to monitor the impact of COVID-19 on an ongoing basis and make revisions as determined necessary by management. Such revisions are recognized in the period in which the estimates are revised and may impact future periods as well.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITMENT

Pieridae embraces the notion of ethical responsibility and the value that belief brings to what we strive to accomplish each and every day. The latest lexicon companies use to bring this notion to life is ESG: Environmental, Social and Governance. ESG is colouring almost every business decision a company now makes.

In parallel, ESG practices such as understanding risks, reducing waste, using resources effectively and ensuring compliance will help Pieridae uncover cost and operational efficiencies. Understanding ESG factors that are material to our business and to key stakeholders is a core ESG practice which is key to identifying and integrating ESG into the business and strategy. In this sense, embracing sustainability is twofold: supporting the resilience of the business, while enabling positive social and environmental impacts. Additionally, ESG is fundamental to Pieridae's ability to create long term shareholder value. It starts with the tone at the top; creating a business environment where our Board, senior leadership, and employees are empowered and aligned toward the Company's targets. Pieridae recognizes the importance of

building and maintaining our relationships with the communities in which we operate and have aligned our ESG goals and framework toward fostering those relationships.

ESG is weaved into the pillars of our business: communication, connection, leadership, shared value and a focus on results. These are supported on a foundation we call “One Pieridae”. Together, this foundation and five pillars hold up our integrated business and environment, social, and governance strategy. Our overriding goal is to protect people’s health and the environment.

In 2020, Pieridae undertook to formalize and centralize all its various ESG activities and is working to establish an umbrella ESG policy. To that end, in late 2020 the Corporation partnered with a global leader in ESG strategy development within the energy sector to facilitate and guide the Corporation towards formulating and implementing our ESG strategy. Their strong knowledge of key stakeholders including Indigenous Peoples, investors, government and others is important in developing our ESG program as we pursue FID and financing of our Goldboro LNG Facility. Pieridae targets an inaugural Pieridae ESG Report issuance in the second quarter of 2021.

Specifically, our 2021 goals, against which a portion of management compensation is measured, contain specific and measurable ESG targets. The table below reflects a number of areas that Pieridae is focused on as part of its ESG program:

Key Sustainability Topic/Risk	Management Goal, Process, Controls and Measurement	Progress
Environmental		
<p>Climate and air emissions</p> <p>Pieridae manages climate change and air emissions by focusing on lowering risk and complying with all environmental regulatory standards to align with our Energy Management Plan (“EMP”). Our EMP focuses on ensuring carbon-related risks and opportunities are evaluated as we set our goals and refine our business plan. This is achieved, in part, by including the cost of carbon in the early stages of planning for new capital projects and educating the business on the long-term impacts of carbon taxation on Pieridae’s business.</p> <p>Methane (CH4) is a primary GHG which has particular focus as it is considered “fugitive”. Additionally, Pieridae operates sour gas wells, infrastructure and processing facilities.</p> <p>Pieridae monitors and reports ambient air objectives for H2S and SO2 in compliance with regulations</p>	<ul style="list-style-type: none"> • Management is committed to establishing a baseline and targeting reduction in the emission of methane (“CH4”) from its facilities through increased monitoring, process improvements and equipment upgrades. • In 2020, Pieridae formalized its corporate Fugitive Emissions Management Plan (“FEMP”) and Methane Reduction Retrofit Compliance Plan (“MRRCP”). • Management is also committed to: <ul style="list-style-type: none"> ○ Maintaining a focus on achieving asset level targets ○ Implementing projects to lower our GHG emissions ○ Secure Government grants and funding to help achieve our goals ○ Supporting fair carbon taxation • Pieridae is committed to ensuring its operations have minimal impact to the air quality near its facilities and operates continuous air monitoring stations at its large gas plants. Pieridae manages air quality objectives at its gas processing facilities by means of continuous and passive monitoring stations in compliance with regulations. 	<p>Neutral</p> <ul style="list-style-type: none"> • Since 2018, a total of 58 pneumatic pumps have been replaced, and the program has produced approximately 18,418 carbon offset credits (tonnes of CO2 equivalent). • Pieridae will continue this program and we anticipate tripling this reduction over several years. • Pieridae undertakes a comprehensive air monitoring program as per EPEA and other regulatory requirements.
<p>Water usage reduction</p> <p>Pieridae needs fresh water to operate our gas complexes, other assets, and for future development. However we strive to use this resource sparingly and effectively; Pieridae follows all water management regulations and focuses on innovative solutions to responsibly reuse, reduce and recycle as much water as is economically feasible. And where possible, we reduce the amount of fresh water we use beyond what is required by regulations to ensure this important resource is used responsibly and sustainably.</p> <p>The company evaluates risk, including reliability of supply, technical feasibility, net potential environmental effects, economics, and regulatory and stakeholder concerns. Plans are developed to manage and lower any risk.</p>	<ul style="list-style-type: none"> • Reduction in future water use through conventional (non-hydraulic stimulation) drilling in the Foothills. • The production of non-hydraulic fractured gas may allow us to certify our sales under a number of “green-gas” programs which may allow us to obtain a price premium over market prices. • Water usage at our gas processing facilities is licenced and approved under the <i>Water Act</i>. Pieridae will continue to monitor and report all water use in compliance with regulations and reduce where possible. To this end, the Company is committed to establishing a baseline in 2021 and targeting reduction in water use in future years. 	<p>Neutral to Positive</p> <ul style="list-style-type: none"> • Developing a conventional drilling plan which vastly reduces the water required when compared to our peers who often conduct hydraulic fracturing. • Pieridae signed an evergreen contract with Shell to address site-specific ground pollution at the two largest and oldest plants in the current asset portfolio. Shell and Pieridae are committed to ensuring that the site is free of contaminants.

Key Sustainability Topic/Risk	Management Goal, Process, Controls and Measurement	Progress
Social		
<p>Indigenous Peoples Engagement</p> <p>Pieridae has a philosophy of respectful engagement with Indigenous Peoples across Canada, including the Nova Scotia Mi'kmaq First Nation and Treaty 7 Nations in Alberta.</p> <p>There is risk that Indigenous Peoples impacted by our activities do not feel they are benefitting from the Goldboro LNG Project nor Alberta gas reserves development & partnerships.</p>	<ul style="list-style-type: none"> • Pieridae maintains ongoing, direct Treaty 7 engagement to discuss potential partnerships. • Coordination with the Mi'kmaq First Nations on long-term Goldboro site management plans. • Developing an Indigenous People Principles document which will be adhered to. • We will look at holding annual meetings to discuss this forward-looking approach and also listen to concerns and ideas as we work to grow our business. The Chiefs and First Nations businesses want a chance to participate on a level playing field 	<p>Positive</p> <ul style="list-style-type: none"> • Positive, initial partnership discussions with Stoney Nakoda Nation. • Signing of an MOU to explore developing sustainable energy projects in collaboration with the 4 Nations • Building on the ratified Mi'kmaq Benefits Agreement, on September 30, 2020 signed a Letter of Award selecting Black Diamond and the 13 Nova Scotia Mi'kmaq communities to exclusively negotiate the contract to build a \$720 million workforce lodge and amenities construction of the Facility
<p>Stakeholder Engagement</p> <p>Pieridae is working with landowners' concerns through asset transfer process/post AER decision. We are continuing to strengthen positive and trusting relationships with landowners through ongoing engagement.</p>	<ul style="list-style-type: none"> • Ongoing, annual development of Pieridae Engagement Plan (matrix & SWOT). • Commitment to following AER asset transfer approval conditions, develop tracking mechanism as part of the consultation record. • Pieridae has a clear legacy policy that highlights how to achieve financial support. • Community liaison officers ("CLO") live & work in local communities, constantly building relationships & Pieridae brand. 	<p>Neutral</p> <ul style="list-style-type: none"> • Answered asset transfer SOCs thoroughly. • Direct, timely landowner & stakeholder engagement. • Formal Engagement Plan to be completed in 2020. • Legacy financial policy continues to build community goodwill. • Local CLO community presence has demonstrated value mitigating current & future issues.
<p>Workforce Health and Safety</p> <p>Risk of injuries, fatalities and other safety concerns due to inadequate controls, processes and training, including currently heightened risk to workers due to the ongoing pandemic.</p>	<ul style="list-style-type: none"> • We strengthen our commitment through our rigorous Operations Management System and demonstrate it by achieving safe, reliable operations and an injury free workplace. • Pieridae tracks and reports total recordable injury frequency (TRIF) and lost-time injury frequency (LTIF). Focus is to improve proactive behaviors and reporting to maintain a low injury frequency. • LTI = 0 in 2020. TRIF target for 2020 <1.0 (TRIF of 0.72 in 2019, 2020 0.34). • HS&E targets are tied to bonus structure. • HS&E statistics are communicated company-wide on a monthly basis to preserve a good safety culture and transparency. • Dedicated HS&E team in the field working directly with front-line workers and supervisors. 	<p>Positive</p> <ul style="list-style-type: none"> • Integration of safety systems; process framework, and controls is well underway. • Integration activity will result in an effective Safety Management & Loss framework for employees and contractors. • Continued learning from incidents shared with entire company through safety hub and safety alerts. • Training & competency management will remain a focus.

Key Sustainability Topic/Risk	Management Goal, Process, Controls and Measurement	Progress
Governance		
<p>Board and Executive Diversity</p> <p>Pieridae recognizes diversity begins at the top. Risk of non-optimal management and Board decision making from lack of diversity of opinions, experiences and perspectives.</p>	<ul style="list-style-type: none"> Pieridae’s Board of Directors is committed to increasing the diversity of the Board and Executives of Pieridae. Pieridae conducted it’s first-ever diversity and equity survey in order to understand it’s workforce and their concerns. We will use the results of this survey to establish a baseline and set meaningful targets for growth and improvement in 2021. 	<p>Neutral to Positive</p> <ul style="list-style-type: none"> Nominations to the Board of Directors suggest increasing diversity. Increasing disclosure of diversity in the Company’s 2019 and 2020 Management Information Circular. Evolving Human Resources and recruitment policies and procedures. On May 26, 2020, Pieridae elected Ms. Kiren Singh as its newest Board member. Ms. Singh has 30 years of experience and previously served as CFO, VP Risk Management and Treasurer in the energy sector.
<p>Critical Incident Management</p> <p>The release of hydrocarbons or other hazardous substances as a result of accidents could have significant ESG consequences.</p>	<ul style="list-style-type: none"> Pieridae has a comprehensive corporate emergency response plan (ERP) with site-specific ERPs and an emergency response assistance program (ERAP) in place. Participates in the Alberta Government Wildfire Management Plan. Ongoing emergency response training held in the field at each of the assets. Competency to ICS and number of exercises conducted are measured. 	<p>Positive</p> <ul style="list-style-type: none"> Practices and procedures and training processes are in place to effectively handle emergencies and minimize the risk of negatively impacting the environment, people and communities in which it operates. An established emergency management program promotes prompt and effective response to emergencies.

Pieridae recognizes that operating our business sustainably requires transparency with our stakeholders about our ESG performance and overall performance. These goals are intended to support this performance, and we commit to updating our stakeholders regularly.

SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The timely preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant judgments and estimates made by management in the preparation of the consolidated financial statements are outlined below.

The following are the critical accounting judgments that management has made in the process of applying the Company’s accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

i. Identification of cash generating units

Some of the Company’s assets are aggregated into cash-generating units (“CGU”), for the purpose of calculating depletion and impairment. A CGU is comprised of assets that are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. By their nature, these estimates and assumptions are subject to measurement uncertainty and may impact the carrying value of the Company’s assets in future periods.

ii. Impairment of petroleum and natural gas assets

For the purposes of determining whether impairment of petroleum and natural gas assets has occurred, and the extent of any impairment or its reversal, the key assumptions the Company uses in estimating future cash flows are forecasted petroleum and natural gas prices, expected production volumes and anticipated recoverable quantities of proved and probable reserves. These assumptions are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates. Changes in the aforementioned assumptions could affect the carrying amounts of assets. Impairment charges and reversals are recognized in profit or loss.

iii. Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation ("E&E") assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found in assessing commercial viability and technical feasibility.

iv. Lease arrangements

The Company applies judgement when reviewing each of its contractual arrangements to determine whether an arrangement contains a lease. The carrying amounts of the right-of-use assets, lease obligations, and the resulting interest and depreciation expense are based on the implicit interest rate within the lease arrangement or, if this information is unavailable, the incremental borrowing rate. Incremental borrowing rates are based on judgments including economic environment, term, and the underlying risk inherent to the asset.

v. Debt instruments

Debt instruments are initially recognized at fair value based on consideration received and adjusted in respect of any transaction costs that are incremental and directly attributable to the issue of the instrument. Subsequent measurement is at amortized cost and the effective interest rate method. Certain financing arrangements contain options which may revise future estimated cash outflow and result in an adjustment to the carrying value of the financial liability. At each reporting period, the Company will estimate whether such options will be exercised and if an adjustment to the financial liability is required. All adjustments arising from such changes in estimates are recognized immediately in profit or loss.

vi. Assessment of going concern

The Company has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon its ability to continue as a going concern. In reaching this conclusion, the Company uses significant judgement and estimates, and considered all relevant information, including feasibility of and effectiveness of management's mitigation plans. Accordingly, actual circumstances will differ from those estimates and the variation may be material.

vii. Reserves

The assessment of reported recoverable quantities of proved and probable reserves include estimates regarding production profile, commodity prices, exchange rates, remediation costs, timing and amount of future development costs and production, transportation and marketing costs for future cash flows. It also requires interpretation of geological, engineering, and geophysical models in anticipated recoveries. The economical, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying values of the Company's property, plant and equipment, the calculation of depletion, the provision for decommissioning obligations and the recognition of deferred tax assets due to changes in expected future cash flows. The recoverable quantities of proved and probable reserves and associated estimated cash flows are independently evaluated by qualified reserve evaluators at least annually.

The Company's petroleum and natural gas reserves represent the estimated quantities of petroleum and natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be economically recoverable in future years from known reservoirs and which are considered economically producible. Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon (i) a reasonable assessment of the future economics of such production; (ii) a reasonable expectation that there is a market for all or substantially all the expected petroleum and natural gas production; and (iii) evidence that the necessary production, transmission and transportation facilities are available or can be made available. Reserves may only be considered proven and probable if the ability to produce is supported by either production or conclusive formation tests. Pieridae's petroleum and gas reserves are determined pursuant to National Instrument 51-101, Standard for Disclosures for Oil and Gas Activities.

viii. Business combinations

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed which includes assessing the value of oil and gas properties based upon the estimation of recoverable quantities of proven and probable reserves acquired. Various valuation techniques are applied for measuring fair value including market comparables and discounted cash flows which rely on assumptions such as forward commodity prices, reserves and resources estimates, production costs and discount rates. Changes in any of these variables could significantly impact the carrying value of the net assets.

ix. Decommissioning obligations

The Company estimates future decommissioning and remediation costs of production facilities, processing facilities, wells and pipelines at the end of their economic lives. In most instances, abandonment and reclamation of these assets occurs many years into the future. This requires assumptions regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating costs, future removal technologies in determining the removal cost, inflation and liability-specific discount rates to determine present value of these cash flows.

x. Share-based payments

All equity-settled, share-based awards issued by the Company are fair valued using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation, estimates must be made regarding the expected volatility in share price, weighted average expected life of the instrument, expected dividend yield, risk-free interest rate and estimated forfeitures at the initial grant date.

xi. Financial derivatives

Financial derivatives are measured at fair value on each reporting date. The Company uses quoted commodity prices at period end to determine the fair value of outstanding financial derivatives. Changes in market pricing between period end and settlement of the derivative contracts could result in a change to the estimated valuation of the instrument.

xii. Deferred taxes

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amount recognized in income or loss for the period in which the change occurs.

CONTROL ENVIRONMENT

Disclosure Controls and Procedures

As of December 31, 2020, an internal evaluation was carried out of the effectiveness of the Company's disclosure controls and procedures as defined in Canada by National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective to ensure that the information required to be disclosed in the reports that the Company files or submits under Canadian Securities Legislation is recorded, processed, summarized and reported, within the time periods specified in the rules and forms therein. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that the information required to be disclosed by the Company in the reports that it files or submits under Canadian Securities Legislation is accumulated and communicated to Pieridae's Management as appropriate to allow timely decisions regarding the required disclosure.

Internal Controls over Financial Reporting

Internal controls over financial reporting ("ICFR") is a process designed to provide reasonable assurance that all assets are safeguarded, transactions are appropriately authorized and to facilitate the preparation of relevant, reliable and timely information. Because of its inherent limitations, ICFR may not prevent or detect misstatements. Management has assessed the effectiveness of the Company's ICFR as defined in Canada by NI 52-109. The assessment was based on the framework in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management concluded that the Company's ICFR was effective as of December 31, 2020. No changes were made to the Company's internal control over financial reporting during the year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

CHANGES IN ACCOUNTING POLICIES

The Company has applied the following new and revised accounting pronouncements in preparing the consolidated financial statements. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Business Combinations

Effective January 1, 2020, the Company adopted the amendment to IFRS 3 Business Combinations. This amendment narrowed and clarified that in order to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. This permits a simplified assessment to determine whether an acquired set of activities and assets can be recognized as an asset acquisition, rather than a business combination. During the year ended December 31, 2020, the Company did not have any acquisitions requiring the application of this amendment.

Government grants

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. When the conditions of a grant relate to income or expense, it is recognized in profit or loss in the period in which the expenditures are incurred, or when income is earned. When the conditions of a grant relate to an underlying asset, it is recognized as a reduction to the carrying amount of the related asset and amortized into income on a systematic basis over the expected useful life of the underlying asset through depletion and depreciation. For the year ended December 31, 2020, the Company recognized \$3.4 million related to the Canada Emergency Wage Subsidy (“CEWS”) program which reduced operating expenses by \$2.5 million and general and administrative expenses by \$0.9 million respectively.

OUTLOOK AND GUIDANCE

2021 Guidance

Below is a summary of the Company’s 2021 annual guidance:

<i>(\$ 000s unless otherwise noted)</i>	2021 Guidance
Total production (boe/d)	40,000 - 45,000
Net operating income ⁽¹⁾	100,000 - 130,000
Adjusted flow of funds from operations ⁽¹⁾	80,000 - 110,000
Capital expenditures	45,000 - 55,000
Goldboro capital expenditures post-FID ⁽²⁾	250,000 – 350,000
Development expense ⁽³⁾	15,000 - 20,000
Commodity hedging ⁽⁴⁾	55% - 65%
Corporate and upstream G&A (\$/boe) ⁽³⁾	1.10 - 1.30
Adjusted operating expense (\$/boe) ⁽¹⁾	9.50 – 10.50

⁽¹⁾ Refer to Non-GAAP measures

⁽²⁾ Assumes FID date of June 30, 2021

⁽³⁾ Reflects the reallocation of \$6.2 million of LNG G&A from G&A to development expense

⁽⁴⁾ Commodity hedging of net production on an 18-month rolling boe/day basis not including transportation costs of approximately \$1.02/boe.

NON-GAAP MEASURES

Management has identified certain industry benchmarks such as net operating income, operating netback, adjusted operating expense and adjusted funds flow from operations to analyze financial and operating performance. These benchmarks are commonly used in the oil and gas industry; however, they do not have any standardized meanings prescribed by IFRS. Therefore, they may not be comparable with the calculation of similar measures for other entities.

Net Operating Income

Net operating income equals total revenue including realized gains and losses on commodity risk management contracts less royalties, operating expenses and transportation expenses.

(\$ 000s)	Three months		Year ended	
	ended December 31		December 31	
	2020	2019	2020	2019
Total revenue ⁽¹⁾	77,009	62,883	279,482	113,749
Royalties	(4,402)	(2,387)	(9,609)	(3,755)
Operating expense	(55,485)	(32,949)	(203,432)	(77,036)
Transportation expense	(4,293)	(3,077)	(15,718)	(7,957)
Net operating income ⁽²⁾	12,829	24,470	50,723	25,001

⁽¹⁾ Excludes unrealized gains or losses from risk management contracts.

⁽²⁾ Minimum 2020 NOI per the TEC covenant waiver of \$55 million allows for a \$14.3 million adjustment related to the arbitration settlement amount. Refer to Note 21 of the consolidated financial statements.

Operating Netback

The operating netback equals revenue including realized gains and losses on commodity risk management contracts less royalties, operating expenses and transportation expenses calculated on a per BOE basis. Management considers net operating income and operating netback important measures to evaluate the Company's operational performance as it demonstrates Pieridae's field level profitability relative to current commodity prices.

(\$ per boe)	Three months ended		Year ended	
	December 31		December 31	
	2020	2019	2020	2019
Total revenue	18.69	16.21	18.19	13.92
Royalties	(1.07)	(0.62)	(0.63)	(0.46)
Operating expense	(13.46)	(8.50)	(13.23)	(9.42)
Transportation expense	(1.04)	(0.79)	(1.02)	(0.97)
Operating netback (\$/boe)	3.12	6.30	3.31	3.07

Adjusted Operating Expense

Adjusted operating expense is intended to provide an industry-comparable view of operating expenses for our sour gas processing facilities. Management considers comparability to mean consideration for all volumes running through these facilities, not only Pieridae-owned volumes, and some factor to normalize the increased expense of running sulphur recovery units at these facilities. Adjusted operating expense is calculated as operating expenses, less third-party processing revenue and sulphur revenue.

(\$ 000s except per boe)	Three months ended		Year ended	
	December 31		December 31	
	2020	2019	2020	2019
Operating expense	55,485	32,949	203,432	77,036
Third party processing revenue	(5,801)	(5,389)	(25,538)	(6,831)
Sulphur revenue	(3,866)	117	(8,270)	(4,311)
Adjusted operating expense	45,818	27,677	169,624	65,894
Adjusted operating expense (\$/boe)	11.12	7.14	11.03	8.06

Adjusted Funds Flow from Operations

Pieridae defines adjusted funds flow from operations as its net loss, less financial income and expense, where financial income and expense excludes accretion, less depletion and depreciation. Development expenses are also added back to better focus the metric on the Company's upstream operational performance.

(\$ 000s)	Three months ended		Year ended	
	December 31		December 31	
	2020	2019	2020	2019
Net loss	(45,968)	(25,877)	(100,693)	(71,583)
Development expense	8,682	805	18,742	9,150
Finance expense	13,493	9,745	47,928	13,465
Depletion and depreciation	15,452	10,044	44,013	21,986
Impairment of property, plant and equipment	16,876	-	16,876	-
Impairment of exploration and evaluation assets	-	19,731	-	27,590
Adjusted funds flow from operations	8,535	14,448	26,866	608



Management's Report

The accompanying consolidated financial statements of Pieridae Energy Limited (the "Company") and all other information contained elsewhere in this Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies described in the accompanying notes. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. In the opinion of management, the financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The financial information presented elsewhere in this report has been reviewed to ensure consistency with the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to provide reasonable assurance that transactions are appropriately authorized and recorded, assets are safeguarded from loss or unauthorized use and financial records are properly maintained to provide reliable information for preparation of financial statements.

The Board of Directors (the "Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board exercises this responsibility through the Audit Committee of the Board, which is comprised entirely of independent directors. The Audit Committee meets with management and the independent auditors to satisfy itself that management responsibilities are properly discharged and to review the consolidated financial statements before they are presented to the Board for approval. The consolidated financial statements have been approved by the Board on the recommendation of the Audit Committee.

The consolidated financial statements have been audited by Ernst & Young LLP, Chartered Professional Accountants, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders.

(signed)
Alfred Sorensen
Chief Executive Officer

(signed)
Robert Dargewitz
Chief Financial Officer

Calgary, Alberta, Canada
March 24, 2021

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Pieridae Energy Limited

Opinion

We have audited the consolidated financial statements of Pieridae Energy Limited (the Company), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of property, plant and equipment</p> <ul style="list-style-type: none"> As at December 31, 2020, the carrying value of PP&E was \$514,727 thousand. For the year ended December 31, 2020 an impairment charge of \$16,876 thousand was recorded for the Northern cash generating unit and no impairment was recorded for the Central cash generating unit. Refer to Note 3 of the consolidated financial statements for a description of the Company's impairment of non-financial assets accounting policy. Refer to Note 8 of the consolidated financial statements for the Company's PP&E disclosures. Impairment is determined by estimating a cash generating unit's respective recoverable amount. The recoverable amount of the cash generating unit was based on expected after-tax future net cash flows from the production of proved and probable reserve volumes using forward commodity prices and costs, discounted using market-based rates. Proved and 	<ul style="list-style-type: none"> To test the Company's estimated recoverable amount, we performed the following procedures, among others: <ul style="list-style-type: none"> Evaluated management's experts' competence, capability and objectivity as well as obtained an understanding of the work they performed. The appropriateness of their work as audit evidence was evaluated by considering the relevance and reasonableness of the methods and inputs Involved our internal valuation specialists to assess the methodology applied and the various inputs utilized in determining the discount rate by referencing current industry, economic, and comparable company information, as well as company and cash-flow specific risk premiums

<p>probable reserves were determined by the Company's independent petroleum engineers (management's experts).</p> <ul style="list-style-type: none"> Auditing the Company's estimated recoverable amount was complex due to the subjective nature of the various management inputs and assumptions and the significant effect changes in these could have on the recoverable amount. Additionally, the evaluation of this estimate required specialized skills and knowledge. The primary inputs noted in the impairment models were the discount rate and after-tax future net cash flows from the production of proved plus probable reserve volumes. 	<ul style="list-style-type: none"> Compared forecast benchmark commodity price estimates of oil, natural gas, and NGLs against historically realized prices and to other third-party price forecasts Assessed forecasted production, royalty, operating cost, and capital cost data by comparing it to historical performance of the Company Evaluated the adequacy of the property, plant & equipment note disclosure included in Note 8 of the accompanying financial statements in relation to this matter.
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Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

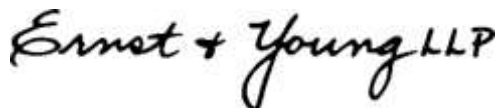
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Robert Troy Jubenvill.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style script.

Calgary, Canada
March 24, 2021

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>In thousands of Canadian dollars</i>		December 31, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents	(Note 7)	11,069	9,567
Restricted cash	(Note 7)	1,995	19,152
Accounts receivable	(Note 19)	44,900	40,810
Prepaid expenses and deposits		5,364	3,535
Inventories		23,882	23,535
		87,210	96,599
Security deposits		790	600
Interests in associates	(Note 24)	3,698	3,710
Property, plant and equipment	(Note 8)	514,727	495,048
Exploration and evaluation assets	(Note 9)	3,255	1,077
Right-of-use assets	(Note 10)	2,971	5,440
Total assets		612,651	602,474
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	(Note 19)	98,845	73,573
Current portion of decommissioning obligations	(Note 13)	4,434	-
Current portion of lease liabilities	(Note 11)	2,032	2,701
Other amounts payable		1,514	1,220
		106,825	77,494
Other amounts payable	(Note 21)	14,898	8,364
Term debt	(Note 12)	219,555	202,913
Decommissioning obligations	(Note 13)	266,006	206,520
Lease liabilities	(Note 11)	983	2,868
Total liabilities		608,267	498,159
Shareholder's equity			
Share capital	(Note 14)	274,322	274,799
Contributed surplus		12,374	10,458
Warrants		-	933
Accumulated other comprehensive income		2,619	2,363
Deficit		(284,668)	(184,076)
Equity attributable to equity holders of the company		4,647	104,477
Non-controlling interests		(263)	(162)
Total shareholders' equity		4,384	104,315
Total liabilities and shareholders' equity		612,651	602,474

Related party transactions (Note 22)

Commitments (Note 23)

See accompanying notes to the consolidated financial statements

Approved on behalf of the Board of Directors

(signed) Charles Boulanger

Chair of the Audit Committee and Director

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

<i>In thousands of Canadian dollars, except per share amounts</i>		2020	2019
Revenue			
Petroleum and natural gas	(Note 15)	238,079	104,910
Royalties		(9,609)	(3,755)
		228,470	101,155
Other income		3,157	2,665
Third party processing		25,538	6,831
		257,165	110,651
Realized gain (loss) on risk management contracts	(Note 19)	12,708	(657)
Unrealized loss on risk management contracts		(162)	(44)
		269,711	109,950
Expenses			
Operating		203,432	77,036
Transportation		15,718	7,957
General and administrative		22,489	19,924
Development		18,742	9,150
Finance	(Note 17)	48,768	16,424
Depletion and depreciation	(Note 8)	44,013	21,986
Impairment of property, plant and equipment	(Note 8)	16,876	-
Impairment of exploration and evaluation assets	(Note 9)	-	27,590
Share-based compensation	(Note 16)	983	1,498
Foreign exchange gain (loss)		(629)	36
Share of net loss of associates	(Note 24)	12	12
Gain on asset disposition		-	(80)
		370,404	181,533
Net loss before income taxes		(100,693)	(71,583)
Deferred income tax recovery	(Note 18)	-	-
Net loss		(100,693)	(71,583)
Other comprehensive income, net of income tax			
Foreign currency translation gain		256	1,123
Total comprehensive loss		(100,437)	(70,460)
Net loss attributable to			
Equity holders of the Company		(100,592)	(71,573)
Non-controlling interests		(101)	(10)
Net loss per share attributable to equity holders of the Company	(Note 14)		
Basic and diluted		(0.64)	(0.73)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>In thousands of Canadian dollars</i>	Contributed			Deficit	Accumulated Other Comprehensive Income	Total Equity Attributable to Equity Holders	Non- Controlling Interests	Total Equity
	Share Capital	Surplus	Warrants					
As at December 31, 2018	193,270	8,960	933	(112,503)	1,240	91,900	(152)	91,748
Share-based compensation	149	1,498	-	-	-	1,647	-	1,647
Common shares and warrants issued on private placement	21,382	-	-	-	-	21,382	-	21,382
Share issue costs	(865)	-	-	-	-	(865)	-	(865)
Common shares issued on Shell Acquisition	63,169	-	-	-	-	63,169	-	63,169
Issue costs	(2,306)	-	-	-	-	(2,306)	-	(2,306)
Net loss attributable to equity holders of the Company	-	-	-	(71,573)	1,123	(70,450)	(10)	(70,460)
As at December 31, 2019	(Note 14) 274,799	10,458	933	(184,076)	2,363	104,477	(162)	104,315
As at December 31, 2019	274,799	10,458	933	(184,076)	2,363	104,477	(162)	104,315
Share-based compensation	64	983	-	-	-	1,047	-	1,047
Common shares adjustment on Shell Acquisition	(541)	-	-	-	-	(541)	-	(541)
Expiry of warrants	-	933	(933)	-	-	-	-	-
Net loss attributable to equity holders of the Company	-	-	-	(100,592)	256	(100,336)	(101)	(100,437)
As at December 31, 2020	(Note 14) 274,322	12,374	0	(284,668)	2,619	4,647	(263)	4,384

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>In thousands of Canadian dollars</i>	2020	2019
Operating activities		
Net loss	(100,693)	(71,583)
Unrealized loss on risk management contracts	162	44
Depletion and depreciation (Note 8)	44,013	21,986
Impairment of property, plant and equipment (Note 8)	16,876	-
Impairment of exploration and evaluation assets (Note 9)	-	27,590
Accretion of financing costs (Note 12,17)	15,085	2,912
Interest expense (Note 12)	1,557	-
Accretion of decommissioning obligations (Note 13)	840	2,959
Amortization of deferred lease inducements	-	(21)
Share-based compensation	983	1,498
Loss on settlement of term loan	-	416
Gain on asset disposition	-	(80)
Unrealized loss (gain) on foreign exchange	106	36
Share of net loss of associates (Note 24)	12	12
Non cash sales	1,832	-
Other amounts payable (Note 21)	6,534	-
Settlement of decommissioning obligations (Note 13)	(2,173)	(1,458)
Changes in non-cash working capital (Note 20)	15,775	(36,083)
Cash provided by (used in) operating activities	909	(51,772)
Investing activities		
Additions to property, plant and equipment (Note 8)	(15,065)	(2,048)
Addition of Shell assets (Note 5)	-	(166,122)
Additions to exploration and evaluation assets (Note 9)	(2,178)	(1,077)
Proceeds from asset disposition	(51)	80
Changes in non-cash working capital (Note 20)	3,625	-
Cash used in investing activities	(13,669)	(169,167)
Financing activities		
Issuance of share capital, net of costs (Note 14)	64	81,031
Restricted cash	16,967	(9,526)
Payment of closing fee (Note 12)	-	(6,000)
Increase in term debt (Note 8)	-	216,000
Repayment of bank debt	-	(60,003)
Payments on lease obligations	(2,780)	(1,077)
Cash provided by financing activities	14,251	220,425
Increase (decrease) in cash and cash equivalents	1,491	(514)
Cash and cash equivalents, beginning of year	9,567	9,112
Effect of foreign exchange on cash	11	969
Cash and cash equivalents, end of year	11,069	9,567
Cash paid:		
Interest paid in cash	29,362	65
Income taxes	-	194

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Pieridae Energy Limited (the "Company" or "Pieridae") is a publicly traded, Canadian based Company in the business of developing, producing and processing natural gas, and the production of natural gas liquids ("NGL's"). It is also engaged in the development of a fully integrated liquefied natural gas ("LNG") project to be built in Goldboro, Nova Scotia. The common shares of Pieridae trade on the Toronto Stock Exchange ("TSX") under the symbol PEA. The Company was incorporated on May 29, 2012 under the laws of Canada. It is headquartered at 3100, 308 - 4th Avenue SW, Calgary, Alberta, T2P 0H7.

Many of the Company's oil and natural gas activities involve jointly owned assets. The consolidated financial statements reflect only the Company's proportionate interest in such activities and are comprised of the Company and its subsidiaries. Significant subsidiaries include Pieridae Alberta Production Ltd. (formerly Ikkuma Resources Corp.), Pieridae Energy (Canada) Ltd., and Goldboro LNG Limited Partnership.

During 2014, the Company, Pieridae Energy (Canada) Ltd. and Uniper Global Commodities S.E. ("Uniper") entered into an agreement, whereby Uniper acquired a 1.0% ownership interest in Goldboro LNG LP and Pieridae Energy (Canada) Ltd. As at December 31, 2020 the ownership interest of Uniper was 0.8% (December 31, 2019 - 0.8%).

2. Basis of presentation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on March 24, 2021.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments which are measured at fair value as detailed in the accounting policies disclosed in Note 3 "Summary of Accounting Policies".

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars. The functional currency of the Company and its subsidiaries is Canadian dollars. All financial information reported in thousands, except per share amounts or where otherwise noted.

Management judgements and estimation uncertainty

The timely preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions. These estimates and judgement are subject to change and actual results may differ from those estimated. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The coronavirus disease 2019 ("COVID-19") outbreak was declared a pandemic by the World Health Organization in March 2020. The spread of COVID-19 has led to disruption in the global economy. The impact of the pandemic on the company's future operations and financial performance is unknown and will be dependent on: the duration of the pandemic, the impact of the pandemic on economic growth, commodity prices and capital markets and government responses and restrictions. The Company has incorporated the anticipated impacts of COVID-19 on its estimates and judgements in preparation of the consolidated financial statements but the inherent risks and uncertainties resulting from the pandemic may result in material changes to the judgements, estimates and assumption in future periods as additional information becomes available.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets, liabilities, revenues and expenses are discussed below:

i. Identification of cash generating units

Some of the Company's assets are aggregated into cash-generating units ("CGU"), for the purpose of calculating depletion and impairment. A CGU is comprised of assets that are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. By their nature, these estimates and assumptions are subject to measurement uncertainty and may impact the carrying value of the Company's assets in future periods.

ii. Impairment of petroleum and natural gas assets

For the purposes of determining whether impairment of petroleum and natural gas assets has occurred, and the extent of any impairment or its reversal, the key assumptions the Company uses in estimating future cash flows are forecasted petroleum and natural gas prices, expected production volumes and anticipated recoverable quantities of proved and probable reserves. These assumptions are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates. Changes in the aforementioned assumptions could affect the carrying amounts of assets. Impairment charges and reversals are recognized in profit or loss.

iii. Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation ("E&E") assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found in assessing commercial viability and technical feasibility.

iv. Lease arrangements

The Company applies judgement when reviewing each of its contractual arrangements to determine whether an arrangement contains a lease. The carrying amounts of the right-of-use assets, lease obligations, and the resulting interest and depreciation expense are based on the implicit interest rate within the lease arrangement or, if this information is unavailable, the incremental borrowing rate. Incremental borrowing rates are based on judgments including economic environment, term, and the underlying risk inherent to the asset.

v. Debt instruments

Debt instruments are initially recognized at fair value based on consideration received and adjusted in respect of any transaction costs that are incremental and directly attributable to the issue of the instrument. Subsequent measurement is at amortized cost and the effective interest rate method. Certain financing arrangements contain options which may revise future estimated cash outflow and result in an adjustment to the carrying value of the financial liability. At each reporting period, the Company will estimate whether such options will be exercised and if an adjustment to the financial liability is required. All adjustments arising from such changes in estimates are recognized immediately in profit or loss.

vi. Assessment of going concern

The Company has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon its ability to continue as a going concern. In reaching this conclusion, the Company uses significant judgement and estimates, and considered all relevant information, including feasibility of and effectiveness of management's mitigation plans. Accordingly, actual circumstances will differ from those estimates and the variation may be material.

vii. Reserves

The assessment of reported recoverable quantities of proved and probable reserves include estimates regarding production profile, commodity prices, exchange rates, remediation costs, timing and amount of future development costs and production, transportation and marketing costs for future cash flows. It also requires interpretation of geological, engineering, and geophysical models in anticipated recoveries. The economical, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying values of the Company's property, plant and equipment, the calculation of depletion, the provision for decommissioning obligations and the recognition of deferred tax assets due to changes in expected future cash flows. The recoverable quantities of proved and probable reserves and associated estimated cash flows are independently evaluated by qualified reserve evaluators at least annually.

The Company's petroleum and natural gas reserves represent the estimated quantities of petroleum and natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be economically recoverable in future years from known reservoirs and which are considered economically producible. Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon (i) a reasonable assessment of the future economics of such production; (ii) a reasonable expectation that there is a market for all or substantially all the expected petroleum and natural gas production; and (iii) evidence that the necessary production, transmission and transportation facilities are

available or can be made available. Reserves may only be considered proven and probable if the ability to produce is supported by either production or conclusive formation tests. Pieridae's petroleum and gas reserves are determined pursuant to National Instrument 51-101, Standard for Disclosures for Oil and Gas Activities.

viii. Business combinations

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed which includes assessing the value of oil and gas properties based upon the estimation of recoverable quantities of proven and probable reserves acquired. Various valuation techniques are applied for measuring fair value including market comparables and discounted cash flows which rely on assumptions such as forward commodity prices, reserves and resources estimates, production costs and discount rates. Changes in any of these variables could significantly impact the carrying value of the net assets.

ix. Decommissioning obligations

The Company estimates future decommissioning and remediation costs of production facilities, processing facilities, wells and pipelines at the end of their economic lives. In most instances, abandonment and reclamation of these assets occurs many years into the future. This requires assumptions regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating costs, future removal technologies in determining the removal cost, inflation and liability-specific discount rates to determine present value of these cash flows.

x. Share-based payments

All equity-settled, share-based awards issued by the Company are fair valued using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation, estimates must be made regarding the expected volatility in share price, weighted average expected life of the instrument, expected dividend yield, risk-free interest rate and estimated forfeitures at the initial grant date.

xi. Financial derivatives

Financial derivatives are measured at fair value on each reporting date. The Company uses quoted commodity prices at period end to determine the fair value of outstanding financial derivatives. Changes in market pricing between period end and settlement of the derivative contracts could result in a change to the estimated valuation of the instrument.

xii. Deferred taxes

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amount recognized in income or loss for the period in which the change occurs.

3. Accounting Policies

a. Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies to obtain benefits from its activities. Intercompany balances and transactions have been eliminated upon consolidation of these financial statements.

b. Business combinations

The Company accounts for business combinations using the acquisition method when the acquired assets meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the consideration given, including cash and equity. The acquired identifiable assets and liabilities assumed are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair value of the net identifiable assets acquired is recognized as goodwill. If the cost of acquisition is below the fair values of the identifiable net assets acquired, the difference is recognized as a bargain purchase gain in the consolidated financial statements of profit or loss. Transaction costs are expensed when incurred.

c. Inventories

Inventory is primarily comprised of consumables, materials and supplies and is carried at the lower of cost and net realizable value. Cost of inventory consists of purchase costs and is determined using average cost or on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. If the carrying amount exceeds net realizable value, an impairment is recognized. The impairment may be reversed in a subsequent period if the circumstances which caused it no longer exist and the inventory is still on hand.

d. Financial instruments

i. Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, accounts receivable, term debt, and accounts payable. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss ("FVTPL"), any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Cash and cash equivalents: Cash and cash equivalents comprise cash on hand, term deposits held with banks, other short-term highly liquid investments with original maturities of three months or less and are measured at amortized cost.

Other: Other non-derivative financial instruments, such as accounts receivable, term debt, and accounts payable and accrued liabilities and other amounts payable are measured at amortized cost using the effective interest method, less any impairment losses. Transaction costs related to our term debt are capitalized and amortized as financial expenses over the term of the term debt. For a financial asset or a financial liability carried at amortized cost, transaction costs directly attributable to acquiring or issuing the asset or liability are added to, or deducted from, the fair value on initial recognition and amortized through profit or loss over the term of the financial instrument. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or a financial liability classified as FVTPL are expensed at inception of the contract.

ii. Derivative financial instruments

The Company enters into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices, interest rates and the exchange rate between Canadian and United States dollars. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, and thus not applied hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, all financial derivative contracts are classified as fair value through profit or loss and are recorded on the statement of financial position at fair value. Financial derivatives are subsequently measured at fair value with changes in fair value immediately charged to the consolidated statement of loss. Transaction costs are recognized in profit or loss when incurred.

The Company has accounted for its forward physical delivery sales contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements as executory contracts. As such, these contracts are not considered to be derivative financial instruments and have not been recorded at fair value on the statement of financial position. Settlements on these physical sales contracts are recognized as petroleum and natural gas revenue in profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through earnings. Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

iii. Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

e. Property, plant and equipment

i. Recognition and measurement

Exploration and evaluation assets

Costs incurred prior to obtaining the right to explore a mineral resource are recognized as an expense in the period incurred. E&E activities comprise the Company's exploration and evaluation projects which are pending determination of technical feasibility and commercial viability.

E&E expenditures are initially capitalized and may include mineral license acquisitions, geological and geophysical evaluations, technical studies, exploration drilling and testing and directly attributable general and administrative costs. Tangible assets acquired, which are consumed in developing an intangible exploration asset, are recorded as part of the cost of the exploration asset. The costs are accumulated in cost centers by exploration area pending determination of technical feasibility and commercial viability.

The technical feasibility and commercial viability of extracting a mineral resource in an exploration area is generally considered to be determinable when economical quantities of proved and probable reserves have been discovered. A review of each exploration area is carried out at each reporting date to ascertain whether reserves have been discovered. Upon determination of commercial proved and probable reserves, associated exploration costs are transferred from exploration and evaluation to property, plant and equipment as reported on the Consolidated Statements of Financial Position. Exploration and evaluation assets are reviewed for impairment prior to any such transfer. Assets classified as E&E are not subject to depletion and depreciation until they are classified to property, plant and equipment.

E&E assets are assessed for impairment if: (a) sufficient data exists to determine technical feasibility and commercial viability; (b) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to related CGUs.

Development and production costs

Items of property, plant and equipment, which include oil and gas development and production costs, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Property, plant and equipment include land and lease acquisition costs, geological and geophysical costs, costs of drilling and equipping productive wells, costs for production and processing facilities, decommissioning costs, and other directly attributable administrative costs. Property, plant and equipment are accumulated in cost centers based on CGU's for impairment testing. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components). Gains and losses on disposal of property, plant and equipment, property swaps and farm-outs, are determined by comparing the proceeds or fair value of the asset received or given up with the carrying amount of property, plant and equipment and are recognized in profit or loss.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized petroleum and natural gas assets and equipment generally represent costs incurred in developing proved and/or probable reserves and bringing on or enhancing production from such reserves and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

ii. Depletion and depreciation

The net carrying value of property, plant and equipment is depleted using the unit of production method by reference to the ratio of production in the year to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Relative volumes of reserves and production are converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil. Future development costs are estimated by taking into account the level of development required to produce those reserves. These estimates are reviewed by independent engineers at least once annually.

Capitalized plant turnaround costs are depreciated on a straight-line basis over the estimated time until the next turnaround is completed. Corporate assets, which include office furniture and equipment, software and computer equipment are depreciated on a straight-line basis over the useful lives of the assets, which are estimated to be five years, or on a declining balance basis of 20 to 30 percent per year.

f. Impairment

i. Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired by measuring the asset's expected credit loss ("ECL"). The ECL pertaining to accounts receivable is assessed at initial recognition and this provision is re-assessed at each reporting date. The provision is adjusted as a result of changes in historical default rates, age of balances outstanding and counterparty credit metrics. In making an assessment as to whether financial assets are credit-impaired, the Company considers historically realized bad debts and evidence of a debtor's present financial condition. The carrying amounts of financial assets are reduced by the amount of the ECL through an allowance account and losses are recognized through profit or loss. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

ii. Non-financial assets

The carrying amounts of the Company's non-financial assets, other than exploration and evaluation and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. Exploration and evaluation assets are assessed for impairment when they are reclassified to property, plant and equipment, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets or CGU's. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows from proved and probable reserves are discounted to their present value that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is determined as the amount that would be obtained from the disposition of the asset in an arm's length transaction between knowledgeable and willing parties. The petroleum and natural gas future prices used in the impairment test are based on period-end commodity price forecasts estimated by the Company's independent reserves evaluator and are adjusted for petroleum and natural gas differentials, transportation and marketing costs specific to the Company.

Where circumstances change such that an impairment no longer exists or is less than the amount previously recognized, the carrying amount of the CGU is increased to the revised estimate of its recoverable amount as long as the revised estimate does not exceed the carrying amount that would have been determined, net of depletion and depreciation, had no impairment loss been recognized for the CGU in prior periods. A reversal of an impairment loss is recognized immediately through income or loss.

g. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive), as a result of a past event, if it is probable the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is significant).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Provisions are not recognized for future operating losses.

i. Decommissioning obligations

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date using the risk-free interest rate. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as a finance cost whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

h. Revenue recognition

Revenue from the sale of petroleum and natural gas is measured based on the consideration specified in contracts with customers. The Company 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 Company evaluates its arrangements with counterparties and partners to determine if the Company acts as the principal or as an agent. In making this evaluation, management considers if the Company obtains control of the product delivered, which is indicated by the Company having the primary responsibility for the delivery of the product, having the ability to establish prices or having inventory risk. If the Company 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 Company from the transaction.

Tariffs and tolls charged to other entities for use facilities owned by the Company are recognized as revenue as they accrue in accordance with the terms of the service or tariff and tolling agreements.

Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

i. Foreign currency transactions

Transactions completed in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the time of the transactions. Foreign currency assets and liabilities are translated to functional currency at the period-end exchange rate. Revenue and expenses are translated to functional currency using the average exchange rate for the period. Realized and unrealized gains and losses resulting from the settlement or translation of foreign currency transactions are included in profit or loss.

Certain subsidiaries of the Company operate and transact primarily in currencies other than the Canadian dollar. The designation of a subsidiary's functional currency is a management judgment based on the currency of the primary economic environment in which the subsidiary operates. The financial statements of each entity are translated into Canadian dollars in preparation of the Company's consolidated financial statements. The assets and liabilities of a foreign denominated operation are translated to Canadian dollars at the period-end exchange rate. Revenues and expenses of foreign denominated operations are translated to Canadian dollars using the average exchange rate for the period. Foreign exchange differences are recognized in accumulated other comprehensive income or loss.

j. Share-based compensation

Equity-settled share-based awards granted by the Company include stock options granted to directors, officers, employees and key consultants. The fair value determined at the grant date of an award is expensed on a graded basis over the vesting period of each respective tranche of an award with a corresponding adjustment to contributed surplus. In calculating the expense of share-based awards, the Company revises its estimate of the number of equity instruments expected to vest by applying an estimated forfeiture rate for each vesting tranche and subsequently revising this estimate throughout the vesting period, as necessary, with a final adjustment to reflect the actual number of awards that vest. Upon the exercise of share-based awards, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. In the event that vested share-based awards expire without being exercised, previously recognized compensation costs associated with such rewards are not reversed.

The fair value of equity-settled share-based awards is measured using the Black-Scholes option-pricing model taking into account the terms and conditions upon which the awards were granted. Measurement inputs as at the grant date include: share price, exercise price, expected volatility, weighted average expected life of the instruments, expected dividends and the risk-free interest rate applicable to the term of the award.

k. Finance income and expenses

Finance expenses comprise service charges, interest expense on term debt and accretion on deferred financing costs and accretion of decommissioning obligations. Borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. All other borrowing costs are recognized in profit or loss using the effective interest rate method. The capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Company's outstanding term debt during the period.

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

I. Income tax

Income tax expense comprises current and deferred tax and is recognized in net income or loss except to the extent that it relates to items recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

m. Per share information

Basic earnings per share information is calculated on the basis of weighted average number of common shares outstanding during the period. Diluted per share information reflects the potential dilutive effect of stock options and warrants. No adjustment to diluted net loss per share is made if the result of these calculations is anti-dilutive.

n. Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. On issuance the premium received on the flow-through shares, being the difference in price over a common share with no tax attributes, is recognized on the consolidated statements of financial position. As expenditures are incurred, the deferred taxes associated with the renounced tax deductions are recognized through profit and loss along with a pro-rata portion of the deferred premium.

o. Joint arrangements

The Company conducts its exploration and development activities independently, as well as jointly with others through jointly controlled assets and operations. All of the Company's current interests in joint arrangements are classified as joint operations. To account for these arrangements, the Company recognizes its proportionate share of the related revenues, expenses, assets and liabilities of such joint operations.

p. Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i. Property, plant and equipment and intangible exploration assets

The fair value of property, plant and equipment recognized in a business combination is based on market values. The market value of property, plant and equipment is the estimated amount for which property, plant and equipment could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in property, plant and equipment) and exploration assets is estimated with reference to the discounted cash flow expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions. The market value of other items of property, plant and equipment is based on the quoted market prices for similar items.

ii. Cash and cash equivalents, accounts receivable, term debt, accounts payable and accrued liabilities and other amounts payable

Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and other amounts payable are measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows.

Term debt bears a fixed interest rate and is carried at its amortized cost using the effective interest method.

iii. Derivatives

The fair value of financial commodity price risk management contracts is determined by discounting the difference between the contracted prices and published forward price curves as at the statement of financial position date, using the remaining contracted oil and natural gas volumes and a risk-free interest rate (based on published government rates). 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.

iv. Share options

The fair value of employee share options is measured using a Black-Scholes option-pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

v. Measurement

The Company classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Refer to Note 19 of the consolidated financial statements, which provides fair value measurement information for financial assets and liabilities.

q. Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease obligation, and corresponding lease asset, are recognized at the commencement of the lease. The present value of the lease obligation is based on the future lease payments and is discounted using the Company's incremental borrowing rate when the rate implicit in the lease is not readily available. The Company uses a single discount rate for a portfolio of leases with similar characteristics. The lease asset is recognized at the amount of the lease obligation, adjusted for lease incentives received and initial direct costs, on commencement of the lease. Depreciation is recognized on the lease asset over the shorter of the estimated useful life of the asset or the lease term. Lease payments are allocated between the liability and interest expense. Interest expense is recognized on the lease obligations using the effective interest rate method and payments are applied against the lease obligation.

4. New Accounting Policies and Standards

Business combinations

Effective January 1, 2020, the Company adopted the amendment to IFRS 3 Business Combinations. This amendment narrowed and clarified that in order to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. This permits a simplified assessment to determine whether an acquired set of activities can be recognized as an asset acquisition, rather than a business combination. During the year ended December 31, 2020, the Company did not have any acquisitions requiring the application of this amendment.

Government grants

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. When the conditions of a grant relate to income or expense, it is recognized in profit or loss in the period in which the expenditures are incurred or income is earned. When the conditions of a grant relate to an underlying asset, it is recognized as a reduction to the carrying amount of the related asset and amortized into income on a systematic basis over the expected useful life of the underlying asset through depletion and depreciation. For the year ended December 31, 2020, the Company recognized \$3.4 million related to the CEWS program which reduced operating expenses by \$2.5 million and general and administrative expenses by \$0.9 million respectively.

New accounting standards and amendments not yet adopted

There are currently no not-yet-effective IFRS or IFRIC interpretations that are expected to have a material impact on the Company.

5. Business Combinations

The Company did not have any business combinations during the year ended December 31, 2020.

Effective October 16, 2019 Pieridae closed its acquisition of all of Shell Canada Energy's ("Shell") midstream and upstream assets in the southern Alberta Foothills (the "Shell Assets") for total consideration of \$190.0 million (the "Acquisition") in accordance with the terms of the amended and restated purchase and sale agreement dated October 7, 2019 (the "PSA"). Pieridae paid to Shell \$165.0 million in cash and satisfied the balance of the purchase price through the issuance to Shell of 15.2 million common shares of the Company having an aggregate value of \$15.0 million determined in accordance with the PSA. Pieridae funded the Acquisition through the issuance of term debt (refer to Note 12 of the consolidated financial statements) and \$63.2 million of equity including the \$15.0 million of shares issued to Shell. The acquisition was accounted for as a business combination whereby the net assets acquired, and liabilities assumed were recorded at fair value at the acquisition date. The fair value of petroleum and natural gas properties acquired was determined using estimates of proved reserves as evaluated by an independent reserve evaluator. An adjustment of \$0.5 million was recorded in 2020 to update the value of shares issued related to the southern Alberta Foothills assets acquired.

The total consideration paid, and the fair value estimate of assets and liabilities acquired and assumed, are set forth in the table below:

<i>(\$ 000s)</i>	
Consideration	
Cash	175,000
Common shares issued	15,000
Total consideration	190,000
Fair value of net assets acquired	
Materials inventory	23,878
Petroleum and natural gas properties	281,689
Decommissioning obligations	(115,567)
Net assets acquired	190,000

6. Segmented Financial Information

The Company's reportable segments are determined based on the nature of the underlying operations, and the operations of the separate subsidiaries involved in these activities. A summary of the Company's business segments are as follows:

The upstream segment is comprised predominantly by the petroleum and natural gas production operations and properties. It also includes the Company's upstream operations in Eastern Canada, and certain corporate overhead activities associated with these operations. Upstream is currently the only segment generating operating revenues.

The LNG segment contains all activities associated with the development of the Company's proposed LNG facility in Goldboro, Nova Scotia and the majority of Pieridae's corporate overhead activities.

Segmented Information

<i>In thousands of Canadian dollars</i>	Classification	Upstream		LNG		Consolidated	
		2020	2019	2020	2019	2020	2019
Revenue							
Petroleum and natural gas	14	238,079	104,910	-	-	238,079	104,910
Royalties	16	(9,609)	(3,755)	-	-	(9,609)	(3,755)
		228,470	101,155	-	-	228,470	101,155
Other income	15	3,157	2,665	-	-	3,157	2,665
Third party processing	17	25,538	6,831	-	-	25,538	6,831
		257,165	110,651	-	-	257,165	110,651
Realized gain (loss) on risk management contracts	18	12,708	(657)	-	-	12,708	(657)
Unrealized (loss) gain on risk management contracts	23	(162)	(44)	-	-	(162)	(44)
		269,711	109,950	-	-	269,711	109,950
Expenses							
Operating	40	203,432	77,036	-	-	203,432	77,036
Transportation	41	15,718	7,957	-	-	15,718	7,957
General and administrative	35	13,122	6,452	9,367	13,472	22,489	19,924
Development		-	-	18,742	9,150	18,742	9,150
Finance	45	48,768	16,424	-	-	48,768	16,424
Depletion and depreciation	31	43,439	21,503	574	483	44,013	21,986
Impairment of property, plant and equipment	71	16,876	-	-	-	16,876	-
Impairment of exploration and evaluation assets	70	-	27,590	-	-	-	27,590
Share-based compensation	19	389	456	594	1,042	983	1,498
Foreign exchange gain (loss)	89	(629)	26	-	10	(629)	36
Share of net loss of associates	83	12	12	-	-	12	12
Gain on asset disposition		-	(80)	-	-	-	(80)
		341,127	157,376	29,277	24,157	370,404	181,533
Net loss before taxes		(71,416)	(47,426)	(29,277)	(24,157)	(100,693)	(71,583)
Deferred income tax recovery		-	-	-	-	-	-
Net loss		(71,416)	(47,426)	(29,277)	(24,157)	(100,693)	(71,583)
December 31, December 31,							
As at		2020	2019				
Upstream assets		598,200	590,213				
LNG assets		14,451	12,261				
Total consolidated assets		612,651	602,474				

Upstream assets include materials inventory acquired as part of the Acquisition on October 16, 2019 (refer to Note 5 of the consolidated financial statements). As at December 31, 2020, the Company held \$23.9 million (December 31, 2019 - \$23.5 million) of materials inventory.

7. Cash and Cash Equivalents

At December 31, 2020, cash and cash equivalents was \$11.1 million (December 31, 2019 - \$9.6 million) and restricted cash was \$2.0 million (December 31, 2019 - \$19.2 million). Cash was restricted as security for outstanding letters of credit with regulators.

8. Property, Plant and Equipment

(\$ 000s)		
Cost	2020	2019
Balance, January 1	516,575	302,351
Additions	13,269	1,319
Change in decommissioning obligations (Note 13)	65,253	(68,784)
Business acquisition ⁽¹⁾ (Note 5)	(541)	281,689
Balance, December 31	594,556	516,575
Accumulated Depletion and Depreciation		
	2020	2019
Balance, January 1	21,527	748
Depletion and depreciation	41,426	20,779
Impairment	16,876	-
Balance, December 31	79,829	21,527
Net Book Value		
	2020	2019
Balance, January 1	495,048	301,603
Balance, December 31	514,727	495,048

⁽¹⁾ Adjustment to shares issued on Shell acquisition. Refer to Note 5.

At December 31, 2020 future development costs of Pieridae's proved and probable reserves of \$226.0 million (December 31, 2019 - \$125.6 million) were included in the depletion calculation. At December 31, 2020, the Company assessed for indicators of impairment on its upstream CGUs and determined that an impairment indicator existed on the Company's Northern and Central CGUs due to declines in reserves and forecasted commodity prices. The fair value less cost of disposal method was used to determine the recoverable amounts of these two CGUs and was classified as Level 3 fair value measurements as certain key assumption were not based on observable market data but rather Management's best estimates. An impairment test was performed and an impairment of \$16.9 million was recognized on the Company's Northern CGU as the estimated recoverable amount exceeded its carrying value. No impairment was recognized on the Company's Central CGU. At December 31, 2019, no indicators of impairment were identified.

Key assumptions in the determination of future cash flows from reserves include natural gas, condensate and NGL prices, costs to develop and operate, and the discount rate. The discount rate applied was 11% based on the characteristic of the CGUs and other economic and operating factors. Inflation was estimated at approximately 2%. The recoverable amounts of the CGUs were calculated based on discounted after-tax cash flows of proved and probable reserves using forward prices and costs estimates at December 31, 2020.

The table below summaries the forecasted prices used in determining the recoverable amounts:

	AECO (\$CAD/Mcf)	Edmonton Ethane (\$CAD/Mcf)	Edmonton Propane (\$CAD/Bbl)	Edmonton Butane (\$CAD/Bbl)	Edmonton Condensate (\$CAD/Bbl)
2021	2.75	8.51	18.30	25.76	57.75
2022	2.70	8.35	23.49	33.27	63.10
2023	2.65	8.16	26.11	40.49	67.58
2024	2.69	8.28	26.94	41.80	69.74
2025	2.74	8.45	27.50	42.66	71.15
2026	2.81	8.62	28.07	43.55	72.58
2027	2.86	8.79	28.64	44.44	74.04
2028	2.91	8.98	29.23	45.36	75.52
Escalate	2% per year	2% per year	2% per year	2% per year	2% per year

The following table demonstrates the sensitivity of the estimated recoverable amount from reasonably possible changes in key assumptions inherent in the estimate:

(\$ 000s)	Increase in discount rate of 1%	Decrease in discount rate of 1%
Northern CGU (decrease) increase	(3,974)	4,379
Central CGU (decrease) increase	(16,915)	18,714

9. Exploration and Evaluation Assets

(\$ 000s)	2020	2019
Balance, January 1	1,077	27,573
Additions	2,178	1,077
Change in decommissioning obligations	-	17
Impairment	-	(27,590)
Balance, December 31	3,255	1,077

E&E assets consist of the Company's undeveloped land, seismic and exploration projects, which are pending the determination of technical feasibility and commercial viability. At December 31, 2020, no impairment indicators were identified related to the Company's E&E assets. As a result of this assessment, impairment tests were not performed.

During 2019 the Company recorded an impairment charge of \$27.6 million as management evaluated the Company's prospects in Quebec compared to other opportunities available to the Company and concluded that renewing certain petroleum licenses in Quebec was not in the best interests of the Company. Consequently, only licenses for properties which held the most promise and likelihood of exploratory success were renewed, the remainder were relinquished.

10. Right-Of-Use Assets

The Company enters into arrangements to secure access to assets necessary for operating the business. Leased right-of-use ("ROU") assets include office, vehicles and equipment. The following table details the cost and accumulated depreciation of the Company's ROU assets as at December 31, 2020:

(\$ 000s)	2020	2019
Cost		
Balance, January 1	6,581	910
Additions	357	5,824
Disposals	(224)	(153)
Balance, December 31	6,714	6,581
Accumulated Depreciation		
Balance, January 1	1,141	-
Depreciation	2,746	1,207
Disposals	(144)	(66)
Balance, December 31	3,743	1,141
Net Book Value		
Balance, January 1	5,440	910
Balance, December 31	2,971	5,440

At December 31, 2020, the Company determined that no impairment indicators existed on the right-of-use asset, therefore no impairment tests were performed.

11. Lease Liabilities

The following table summarizes the movement in the Company's lease liabilities for the year ended December 31, 2020 and 2019:

(\$ 000s)	2020	2019
Balance, January 1	5,569	2,685
Additions	226	3,962
Interest expense	155	95
Lease payments	(2,935)	(1,173)
Balance, December 31	3,015	5,569

The undiscounted cash flows relating to the lease liabilities included in the statement of financial position are as follows:

(\$ 000s)	2021	2022	2023	2024	Thereafter	Total
Lease payments including principal and interest	2,189	723	113	97	102	3,224

12. Term Debt

(\$ 000s)	December 31, 2020	December 31, 2019
Balance, January 1	202,913	206,000
Accretion of financing costs	15,085	2,601
Interest paid in kind	1,557	-
Unamortized transaction costs	-	(5,688)
Balance, December 31	219,555	202,913

In July 2020, the Company received a \$6 million guarantee facility from Export Development Canada which provides for 100% guarantee to the issuing banks of the Company's existing and future letter of credit of which \$4.9 million was drawn at December 31, 2020.

In October 2019 the Company entered into a \$206.0 million senior secured fully drawn non-revolving term loan facility (the "Credit Agreement"). The Credit Agreement bears interest at a fixed rate of 12.0% per annum from the date of issue, accrued daily and payable quarterly in cash. Additional interest of 3.0% per annum is payable quarterly in cash or, at the option of the Company and subject to the lender's approval, payable in kind ("PIK") by way of accruing to the principal outstanding. The Credit Agreement is repayable in full on October 16, 2023 however the Company may repay the principal in whole or in part any time prior to October 16, 2023 upon 90 days written notice to the agent, without penalty. The Company incurred \$6.0 million of closing costs on closing of the Credit Facility, which were accounted for as transaction costs and netted against the value of the loan to be amortized over 48 months. The Company is accreting the \$50.0 million value as a deferred charged over 48 months and recognizing these amounts as a finance expense.

Pieridae is subject to the following financial covenants and certain other obligations. During and subsequent to the year ended December 31, 2020, the Company executed certain amendments to the Credit Agreement in order to allow for temporary amendments or waivers of certain covenants, as described below. Under the terms of the amended Credit Agreement:

- (i) a minimum adjusted monthly working capital ratio of 1:1, which was waived and temporarily reduced below 1:1 for the periods between December 2020 and July 2021. The amended working capital ratio covenant is calculated on an adjusted basis for 2021 to, among other things, normalize for the impact of planned gas processing facility turnarounds.
- (ii) a minimum market capitalization threshold of \$200 million commencing June 30, 2021, removed by way of amendment subsequent to December 31, 2020.
- (iii) mandatory repayments of 50% of the Company's excess cash on a quarterly basis as calculated using a prescriptive formula
- (iv) Minimum annual net operating income ("NOI") of \$70 million, amended for 2020 to \$55 million as adjusted for the \$14.3 million arbitration settlement amount (refer to Note 21 of these consolidated financial statements). NOI is a non-GAAP measure calculated as petroleum and natural gas revenue less royalties, plus other income, third party processing and realized gains and losses on risk management contracts, less operating and transportation expenses.
- (v) Minimum of 60% of production on an 18-month rolling average must be hedged, waived for the periods from March 2020 to March, 2021 and amended subsequent to December 31, 2020 to 38% by the end of March 2021, and 49% by the end of April to the end of September 2021.
- (vi) unless the Company exercises a purchase right, but not an obligation, to acquire certain petroleum and natural gas properties from the lender for a purchase price of \$45.0 million in cash on or before October 16, 2021, the Company will pay a deferred fee in the amount of \$50.0 million to the agent. Pieridae is currently providing for the eventual payment of the deferred fee. In subsequent reporting periods, if Pieridae instead determines to exercise the purchase right, an adjustment to the financial liability would be required and would be recognized immediately in profit or loss.

As at December 31, 2020 the Company was in compliance with, or had received waivers from the lender for all covenants, and no prepayment was required.

The Company elected to PIK the 3.0% interest in the fourth quarter of 2020, resulting in \$1.6 million (December 31, 2019 – nil) addition to the principal outstanding at December 31, 2020. The effective interest rate on the Company's term debt for the year ended December 31, 2020 was 21.8% (December 31, 2019 – 22.73%).

On June 26, 2019, the Company announced that it had closed a non-brokered private placement of a secured convertible debenture of the Company for aggregate gross proceeds of \$10.0 million. These funds were used to pay a \$10.0 million deposit toward the acquisition of the Shell Assets (refer to Note 5 of these consolidated financial statements). The common shares of the Company issuable upon conversion of the convertible debenture were issued immediately after the Acquisition was completed. The conversion price of the common shares was \$0.86 per common share. The convertible debenture bore interest at 9.5% per annum.

13. Decommissioning Obligations

<i>(\$ 000s)</i>	2020	2019
Balance, January 1	206,520	158,236
Additions	2,674	-
Obligations acquired (Note 5)	-	115,567
Change in estimates	(1,823)	(68,784)
Change in discount rate	64,402	-
Settlement of obligations	(2,173)	(1,458)
Accretion	840	2,959
Balance, December 31	270,440	206,520
Expected to be incurred within one year	4,434	-
Expected to be incurred beyond one year	266,006	206,520

The Company's decommissioning obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total undiscounted amount of cash flows required to settle its decommissioning obligations is approximately \$237.7 million (December 31, 2019 - \$239.7 million).

The Company used an observable, market-based and inflation adjusted risk-free real rate of return to estimate the present value of the decommissioning obligation. At December 31, 2020, the Company used a risk-free discount rate of -0.28% (December 31, 2019 – 0.41%). The use of the risk-free real rate of return resulted in a change in estimate of \$64.4 million being added to the cost of the related asset in property, plant and equipment and exploration and evaluation assets.

14. Share Capital

Authorized

The Company has an unlimited number of common shares with the holders of common shares entitled to one vote per share and an unlimited number of preferred shares issuable in series, with rights and privileges to be designated by the Board of Directors at the time of issuance. There were no preferred shares outstanding at December 31, 2020 or 2019.

Issued and Outstanding Common Shares

<i>(\$ 000s except share amount)</i>	2020		2019	
	Common shares	Amount	Common shares	Amount
Balance, January 1	157,561,174	274,799	74,516,594	193,270
Shares issues on stock option exercise	-	-	44,115	-
Shares issued in private placement	-	-	12,108,139	21,382
Shares issued on Shell acquisition (Note 5)	-	(541)	70,745,781	63,169
Share-based compensation	80,697	-	146,455	149
Share issue costs (net of tax)	-	64	-	(3,171)
Balance, December 31	157,641,871	274,322	157,561,174	274,799

Per Share Amounts

	2020	2019
Weighted average common shares	158,065,608	98,622,426
Dilutive effect of options	-	-
Weighted average common shares, diluted	158,065,608	98,622,426
Net loss per share – basic and diluted	\$(0.64)	\$(0.73)

The calculation of basic earnings per share for the year ended December 31, 2020 was based on a net loss of \$100.7 million (December 31, 2019 – net loss \$71.6 million).

15. Petroleum and Natural Gas Sales

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

(\$ 000s)	2020	2019
Natural gas	147,300	77,425
Condensate	56,639	17,331
NGLs	25,870	5,843
Sulphur	8,270	4,311
Total petroleum and natural gas revenues	238,079	104,910

The Company also generated gas processing revenue of \$25.5 million (December 31, 2019 - \$6.8 million) for fees charged to third parties for processing through facilities in which Pieridae has an ownership interest. This revenue is classified as third-party processing on the consolidated statement of loss and comprehensive loss.

16. Share Based Payments

Pursuant to Stock Option Plan Number Two, the Board of Directors may grant options to directors, officers, employees and other service providers. The aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 8,412,199 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. All share-based compensation will be settled in equity.

The changes in options outstanding and the related weighted average exercise prices for the years ended December 31, 2020 and 2019 were as follows:

	Options	Weighted Average Exercise Price (\$)
Balance, January 1, 2019	2,653,394	4.85
Granted	4,264,341	0.90
Exercised	(44,115)	0.00
Forfeited	(481,548)	1.93
Balance, December 31, 2019	6,392,072	2.47
Granted	2,200,100	0.86
Forfeited	(212,603)	4.00
Expired	(57,497)	4.08
Balance, December 31, 2020	8,322,072	1.99

The following table summarizes stock options outstanding and exercisable at December 31, 2020:

Range of Exercise Price (\$)	Stock Options Outstanding			Stock Options Exercisable		
	Number of Outstanding Stock Options	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)	Number of Exercisable Stock Options	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)
0.89 - 2.52	6,131,122	3.99	0.90	2,916,992	3.88	0.93
2.53 – 4.08	882,300	0.44	4.08	882,300	0.44	4.08
4.09 – 5.67	1,308,650	1.62	5.67	1,135,650	1.55	5.67
Total	8,322,072	3.24	1.99	4,934,942	2.73	2.58

The following table discusses the assumptions used in the Black-Scholes option-pricing model to calculate the \$0.67 per share and \$0.46 per share fair value of the stock options granted during December 31, 2020 and 2019, respectively:

	2020	2019
Risk-free interest rate	0.38%	1.51%
Option life (years)	5.0	5.0
Volatility	86.17%	66.50%
Forfeiture rate	11.80%	10.00%

17. Finance Expense

(\$ 000s)	2020	2019
Interest expense	31,008	12,210
Accretion of financing costs	16,842	2,913
Interest income	(76)	(1,753)
Accretion of decommissioning obligations (Note 13)	840	2,959
Interest on lease liabilities	155	95
Total finance expense	48,768	16,424

18. Deferred Tax

The income tax expense in the financial statements differs from the result which would have been obtained by applying the combined federal and provincial income tax rates to the Company's loss before taxes. This difference results from the following items:

(\$ 000s)	2020	2019
Loss before taxes	(100,693)	(71,583)
Combined federal and provincial income tax rate	24.28%	26.56%
Computed income tax benefit	(24,448)	(19,011)
Tax effects of		
Non-deductible share-based compensation	242	398
Change in unrecognized deferred tax assets	24,351	7,866
Change in tax rates	(145)	10,747
Total tax expense (recovery)	-	-

(\$ 000s)	2020	2019
Non-capital losses	78,353	54,329
Decommissioning obligations	63,255	47,871
Other	4,981	2,647
Deferred tax assets	146,589	104,847
Property, plant and equipment	(57,627)	(36,140)
Other	-	(716)
Deferred tax liabilities	(57,627)	(36,856)
Net deferred tax asset not recognized	(88,962)	(67,991)
Net deferred tax assets	-	-

Deferred income tax assets are recognized for tax loss and tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. A deferred tax asset in the amount of \$89.0 million (December 31, 2019 - \$68.0 million) has not been recognized as management does not find it probable that the benefit will be realized. Included in this tax basis are estimated non-capital loss carry forwards that expire in the years 2026 through 2040.

19. Financial Instruments and Risk Management

The carrying value and fair value of the Company's financial instruments carried on the consolidated statements of financial position are provided below:

(\$ 000s)	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets at Amortized Cost				
Accounts receivable	44,900	44,900	40,810	40,810
Financial Liabilities at FVTPL				
Fair value of risk management contracts	-	-	45	45
Financial Liabilities at Amortized Cost				
Accounts payable and accrued liabilities	98,845	98,845	73,573	73,573
Other amounts payable	14,898	14,898	8,364	8,364
Lease liabilities	3,015	3,015	5,569	5,569
Term debt	219,555	219,555	202,913	202,913

The Company has exposure to counterparty credit risk, liquidity risk and market risk. Pieridae recognizes that effective management of these risks is a critical success factor in managing organization and shareholder value. Risk management strategies, policies and limits ensure risks and exposures are aligned to the Company's business strategy and risk tolerance. The Board of Directors is responsible for providing risk management oversight and oversees how management assesses and monitors risk. The following analysis provides an assessment of those risks as at December 31, 2020.

Counterparty credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivable from partners in jointly owned assets, natural gas marketers and counterparties to derivative financial contracts.

Substantially all of the Company's petroleum and natural gas production is marketed under standard industry terms. Sales from petroleum and natural gas marketers are normally collected on the 25th day of the month following sale. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with creditworthy purchasers. The Company historically has not experienced any material collection issues with its petroleum and natural gas marketers. Receivables from partners in jointly owned assets are typically collected within one to three months of the bill being issued to the partner. The Company attempts to mitigate the risk from receivables from partners in jointly owned assets by obtaining partner approval of significant capital expenditures prior to the expenditure. However, the receivables are from participants in the petroleum and natural gas sector, and collection of the outstanding balances can be impacted by industry factors such as commodity price fluctuations, limited capital availability and unsuccessful drilling programs. The Company does not typically obtain collateral from petroleum and natural gas marketers or partners in jointly owned assets; however, the Company can cash call for major projects and does have the ability, in most cases, to withhold production from these partners in the event of non-payment.

The carrying amount of accounts receivable represents the maximum credit exposure. As at December 31, 2020 and 2019, the Company's accounts receivables consisted of:

(\$ 000s)	2020	2019
Petroleum and natural gas marketers	26,968	27,243
Partners in jointly owned assets	16,232	11,714
Other (primarily government entities)	1,700	1,853
Total	44,900	40,810

As at December 31, 2020 and 2019, the Company's accounts receivables were aged as follows:

(\$ 000s)	2020	2019
Current (less than 90 days)	36,454	35,564
Past due (more than 90 days)	8,446	5,246
Total	44,900	40,810

The Company has assessed the past due receivables and determined that no provision is required as at December 31, 2020.

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 in order 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 liquidity risk by forecasting cash flows over a 12-month rolling time period to identify capital requirements. These requirements are then addressed through management of Pieridae's 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 timing of cash outflows relating to financial liabilities as at December 31, 2020 is outlined in the table below:

(\$ 000s)	2021	2022	2023	2024	Thereafter	Total
Accounts payable and accrued liabilities	98,845	-	-	-	-	98,845
Other amounts payable	1,514	11,799	3,099	-	-	16,412
Term debt	50,000	-	207,557	-	-	257,557
Lease liabilities	2,189	723	113	97	102	3,224
Total	152,548	12,522	210,769	97	102	376,038

Capital management

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, obtain additional debt facilities and/or consider strategic alliances including joint venture partners. Pieridae manages its capital structure and financing requirements using non-GAAP measures, including net operating income, and the ratio of debt to adjusted flow of funds from operations. The metrics are used to measure Pieridae's financial leverage. To date, the Company has funded its share of commitments from existing cash balances, equity raises and various debt facilities.

The level of the Company's indebtedness that may occur from time to time could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise. Financing by way of a partnership or sale of an interest may reduce the interest held by the Company in the properties in respect of which the financing is obtained. There can be no assurance that such financing will be available to the Company. Furthermore, even if such financing is successfully secured, there can be no assurance it will be obtained on terms favourable to the Company or provide the Company with sufficient funds to meet its objectives. This may adversely affect the Company's business and financial position. If financing is obtained by issuing additional equity, control of the Company could be affected.

The Company may require additional financing to support operations, to advance expansion of its upstream operations and will require significant additional financing to ultimately fund the construction of its proposed Goldboro LNG facility. Management will explore all options to achieve the appropriate funding levels. 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.

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: commodity price risk, interest rate risk and currency risk.

a. Commodity price risk

The Company's petroleum and natural gas production is directly subject to fluctuations in commodity prices. Fluctuations in commodity prices, both absolute and associated with changes in the Canadian to U.S. dollar exchange rate, and specifically the prices for natural gas, condensate and NGL's, could have significant impact on the Company's cash flows and its ability to sustain its operations. The impact from COVID-19 lowered realized prices for natural gas liquids and condensate during 2020. The Company was able to mitigate some of this decline through the monetization of hedge positions in the first six months of the year. Although markets recovered significantly from the systemic shocks experienced during the initial stages of the COVID-19 pandemic, the possibility of significant commodity price volatility continue to exist.

Such an exposure may impact the Company's operating cash flows, and its ability to attract the necessary investment to maintain operations and ultimately fund construction of its Goldboro LNG project. As the Company advances toward a final investment decision for the LNG project, it will evaluate a number of options to manage commodity price risk.

The Company utilizes fixed price delivery contracts and derivative financial instruments as part of its overall risk management strategy to assist in managing the exposure to commodity price risk and the cost of power. Physical contracts are considered normal sales contracts and are not recorded at fair value but recognized in petroleum and natural gas revenue as contracts are settled. These financial instruments are not used for trading or speculative purposes.

The Company had the following fixed price physical commodity sales contracts in place at December 31, 2020.

Type of contract	Quantity	Time Period	Contract Price
Fixed Price - Natural Gas	164,500 GJ/d	January 2021	CAD \$2.31/GJ
Fixed Price - Natural Gas	140,000 GJ/d	February 2021	CAD \$2.31/GJ
Fixed Price - Natural Gas	155,000 GJ/d	March 2021	CAD \$2.31/GJ
Fixed Price - Natural Gas	105,000 GJ/d	April – October 2021	CAD \$2.33/GJ
Fixed Price - Natural Gas	10,000 GJ/d	November – March 2022	CAD \$2.49/GJ
Fixed Price - Condensate	2,000 Bbl/d	January 2021	CAD \$56.83/Bbl
Fixed Price - Condensate	2,000 Bbl/d	February – June 2021	CAD \$56.55/Bbl
Fixed Price - Condensate	1,500 Bbl/d	July – December 2021	CAD \$54.98/Bbl

The Company monetized additional commodity derivative contracts for realized gains of \$12.7 million for the year ended December 31, 2020 (December 31, 2019 – loss of \$0.7 million). The Company did not enter into any financial risk management contracts in 2020 thus the sensitivities on commodity price movement of 10% on such contracts are nil (December 31, 2019 – nil).

b. Interest rate risk

Interest rate risk is the risk that future cashflows will fluctuate as a result of changes in market interest rate. While the Company's interest rate exposure under its Credit Agreement is fixed, any new or additional debt could be subject to higher interest rates. Recently central banks have been cutting rates, resulting in historically low risk-free interest rates, however any future rate increases could have an impact on the economics of future debt financings associated with Pieridae's capital management plan.

c. Currency risk

Currency risk is the risk that cashflows will fluctuate as a result of changes in foreign currencies and the Canadian dollar. Certain of the Company's cashflows, primarily in relation to development expenses incurred on the Goldboro LNG project, are subject to currency risk. Associated accounts payable, accrued liabilities and commitments are denominated in US dollars, UK pound sterling and Euro. To date, the Company has not entered into any foreign currency transactions or financial instruments to manage currency risks, thus the sensitivities on 5% movement on Canadian/ US foreign exchange on such contracts are nil.

Business risks and uncertainties

The Company is subject to a number of business risks. These outlined in greater detail in our Management Discussion & Analysis and Annual Information Form for the years ended December 31, 2020 and 2019.

20. Presentation in Consolidated Statements of Cash Flows

The following table provides a detailed breakdown of certain line items contained within cashflow from operating and investing activities:

<i>(\$ 000s)</i>	2020	2019
Changes in non-cash working capital		
Accounts receivable	(4,126)	(24,623)
Prepaid expenses and deposits	(1,829)	(1,285)
Inventories	(347)	(23,535)
Accounts payable and accrued liabilities	25,272	13,360
Other amounts payable	430	-
Total change in non-cash working capital	19,400	(36,083)
Relating to:		
Operating activities	15,775	(36,083)
Investing activities	3,625	-

21. Other Amounts Payable

Other amounts payable is comprised of balances owing to third parties that extend beyond one year. In April 2020, the Company entered into an arbitration agreement with a third party to resolve an on-going commercial dispute. The matter was settled in November 2020 and resulted in the recognition of a total liability of \$14.4 million, of which \$7.2 million was recognized as long term and \$4.2 million was classified as current in accounts payable and accrued liabilities at December 31, 2020. During the second and third quarter of 2020, a provision was recognized to reflect the Company's best estimate of the most probable outcome at the time. This provision differed materially from the final result of the settlement.

The remaining balance is comprised of an amount payable to a third-party engineering and construction company, contingent upon the execution with that counterparty of an engineering, procurement, construction and commissioning ("EPCC") contract. Management will not be awarding an EPCC contract to this specific counterparty, however the liability cannot be reversed until an EPCC contract is awarded.

22. Related Party Transactions

The Company's related parties include key management personnel, which consists of its executives and directors. 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:

<i>(\$ 000s)</i>	Year Ended December 31, 2020	Year Ended December 31, 2019
Salaries and employee benefits	2,266	2,107
Director's fees	433	286
Total short-term benefits	2,699	2,393
Share-based compensation	607	1,005
Total key management personnel compensation	3,306	3,398

23. Commitments

<i>(\$ 000s)</i>	2021	2022	2023	2024	Thereafter	Total
Interest on term debt	81,133	31,134	24,651	-	-	136,918
Firm transportation	8,827	5,282	1,598	928	1,115	17,750
Total	89,960	36,416	26,249	928	1,115	154,668

24. Interest in Associates

On March 4, 2013, the Company established Pieridae Production LP and Pieridae Production GP. Pieridae Production LP was formed to develop gas resources in New Brunswick, Nova Scotia and the Northeast US. As at December 31, 2020 the Company's ownership interest is 20% (December 31, 2019 -20%). Under the terms of the Partnership agreement, the Company is entitled to contribute an additional \$14.1 million 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.

<i>(\$ 000s)</i>	2020	2019
Balance, January 1	3,710	3,722
Share in net loss of associates	(12)	(12)
Balance, December 31	3,698	3,710