PIERIDAE ENERGY

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited, in thousands of Canadian dollars		March 31, 2022	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents		**22,748**	26,216
Restricted cash		**1,348**	1,348
Accounts receivable	(Note 11)	**58,105**	49,637
Prepaid expenses and deposits		**4,534**	5,060
Inventories		**2,359**	2,515
		89,094	84,776
Property, plant and equipment	(Note 4)	**453,537**	528,366
Exploration and evaluation assets	(Note 5)	**7,187**	6,062
Right-of-use assets		**2,363**	2,736
Other assets		**600**	600
Total assets		**552,781**	622,540
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**120,155**	142,335
Current portion of decommissioning obligations	(Note 7)	**5,390**	5,390
Current portion of lease liabilities		**1,513**	1,549
Other amounts payable		**1,514**	1,514
Current portion of long-term debt	(Note 6)	**24,935**	21,654
		153,507	172,442
Other amounts payable	(Note 13)	**2,066**	3,099
Long-term debt	(Note 6)	**213,332**	209,927
Decommissioning obligations	(Note 7)	**205,503**	269,097
Lease liabilities		**841**	1,185
Total liabilities		**575,249**	655,750
Shareholder's equity			
Share capital	(Note 8)	**274,342**	274,322
Contributed surplus		**12,954**	12,882
Warrants		**1,349**	1,349
Accumulated other comprehensive income		**3,059**	2,958
Deficit		**(313,795)**	(324,344)
Equity attributable to equity holders of the Company		**(22,091)**	(32,833)
Non-controlling interests		**(377)**	(377)
Total shareholders' equity		**(22,468)**	(33,210)
Total liabilities and shareholders' equity		**552,781**	622,540

Commitments (Note 14)

See accompanying notes to the consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

Unaudited, in thousands of Canadian dollars, except per share amounts		**2022**	2021
Revenue			
Petroleum and natural gas	(Note 9)	**123,388**	81,721
Royalties		**(19,132)**	(3,822)
		104,256	77,899
Third party processing and other income		**6,382**	5,848
		110,638	83,747
Expenses			
Operating		**57,292**	58,220
Transportation		**6,051**	4,651
General and administrative		**7,075**	5,936
Development		**-**	8,604
Finance	(Note 10)	**14,440**	13,508
Depletion and depreciation	(Note 4)	**15,155**	12,313
Share-based compensation		**79**	154
Foreign exchange gain		**(3)**	(92)
		100,089	103,294
Net income (loss)		**10,549**	(19,547)
Other comprehensive income (loss), net of income tax			
Foreign currency translation gain		**101**	357
Total comprehensive income (loss)		**10,650**	(19,190)
Net income (loss) attributable to			
Equity holders of the Company		10,549	(19,405)
Non-controlling interests		-	(142)
Net income (loss) per share attributable to equity holders of the Company			
Basic	(Note 8)	**0.07**	(0.12)
Diluted	(Note 8)	**0.07**	(0.12)

See accompanying notes to the consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited in thousands of Canadian dollars		Share Capital	Contributed Surplus	Warrants	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Equity Attributable to Equity Holders	Non-Controlling Interests	Total Equity
As at December 31, 2020		274,322	12,374	-	(284,668)	2,619	4,647	(263)	4,384
Share-based compensation		-	154	-	-	-	154	-	154
Issuance of warrants		-	-	1,349	-	-	1,349	-	1,349
Net loss attributable to equity holders of the Company		-	-	-	(19,405)	357	(19,048)	(142)	(19,190)
As at March, 31 2021	(Note 8)	274,322	12,528	1,349	(304,073)	2,976	(12,898)	(405)	(13,303)
As at December 31, 2021		274,322	12,882	1,349	(324,344)	2,958	(32,833)	(377)	(33,210)
Share-based compensation		-	79	-	-	-	79	-	79
Common shares issued on stock option exercise		20	(7)	-	-	-	13	-	13
Net income attributable to equity holders of the Compa		-	-	-	10,549	101	10,650	-	10,650
As at March 31, 2022	(Note 8)	**274,342**	**12,954**	1,349	**(313,795)**	**3,059**	**(22,091)**	**(377)**	**(22,468)**

See accompanying notes to the consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited, in thousands of Canadian dollars		**Three months ended March 31, 2022**	2021
Operating activities			
Net Income (loss)		**10,549**	(19,547)
Depletion and depreciation	(Note 4)	**15,155**	12,313
Accretion of financing costs	(Note 10)	**6,421**	5,526
Non-cash interest expense	(Note 10)	**3,684**	1,539
Share-based compensation		**79**	154
Other amounts payable	(Note 13)	**(1,033)**	(1,127)
Settlement of decomissioning obligations	(Note 7)	**(1,138)**	(1,386)
Changes in non-cash working capital	(Note 12)	**(30,505)**	13,528
Cash provided by operating activities		**3,212**	11,000
Investing activities			
Additions to property, plant and equipment	(Note 4)	**(2,409)**	(4,547)
Additions to exploration and evaluation assets	(Note 5)	**(1,125)**	(1,067)
Proceeds from asset disposition		**-**	(54)
Changes in non-cash working capital	(Note 12)	**555**	(2,183)
Cash used in investing activities		**(2,979)**	(7,851)
Financing activities			
Exercise of stock options		**(3)**	-
Restricted cash		**-**	(198)
Repayment of long-term debt	(Note 6)	**(3,219)**	-
Payment of financing fees		**(200)**	(400)
Payments on lease obligations		**(380)**	(661)
Cash used in financing activities		**(3,802)**	(1,259)
Increase (decrease) in cash and cash equivalents		**(3,569)**	1,890
Cash and cash equivalents, beginning of period		**26,216**	11,069
Effect of foreign exchange on cash		**101**	357
Cash and cash equivalents, end of period		**22,748**	13,316
Cash paid:			
Interest paid in cash		**7,837**	6,157

See accompanying notes to the consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED 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"). 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. These condensed interim consolidated financial statements reflect only the Company's proportionate interest in such activities and are comprised of the Company and its subsidiaries. The Company previously reported two segments: Upstream and LNG & Corporate. Since the Goldboro LNG project was suspended in the prior year, the segment is immaterial and has been combined into one segment.

These condensed interim consolidated financial statements were approved by the Board of Directors of Pieridae on May 11, 2022.

2. Basis of Presentation

These unaudited condensed interim consolidated financial statements ("interim financial statements") and the notes thereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). These interim financial statements have been prepared following the same accounting policies and methods of computation as the Company's annual consolidated financial statements as at and for the year ended December 31, 2021. Certain information and disclosures normally required to be included in the notes to the annual financial statements have been condensed or omitted. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements as at and for the year ended December 31, 2021. Comparative amounts have been reclassified to match the current period presentation.

Significant accounting judgments and estimates

The preparation of these interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses, and related disclosures with respect to contingent assets and liabilities. Pieridae bases judgments, estimates and assumptions on current facts, historical experience and various other factors that are reasonable under the circumstances. The economic environment could also impact certain judgments, estimates and discount rates necessary to prepare these interim financial statements, including significant estimates and judgments used in assessing for impairment indicators in the current economic environment. Actual results could differ materially from estimates and assumptions. Pieridae reviews estimates and underlying assumptions 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.

Critical accounting judgments and estimates used in preparing the interim financial statements are described in Pieridae's consolidated financial statements for the year ended December 31, 2021

3. New Accounting Policies and Standards

New accounting standards and amendments not yet adopted

The Company has not adopted any new accounting policies in the current period. Further, there are currently no not-yet-effective IFRS or IFRIC interpretations that are expected to have a material impact on the Company.

4. Property, Plant and Equipment

($ 000s)		
Cost	**March 31, 2022**	**December 31, 2021**
Balance, January 1	**654,285**	594,556
Additions	**2,409**	32,111
Capital spares [(1)]	**-**	21,034
Change in decommissioning obligations (Note 7)	**(62,456)**	6,584
Balance, end of period	**594,238**	654,285

Accumulated Depletion and Depreciation	**March 31, 2022**	**December 31, 2021**
Balance, January 1	**125,919**	79,829
Depletion and depreciation	**14,782**	46,090
Balance, end of period	**140,701**	125,919

Net Book Value	**March 31, 2022**	**December 31, 2021**
Balance, January 1	**528,366**	514,727
Balance, end of period	**453,537**	528,366

[(1)] At December 31, 2021, $21.0 million of capital spares were reclassified from inventory to property, plant and equipment as items were deemed to be long-lead, unique, critical parts held for emergencies or major servicing based on new information and more experience with the assets.

Future development costs of Pieridae's proved and probable reserves of $688.9 million (December 31, 2021 - $688.9 million) were included in the depletion calculation for the three months ended March 31, 2022.

At March 31, 2022, and December 31, 2021, the Company determined that no indicators of impairment or impairment reversal exist in any of the Company's CGUs, thus no impairment tests were required.

5. Exploration and Evaluation Assets

($ 000s)	**March 31, 2022**	**December 31, 2021**
Balance, January 1	**6,062**	3,255
Additions	**1,125**	2,807
Balance, end of period	**7,187**	6,062

Exploration and evaluation ("E&E") assets consist primarily of the Company's seismic assets, in addition to undeveloped land and exploration projects which are pending the determination of technical feasibility and commercial viability. At March 31, 2022 and December 31, 2021, no impairment indicators were identified related to the Company's E&E assets, therefore impairment tests were not performed.

6. Long-Term Debt

($ 000s)	**March 31, 2022**	**December 31, 2021**
Balance, January 1	**231,581**	219,555
Accretion of financing costs	**6,421**	6,537
Interest paid in kind	**3,684**	7,938
Financing fees [(1)]	**(200)**	(2,449)
Repayment of Debt [(2)]	**(3,219)**	-
Balance, end of period	**238,267**	231,581
Current portion	**24,935**	21,654
Long-term portion	**213,332**	209,927

[(1)] Financing fees for 2021 include the value of warrants issued to the senior debt lender.

[(2)] During the first quarter of 2022, $3.2 million of debt principal was paid. In April 2022 debt principal of $6.7 was paid.

As at March 31, 2022, the Company was in compliance with, or had received waivers from the lender for all covenants under the terms of its term loan facility, and no prepayment was required.

For the three months ended March 31, 2022, interest was paid-in-kind in accordance with the term loan facility agreement, resulting in a $7.9 million (March 31, 2021 – nil) addition to the principal outstanding.

In April 2022, $6.7 million of the principal balance was paid. As a result of excess cashflow covenant conditions being met at March 31, 2022, the Company is required to repay $4.8 million in principal on May 30, 2022 under the terms of the terms of the credit agreement. The Company may be required to pay additional principal payments, which may be material in nature, at each quarter end as it meets the excess cashflow requirements.

The effective interest rate on the Company's term loan for the period ended March 31, 2022, was 20.1% (December 31, 2021 – 20.0%).

Letter of Credit Guarantee Facility

In July 2020, the Company received a $6 million guarantee facility from Export Development Canada which was increased to $8 million in June 2021. This guarantee facility provides for 100% guarantee to the issuing banks of the Company's existing and future letter of credit of which $7.5 million was drawn at March 31, 2022 (December 31, 2021 - $7.8 million). Outstanding letters of credit are not classified as long-term debt on the consolidated statements of financial position.

7. Decommissioning Obligations

($ 000s)	**March 31, 2022**	**December 31, 2021**
Balance, January 1	**274,487**	270,440
Additions	**-**	-
Change in cost estimates	**-**	24,243
Change in discount rate	**(62,456)**	(17,659)
Settlement of obligations	**(1,138)**	(2,537)
Accretion	**-**	-
Balance, end of period	**210,893**	274,487
Expected to be incurred within one year	**5,390**	5,390
Expected to be incurred beyond one year	**205,503**	269,097

The Company's decommissioning obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. At March 31, 2022, the total undiscounted amount of cash flows required to settle its decommissioning obligations is approximately $256.4 million (December 31, 2021 - $256.4 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 March 31, 2022, the Company used a risk-free discount rate of 0.54% (December 31, 2021 – -0.14%).

8. Share Capital

Issued and Outstanding Common Shares

	March 31, 2022		**December 31, 2021**	
($ 000s except share amount)	**Common shares**	**Amount**	**Common shares**	**Amount**
Balance, January 1	**157,645,871**	**274,322**	157,641,871	274,322
Shares issued on stock option exercise	**36,000**	**20**	4,000	-
Balance, end of period	**157,681,871**	**274,342**	157,645,871	274,322

Per Share Amounts

($ 000s except share amount)	Three months ended March 31, 2022	Three months ended March 31, 2021
Net income (loss) for the period attributable to equity holders of the Company	**10,549**	(19,405)
Weighted average common shares	**157,652,571**	157,641,871
Dilutive effect of options[(1)]	**549,406**	-
Weighted average common shares, diluted	**158,201,977**	157,641,871
Net income (loss) per share – basic	**$0.07**	$(0.12)
Net income (loss) per share – diluted	**$0.07**	$(0.12)

[(1)] For the three months ended March 31, 2022, 4,944,875 options and all warrants (March 31, 2021 – all options) were excluded from the diluted weighted average shares calculation as they were anti-dilutive.

9. Petroleum and Natural Gas Sales

The Company's petroleum and natural gas revenues are set out below.

($ 000s)	Three months ended March 31, 2022	Three months ended March 31, 2021
Natural gas	**68,943**	50,839
Condensate	**30,579**	16,600
NGLs	**17,250**	11,293
Sulphur	**6,616**	3,133
Total petroleum and natural gas revenues	**123,388**	81,865

The Company also generated third party processing revenue and other income of $6.4 million (March 31, 2021 - $5.8 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 income (loss) and comprehensive income (loss).

10. Finance Expense

The following is a summary of finance expenses:

($ 000s)	Three months ended March 31, 2022	Three months ended March 31, 2021
Interest expense	**4,211**	6,139
Non-cash interest paid in kind	**3,684**	1,539
Accretion of financing costs	**6,421**	5,526
Interest on lease liabilities	**30**	45
Other charges	**94**	259
Total finance expense	**14,440**	13,508

11. Financial Instruments and Risk Management

Financial instruments at March 31, 2022, consist of accounts receivable, accounts payable and accrued liabilities, other amounts payable and long-term debt. The carrying value of these financial instruments approximate their fair values.

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 March 31, 2022.

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.

The carrying amount of accounts receivable represents the maximum credit exposure to the Company at March 31, 2022. As at March 31, 2022, and December 31, 2021, the Company's accounts receivables consisted of:

($ 000s)	**March 31, 2022**	**December 31, 2021**
Petroleum and natural gas marketers	**41,518**	33,308
Partners in jointly owned assets	**15,091**	14,848
Other (primarily government entities)	**1,496**	1,481
Total	**58,105**	49,637

As at March 31, 2022, and December 31, 2021, the Company's accounts receivables were aged as follows:

($ 000s)	**March 31, 2022**	**December 31, 2021**
Current (less than 90 days)	**54,932**	42,806
Past due (more than 90 days)	**3,173**	6,831
Total	**58,105**	49,637

The Company has assessed the past due receivables and determined that as at March 31, 2022, $0.8 million provision was required (December 31, 2021 – $0.8 million).

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. The Company's objective when managing capital is to ensure it has sufficient funds to maintain and develop its operating properties, accelerate debt repayment, and meet its commitments. 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 adjusted funds flow from operations, a non-GAAP measure. Adjusted funds flow is used to monitor and assess liquidity and the flexibility of the Company's capital structure by providing management and investors with a measure of the cash flows generated by the Company's assets available to meet financial obligations. Adjusted fund flow from operations is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

The calculation of adjusted fund flow from operations is as follows:

($ 000s)	**Three months ended March 31, 2022**	**Three months ended March 31, 2021**
Cash provided by operating activities	**3,212**	11,000
Accretion of financing costs	**(6,421)**	(5,526)
Non-cash interest expense	**(3,684)**	(1,539)
Share-based compensation	**(79)**	(154)
Other amounts payable	**1,033**	1,127
Settlement of decommissioning obligations	**1,138**	1,386
Changes in non-cash working capital	**30,505**	(13,528)
Development expense	**-**	8,604
Finance expense	**14,440**	13,508
Adjusted funds flow from operations	**40,144**	14,878

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 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 and power contracts in place at March 31, 2022.

Type of contract	Quantity	Time Period	Contract Price
Fixed Price - Natural Gas Sales	102,500 GJ/d	April –June 2022	CAD $2.58/GJ
Fixed Price - Natural Gas Sales	107,500 GJ/d	July –September 2022	CAD $2.85/GJ
Fixed Price - Natural Gas Sales	102,500 GJ/d	October 2022	CAD $2.58/GJ
Fixed Price - Natural Gas Sales	17,500 GJ/d	November – March 2023	CAD $2.88/GJ
Fixed Price - Condensate Sales	1,500 Bbl/d	April – June 2022	CAD $107.91/Bbl
Fixed Price - Condensate Sales	500 Bbl/d	July 2022	CAD $108.92/Bbl
Fixed price - Power Purchases	49 MW/h	March – December 2022	CAD $70.28/MWh
Fixed price - Power Purchases	35 MW/h	January – December 2023	CAD $71.41/MWh
Fixed price - Power Purchases	5 MW/h	January – December 2024	CAD $67.94/MWh

12. 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:

($ 000s)	**Three months ended March 31, 2022**	**Three months ended March 31, 2021**
Changes in non-cash working capital		
Accounts receivable	**(8,452)**	(2,439)
Prepaid expenses and deposits	**526**	(197)
Inventories	**156**	(102)
Accounts payable and accrued liabilities	**(22,180)**	14,083
Other amounts payable	**-**	-
Total change in non-cash working capital	**(29,950)**	11,345
Relating to:		
Operating activities	**(30,505)**	13,528
Investing activities	**555**	(2,183)

13. Other Amounts Payable

Other amounts payable balance represents amounts payable to third parties that extend beyond one year. In November 2020, the Company settled a commercial dispute which resulted in the recognition of a total liability of $14.4 million, $3.0 million paid in November 2020 and the remainder payable over the subsequent 33 months, beginning in January 2021. At March 31, 2022, the balance of $6.2 million was classified as $2.1 million as long-term other amounts payable and $4.1 million in current, within accounts payable and accrued liabilities.

14. Commitments

The following is a summary of the Company’s contractual obligations and commitments as at March 31, 2022:

($ 000s)	2022	2023	2024	2025	Thereafter	Total
Interest on long-term debt	12,415	13,399	-	-	-	25,814
Repayment of long-term debt	24,935	262,421	-	-	-	287,356
Firm transportation	5,007	2,656	646	571	137	9,017
Total	**42,357**	**278,476**	**646**	**571**	**137**	**322,187**