PIERIDAE ENERGY

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited, in thousands of Canadian dollars		**March 31, 2023**	**December 31, 2022**
Assets			
Current assets			
Cash and cash equivalents		**8,810**	22,273
Restricted cash		**670**	670
Accounts receivable	(Note 11)	**67,739**	74,514
Prepaid expenses and deposits		**8,717**	8,130
Inventories		**3,281**	3,122
Assets held for sale	(Note 4)	**17,160**	17,731
Risk management contracts	(Note 11)	**1,103**	505
		107,480	126,945
Property, plant and equipment	(Note 4)	**393,925**	398,092
Exploration and evaluation assets	(Note 5)	**7,774**	7,863
Right-of-use assets		**3,478**	3,640
Deferred income tax asset		**74,984**	78,937
Total assets		**587,641**	615,477
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**108,211**	116,836
Current portion of decommissioning obligations	(Note 7)	**4,749**	4,749
Liabilities related to assets held for sale	(Note 7)	**16,102**	16,673
Current portion of lease liabilities		**1,904**	1,849
Risk management contracts	(Note 11)	**94**	254
Term debt	(Note 6)	**179,905**	203,254
		310,965	343,615
Other amounts payable		**389**	509
Decommissioning obligations	(Note 7)	**146,131**	154,755
Lease liabilities		**1,638**	1,840
Total liabilities		**459,123**	500,719
Shareholder's equity			
Share capital	(Note 8)	**275,886**	275,882
Contributed surplus		**12,937**	12,819
Warrants		**1,349**	1,349
Accumulated other comprehensive income		**2,808**	2,809
Deficit		**(164,121)**	(177,760)
Equity attributable to equity holders of the Company		**128,859**	115,099
Non-controlling interests		**(341)**	(341)
Total shareholders' equity		**128,518**	114,758
Total liabilities and shareholders' equity		**587,641**	615,477

Commitments (Note 13)
See accompanying notes to the consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Unaudited, in thousands of Canadian dollars, except per share amounts		**2023**	2022
Revenue			
Petroleum and natural gas	(Note 9)	**125,401**	123,388
Royalties		**(14,706)**	(19,132)
		110,695	104,256
Third party processing and other income	(Note 9)	**10,631**	6,382
		121,326	110,638
Realized gain on risk management contracts		**381**	-
Unrealized gain on risk management contracts		**541**	-
		122,248	110,638
Expenses			
Operating		**66,473**	57,292
Transportation		**5,239**	6,051
General and administrative		**5,228**	7,075
Finance	(Note 10)	**11,086**	14,440
Depletion and depreciation	(Note 4)	**16,628**	15,155
Share-based compensation		**17**	79
Foreign exchange gain		**(15)**	(3)
		104,656	100,089
Net income before taxes		**17,592**	10,549
Deferred income tax expense		**3,953**	-
Net income		**13,639**	10,549
Other comprehensive income, net of income tax			
Foreign currency translation gain (loss)		**(1)**	101
Total comprehensive income		**13,638**	10,650
Net income attributable to			
Equity holders of the Company		**13,639**	10,549
Non-controlling interests		**-**	-
Net income per share attributable to equity holders of the Company			
Basic	(Note 8)	**0.09**	0.07
Diluted	(Note 8)	**0.08**	0.07

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	Total Equity Attributable to Equity Holders	Non-Controlling Interests	Total Equity
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 Company	-	-	-	10,549	101	10,650	-	10,650
As at March 31, 2022	274,342	12,954	1,349	(313,795)	3,059	(22,091)	(377)	(22,468)
As at December 31, 2022	275,882	12,819	1,349	(177,760)	2,809	115,099	(341)	114,758
Share-based compensation	-	119	-	-	-	119	-	119
Common shares issued on stock option exercise	4	(1)	-	-	-	3	-	3
Net income attributable to equity holders of the Company	-	-	-	13,639	(1)	11,674	-	13,638
As at March 31, 2023	**275,886**	**12,937**	**1,349**	**(164,121)**	**2,808**	**126,895**	**(341)**	**128,518**

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, 2023**	2022
Operating activities			
Net Income		**13,639**	10,549
Unrealized gain on risk management contracts		**(541)**	-
Depletion and depreciation	(Note 4)	**16,628**	15,155
Accretion of financing costs	(Note 10)	**4,771**	6,421
Non-cash interest expense paid in kind	(Note 10)	**2,650**	3,684
Accretion of decommissioning obligations	(Note 7)	**514**	-
Stock-based compensation		**119**	79
Deferred income tax		**3,953**	-
Other amounts payable	(Note 13)	**(120)**	(1,033)
Settlement of decommissioning obligations	(Note 7)	**(512)**	(1,138)
Changes in non-cash working capital	(Note 12)	**208**	(30,505)
Cash provided by operating activities		**41,309**	3,212
Investing activities			
Additions to property, plant and equipment	(Note 4)	**(20,575)**	(2,409)
Additions to exploration and evaluation assets	(Note 5)	**89**	(1,125)
Additions to right-of-use assets		**-**	-
Changes in non-cash working capital	(Note 12)	**(3,021)**	555
Cash used in investing activities		**(23,507)**	(2,979)
Financing activities			
Exercise of stock options		**3**	(3)
Restricted cash		**-**	-
Repayment of term debt	(Note 6)	**(30,570)**	(3,219)
Payment of financing fees	(Note 6)	**(200)**	(200)
Payments on lease obligations		**(497)**	(380)
Cash used in financing activities		**(31,264)**	(3,802)
Decrease in cash and cash equivalents		**(13,462)**	(3,569)
Cash and cash equivalents, beginning of period		**22,273**	26,216
Effect of foreign exchange on cash		**(1)**	101
Cash and cash equivalents, end of period		**8,810**	22,748
Cash paid:			
Interest paid in cash		**3,242**	4,211

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, natural gas liquids ("NGL's") and sulphur. 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 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 majority of Pieridae's assets and business activities are held in a wholly owned subsidiary, Pieridae Alberta Production Ltd.

These condensed interim consolidated financial statements were approved by the Board of Directors of Pieridae on May 10, 2023.

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, 2022. 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, 2022. 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, 2022.

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, 2023**	**December 31, 2022**
Balance, January 1	**537,594**	654,285
Additions	**20,575**	37,725
Change in decommissioning obligations (Note 7)	**(9,197)**	(95,771)
Transfers to assets held for sale	**571**	(58,645)
Balance, end of period	**549,543**	537,594

Accumulated Depletion and Depreciation	**March 31, 2023**	**December 31, 2022**
Balance, January 1	**139,502**	125,919
Depletion and depreciation	**16,116**	54,497
Transfers to assets held for sale	**-**	(40,914)
Balance, end of period	**155,618**	139,502

Net Book Value	**March 31, 2023**	**December 31, 2022**
Balance, January 1	**398,092**	528,366
Balance, end of period	**393,925**	398,092

At March 31, 2023, and December 31,2022, the Company did not identify any indicators of impairment or potential impairment reversals on any of its CGUs, thus no impairment test was required. At December 31, 2022, future development costs of the Company's proved plus probable reserves of $1,086.7 million (December 31, 2021 - $688.9 million) were included in the depletion calculations.

In June 2022, the Company entered into an agreement to dispose of certain non-core oil and natural gas properties in Northeast British Columbia. As the carrying value of the asset was lower than the fair value less costs to sell, no impairment write-down was required. The net carrying value of these assets of $17.2 million has been classified as assets held for sale, and the associated liabilities of $16.1 million relating to decommissioning obligations have been reclassified to current liabilities. In March 2023 the purchaser failed to meet the required closing conditions, following multiple extensions. The Company has retained the purchaser's non-refundable deposit of $4.2 million, which has been recorded as other income in the current period, and continues to market the asset for sale.

5. Exploration and Evaluation Assets

($ 000s)	**March 31, 2023**	**December 31, 2022**
Balance, January 1	**7,863**	6,062
Additions	**(89)**	1,801
Balance, end of period	**7,774**	7,863

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, 2023 and December 31, 2022, no impairment indicators were identified related to the Company's E&E assets, therefore impairment tests were not performed.

6. Term Debt

($ 000s)	**March 31, 2023**	**December 31, 2022**
Balance, January 1	**203,254**	231,581
Accretion of financing costs (Note 10)	**4,771**	21,125
Interest paid in kind (Note 10)	**2,650**	13,715
Principal repayments	**(30,570)**	(62,064)
Financing fees	**(200)**	(1,103)
Balance, end of period	**179,905**	203,254

In October 2019 the Company entered into a $206.0 million senior secured fully drawn non-revolving long term loan facility ("term debt"). The term debt bears interest at a fixed rate of 15.0% per annum from the date of issue, accrued daily and payable quarterly. The Company incurred $6.0 million of closing costs which were accounted for as transaction costs and netted against the value of the loan to be amortized over 48 months.

Under the terms of the credit agreement, on or before October 16, 2021, the Company had an option either to acquire certain petroleum and natural gas properties from the lender for a purchase price of $45.0 million in cash or pay a deferred fee ("Fee") of $50.0 million to the lender. On September 30, 2021, the Company elected to pay the Fee as opposed to acquiring the assets. Amendments to the credit agreement were made to delay payment of the Fee to January 1, 2022, and interest on this Fee started to accrue from October 16, 2021 forward. Further amendments were made on December 31, 2021, to incorporate the Fee as part of the term debt principal and to extend the maturity date to October 16, 2023, on an interest free basis. Other changes made on December 31, 2021, included an amendment to the payment of interest, on the original principal, whereby 8% will be payable in cash and the remaining 7% will be payable in kind on a quarterly basis. In addition, 1.75% of the principal balance outstanding is repayable quarterly beginning in 2022. While the term debt is repayable in full on October 16, 2023; the Company may repay the principal in whole or in part at any time prior to October 16, 2023, without penalty.

As at March 31, 2023, and December 31, 2022 the Company was in compliance with, or had received waivers from the lender for all covenants.

During the quarter, the Company made principal repayments of $30.6 million (December 31, 2022 – $62.1 million) which included $2.7 million of interest paid in kind and subsequently repaid as principal, and $22.3 million (December 31, 20212– $15 million) in excess cashflow sweep as the threshold was met under the terms of the credit agreement. At March 31, 2023, the excess cashflow to be paid as principal on or before May 30, 2023 was calculated to be $8.8 million (December 31, 2022 – $22.3 million).

The effective interest rate on the term debt at March 31, 2023 was 20.4% (December 31, 2022 – 22.0%).

Letter of Credit Guarantee Facility

As at March 31, 2023, the guarantee facility from Export Development Canada was $12.0 million (December 31, 2022- $12.0 million). This facility provides for 100% guarantee to the issuing bank of the Company's existing and future letter of credit of which $6.7 million was drawn at March 31, 2023 (December 31, 2022 - $7.2 million).

7. Decommissioning Obligations

($ 000s)	**March 31, 2022**	**December 31, 2022**
Balance, January 1	**159,504**	274,487
Additions	**104**	-
Change in cost estimates	**-**	11,363
Change in discount rate	**(9,301)**	(107,134)
Settlement of obligations	**(512)**	(3,791)
Accretion	**514**	1,252
Transfers to assets held for sale (Note 4)	**571**	(16,673)
Balance, end of period	**150,880**	159,504
Expected to be incurred within one year	**4,749**	4,749
Expected to be incurred beyond one year	**146,131**	154,755

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, 2023, the total undiscounted amount of cash flows required to settle its decommissioning obligations is approximately $275.9 million (December 31, 2022 - $275.7 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 March 31, 2023, the Company used a discount rate of 1.34% (December 31, 2022 – 1.19%).

8. Share Capital

Issued and Outstanding Common Shares

	March 31, 2023		December 31, 2022	
($ 000s except share amount)	**Common shares**	**$**	**Common shares**	**$**
Balance, January 1	**158,963,336**	**275,882**	157,645,871	274,322
Shares issued on stock option exercise	**8,000**	**4**	1,317,465	1,560
Balance, end of period	**158,971,336**	**275,886**	158,963,336	275,882

Per Share Amounts

	Three months ended March 31	
($ 000s except share amount)	**2023**	**2022**
Weighted average number of common shares (*000s of shares*)	**158,965,558**	157,652,571
Dilutive effect of options and warrants[(1)]	**1,629,049**	549,406
Weighted average common shares, diluted (*000s of shares*)	**160,594,608**	158,201,977

(1) For the three months ended March 31, 2023, 3.8 million options and 5.0 million warrants (March 31, 2022 – 5.0 million options and 5.0 million warrants) were anti-dilutive.

9. Petroleum and Natural Gas Sales

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

	Three months ended March 31	
($ 000s)	**2023**	**2022**
Natural Gas	**85,164**	68,943
Condensate	**25,677**	30,579
NGL	**11,009**	17,250
Sulphur	**3,551**	6,616
Total petroleum and natural gas sales [(1)]	**125,401**	123,388

(1) Includes gains/losses on fixed price physical commodity sales contract but excludes financial risk management contracts

The Company also generated gas processing revenue of $5.8 million (March 31, 2022 - $5.8 million) for fees charged to third parties for processing through facilities in which Pieridae has an ownership interest and $4.8 million (March 31, 2022 – $0.6 million) in other income of which $4.2 million is for the non-refundable deposit from the terminated asset sale (refer to Note 4) and remaining fees charged to third parties for transportation and marketing of commodities. This revenue is classified as third-party processing and other income on the consolidated statement of income and comprehensive income.

10. Finance Expense

The following is a summary of finance expenses:

	Three months ended March 31	
($ 000s)	**2023**	**2022**
Cash portion of interest expense	**3,242**	4,211
Non-cash interest paid in kind	**2,650**	3,684
Accretion of financing costs	**4,771**	6,421
Accretion of decommissioning obligations (Note 8)	**514**	-
Interest on lease liabilities	**52**	30
Other finance charges	**(143)**	94
Total finance expense	**11,086**	14,440

11. Financial Instruments and Risk Management

Financial instruments at March 31, 2023, consist of accounts receivable, accounts payable, other amounts payable and 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, 2023.

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. The Company's credit risk arises principally from cash and cash equivalents held with major financial institutions and accounts receivable from natural gas marketers, and partners in jointly owned assets.

The carrying amount of accounts receivable and risk management contracts represents the maximum credit exposure to the Company at March 31, 2023. As at March 31, 2023 and December 31, 2022, the Company's accounts receivables consisted of:

($ 000s)	**March 31, 2023**	**December 31, 2022**
Petroleum and natural gas marketers	**42,322**	49,087
Partners in jointly owned assets	**23,729**	24,189
Other (primarily government entities)	**1,688**	1,238
Total	**67,739**	74,514

As at March 31, 2023 and December 31, 2022, the Company's accounts receivables were aged as follows:

($ 000s)	**March 31, 2023**	**December 31, 2022**
Current (less than 90 days)	**65,604**	72,088
Past due (more than 90 days)	**2,135**	2,426
Total	**67,739**	74,514

The Company has assessed the past due receivables and determined that as at March 31, 2023, the recorded provision of $0.8 million was appropriate (December 31, 2022 – $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, develop resource opportunities 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 funds flow from operations, a non-GAAP measure. 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. Funds 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 funds flow from operations is as follows:

	Three months ended March 31,	
($ 000s)	**2023**	**2022**
Cash provided by operating activities	**41,309**	3,212
Settlement of decommissioning obligations	**512**	1,138
Changes in non-cash working capital	**(208)**	30,505
Funds flow from operations	**41,613**	34,855

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 purchase or sales contracts and are not recorded at fair value but recognized in petroleum and natural gas revenue or operating expense 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, 2023:

Type of contract	Quantity	Time Period	Contract Price
Fixed Price - Natural Gas Sales	45,000 GJ/d	Apr – Sep 2023	CAD $4.49/GJ
Fixed Price - Natural Gas Sales	15,163 GJ/d	Oct – Dec 2023	CAD $4.49/GJ
Fixed Price – AECO/Nymex Differential	7,500 MMbtu/d	Apr – Jun 2023	USD $(0.88)/MMbtu
Fixed Price – AECO/Nymex Differential	7,500 MMbtu/d	Jul – Oct 2023	USD $(1.19)/MMbtu
Fixed Price - Condensate Sales	700 bbl/d	Apr – Sep 2023	CAD $103.24/bbl
Fixed Price - Condensate Sales (WTI Basis)	1,200 bbl/d	Oct 2023– Jun 2024	CAD $97.92/bbl
Fixed Price - Power Purchases	52 MW/h	Apr 2023 – Dec 2023	CAD $71.90/MWh
Fixed Price - Power Purchases	53 MW/h	Jan 2024 – Dec 2024	CAD $68.38/MWh
Fixed Price - Power Purchases	45 MW/h	Jan 2025 – Dec 2025	CAD $79.59/MWh
Fixed Price - Power Purchases	10 MW/h	Jan 2026 – Apr 2026	CAD $79.15/MWh

The Company had the following financial risk management contracts in place as at March 31, 2023:

Type of contract	Quantity	Time Period	Contract Price
AECO Natural Gas Swap	2,500 GJ/d	Apr – Jun 2023	CAD $3.94/GJ
C5 Differential (to WTI)	500 bbl/d	Apr – Sep 2023	CAD ($4.67)/bbl
WTI Swap	500 bbl/d	Apr – Sep 2023	CAD $107.64/bbl

b. Interest rate risk

Interest rate risk is the risk that future cashflows will fluctuate as a result of changes in market interest rate. The Company's interest rate exposure under its term debt is fixed.

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 are subject to currency risk. Associated accounts payable, accrued liabilities and commitments are denominated in US dollars, UK pound sterling and Euro, however the impact of currency fluctuations are immaterial.

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:

	Three months ended March 31	
($ 000s)	**2023**	**2022**
Changes in non-cash working capital		
Accounts receivable	**6,775**	(8,452)
Prepaid expenses and deposits	**(587)**	526
Inventories	**(159)**	156
Risk management contracts – current assets	**(311)**	-
Accounts payable and accrued liabilities	**(8,625)**	(22,180)
Risk management contracts – current liabilities	**94**	-
Total change in non-cash working capital	**(2,813)**	(29,950)
Relating to:		
Operating activities	**208**	(30,505)
Investing activities	**(3,021)**	555

13. Commitments

The following is a summary of the Company's contractual obligations and commitments as at March 31, 2023:

($ 000s)	**2023**	**2024**	**2025**	**2026**	**Thereafter**	**Total**
Interest on long-term debt	11,573	-	-	-	-	11,573
Repayment of long-term debt	188,534	-	-	-	-	188,534
Firm transportation	9,072	11,015	2,919	277	-	23,283
Total	**209,179**	**11,015**	**2,919**	**277**	**-**	**223,390**