MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED DECEMBER 31, 2017

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" or the "Company") for the year ended December 31, 2017 compared with the year ended December 31, 2016. This MD&A is dated March 15, 2018 and should be read in conjunction with the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2017 available on the Company's website, www.pieridaeenergy.com, or on SEDAR, www.sedar.com. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The reporting currency is the Canadian dollar (C$) and all amounts are presented in Canadian dollars.

1. OUR BUSINESS AND MISSION

The Company was formed on October 24, 2017 on the amalgamation of Pieridae Energy Limited and Pétrolia Inc. pursuant to a plan of arrangement effected pursuant to section 192 of the *Canada Business Corporations Act.* Pieridae is a reporting issuer or the equivalent in British Columbia, Alberta and Québec. It is listed on the TSX Venture Exchange under the symbol PEA.

Pieriade's mission is to build shareholder value by becoming the first fully integrated independent LNG producer in Canada. The Company is focused on the development of the Goldboro LNG Facility (as described below) and the acquisition and development of resource properties for the extraction of natural gas for use as feed gas in the production of LNG.

2. STRATEGIC OBJECTIVES AND PLANS

Our principal business objective is to make a positive financial investment decision in regard to the Goldboro LNG Facility by the end of 2018 and, immediately thereafter, to commence the construction of the facility and to implement its complementary upstream strategy.

The Company intends to develop, construct and operate the Goldboro LNG Facility in the Municipality of the District of Guysborough, Nova Scotia. It is anticipated that the LNG will be produced from feed gas that is sourced principally from resource properties acquired, owned and developed by the Company and supplemented, as required, by the purchase of natural gas from independent producers in Canada and the United States under medium and long term contracts. The company is also engaged in the exploration and development of its licences in which it has an interest with the objective to develop said licences as appropriate.

The Company will also procure long-term pipeline transportation capacity on the TransCanada Mainline, the Maritimes & Northeast Pipeline and inter-connecting pipeline to ensure transportation of the feed gas to the facility.

The Company ensures that its commercial operations meet the highest safety standards while protecting the environment.

3. OVERVIEW OF SIGNIFICANT EVENTS AND HIGHLIGHTS

Goldboro LNG Facility

The Goldboro LNG Facility will consist of an LNG processing facility, storage tanks, power plant, marine works and related infrastructure. The facility will be located at the Goldboro Industrial Park in Guysborough County, Nova Scotia. The natural gas supply feeding the facility is to be delivered via the existing Maritimes & Northeast Pipeline, the terminus of which is located directly adjacent to the facility. The intended markets for the LNG produced at the Goldboro LNG Facility are Europe, South America and Asia.

The Goldboro LNG Facility will be located approximately two kilometres from the communities of Goldboro in the west and Drum Head in the east, in Goldboro, Guysborough County, Nova Scotia. Initial permits allow for up to 10 million metric tons per annum (MMTPA) of LNG production capacity and the facility will be equipped to handle LNG carriers of up to 250,000 m3. The facility has obtained its Environment Assessment Approval, National Energy Board of Canada LNG export licence, United States Department of Energy LNG Free Trade Agreement and Non-Free Trade Agreement licences and United States Department of Energy Statement on Energy in Transit between Canada and the United States. On December 3, 2015, Pieridae completed the purchase of approximately 107.5 hectares (265.5 acres) of land located in the Goldboro Industrial Park, Nova Scotia which will be the site for the proposed Goldboro LNG Facility.

The Facility is the only LNG project on the East Coast of Canada that has both key permits for its current stage of development and a creditworthy offtake customer and Pieridae, along with its strategic partners, namely General Electric, CB&I, Uniper Global Commodities SE and ORLEN Upstream Canada, a wholly owned subsidiary of Poland's PKN ORLEN S.A., is well positioned to become the first LNG liquefaction project to be constructed in Canada.

Focused on the development of the Goldboro LNG Facility, we have embarked on a strategy to consolidate natural gas reserves in key natural gas basins to develop new international markets for Canadian and possibly U.S. natural gas. With its first acquisition of resources in New Brunswick and through to our merger with Pétrolia Inc., the Company seeks to build a long-term portfolio of natural gas to supply the Goldboro LNG Facility. We are the leading edge of the re-integration of the LNG value chain in North America. The development of our own natural gas prone properties will allow for a comprehensive risk management strategy. The Company is targeting the next wave of worldwide LNG production, post 2020, and has sold 50% of the initial capacity of the Goldboro LNG Facility under a 20 year, take-or-pay contract with Uniper Global Commodities SE, a wholly owned subsidiary of Uniper SE, one of Europe's largest gas companies.

On February 27, 2018, Pieridae announced that it has engaged Morgan Stanley & Co, LLC and SG Americas Securiries, LLC as financial advisors to the Company in procuring up to US $10 billion in equity and project financing to fund the construction of Goldboro LNG Facility and securing the Company's mandate to become the first independently operated integrated LNG project in Canada.

Pieridae forecasts continuing significant growth in international and domestic markets for liquefied natural gas as consumers look to replace oil with cleaner burning natural gas in the electricity and transportation sectors.

Business combination with Pétrolia Inc.

The Arrangement

Pieridae was formed on on October 24, 2017 with the completion of the amalgamation of Pieridae Energy Limited ("Former Pieridae") and Pétrolia Inc. pursuant to a Plan of Arrangement under Section 192 of the *Canada Business Corporations Act*. Each common share in Former Pieridae was exchanged for 2.2057526 shares in Pieridae and each common share in Pétrolia Inc. after consolidation on a 1 for 12 basis was exchanged for 1 share in Pieridae. After completion of the Arrangement, Pétrolia shareholders held 18.40%, and Former Pieridae shareholders held 81.60%, of the outstanding common shares of Pieridae.

On November 1, 2017, the Company announced that it satisfied the TSX Venture Exchange Inc. listing conditions and consequently the Final Exchange Bulletin pertaining to the Arrangement was issued at that date. Effective November 2, 2017, the common shares or Pieridae of which 49,794,069 were issued and outstanding, commenced trading on the TSX Venture Exchange and the common shares of Pétrolia Inc. were delisted.

Following closing of the Arrangement, the board of directors of Pieridae (the "Board") appointed Myron Tétreault as Chairman of the Board, and proceeded to form: (i) an Audit Committee comprised of Charles Boulanger, Andrew Judson and Myron Tétreault; (ii) a Governance and Compensation Committee comprised of Matthew Rees, Alfred Sorensen and Andrew Judson; and (iii) a Reserves, Health, Safety and Environment Committee comprised of Matthew Rees, Charles Boulanger and Myron Tétreault.

Mr. Alfred Sorensen is the Chief Executive Officer of the Company while Mr. Thomas Dawson is the President, Business Development, Mr. Martin Bélanger is the President, Operations and Engineering and Mr. Mario Racicot is the Chief Financial Officer. The Company maintains its current offices in Calgary, Québec City and Halifax.

The Arrangement enabled Pieridae to strategically position itself in the North American equity markets as a developing fully integrated energy company, from upstream production to the sale of LNG (field to flange). Pieridae's proposed Goldboro LNG Facility combined with the resource properties formerly held by Pétrolia Inc., constitute an opportunity for investors to participate in the growth and development of Canada's only integrated LNG facility holding key permits and approvals for its current stage of development. The combined expertise and diversification of the two predecessor companies provide Pieridae with the potential for an effective and sustainable long-term growth plan.

Private placement and convertible loan

On August 25, 2017, Former Pieridae closed a private placement of subscription receipts at a price of $12.50 per subscription receipt for gross proceeds of $25,651,625, comprising a cash amount of $24,632,500 and $1,019,125 in subscription receipts issued to agents as commission. Furthermore, the full amount of the Pieridaie convertible loan of US$5,000,000 was converted into Pieridae shares immediately before the closing of the Arrangement. Each subscription receipt was automatically converted into one Pieridae share immediately prior to the completion of the Arrangement. Each of these Pieridae shares was exchanged for 2.2057526 shares in Pieridae when the Arrangement was completed.

The net proceeds of the private placement will be used to fund certain activities to allow Pieridae to reach the final investment decision with respect to the Goldboro LNG Facility as well as operational, exploration and working capital needs.

Bourque project

As of November 23, 2017, Pieridae announced the update of a report prepared by Sproule Associates Limited ("Sproule") for its Bourque property. The partners on the Bourque project are Pieridae, Ressources Québec and Tugliq. Pieridae is the operator of Bourque and majority owner.

This update follows the re-entry drilling of Bourque No. 1 (Bourque HZ No. 1R1) and drilling of a second horizontal well (Bourque HZ No. 3) on the same site. Upon completion of the drilling of these wells in December 2016, the Company installed pressure gauges and the wells were shut-in for the winter. In May 2017, these gauges were recovered with additional production tests conducted in July 2017.

The results of the production tests and sample analyses have been used to assess the best means to put these wells into production. In late August, Sproule received all this new data as well as 66 km^2 of reprocessed 3D seismic data obtained in 2015. Sproule was then mandated to prepare an update of the evaluation report of the resource contained within the Bourque project, effective as of September 30, 2017. The final report was delivered on November 15, 2017.

As of December 30, 2017, the TotalPetroleum Initially-in-Place ("TPIIP") contained in the Bourque reservoir is estimated to be at 827 million barrels. This volume is bracketed by estimates made with 90% and 10% certainty resulting in volumes of 256 million barrels and 1,606 million barrels respectively. These estimates do not account for the amount of petroleum in place thought to be recoverable nor the economic factors in their eventual development, both of which may be affected by the completion and production methodologies utilized in the wells.

The operations on these two wells have established the presence of oil and gas in the reservoir. It has also revealed that the reservoir is tight and will require some stimulation to allow for economic production.

4. FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A are forward-looking statements regarding in particular future events or anticipated economic results or outlooks or future business opportunities of the Company. All statements other than statements of historical fact may be considered forward-looking statements. Forward-looking statements often, but not always, contain words such as "seek," "anticipate," "plan," "continue," "estimate," "expect," "may," "will," "project," "predict," "potential," "target," "intend," "understand,""could," "might", "should", "believe" and similar expressions.

The Company is of the view that the expectations set out in these forward-looking statements are reasonable but makes no warranties that they will materialize. These statements have been made as at the date of this MD&A and are based on a certain number of assumptions that might prove to be inaccurate, particularly those relating to:

- The completion and results of the Company's future work;
- The Company's capacity to secure financing;
- The positive Final Investment Decision;
- The scale of discoveries or production of hydrocarbons;
- The Company's ability to secure feed gas;
- The Company's capacity to sign transportation agreements;
- The schedule and costs of the work planned by the Company and its partners;
- Oil and natural gas prices; and
- Regulatory impacts.

These forward-looking statements involve risks and uncertainties relating in particular to the Company's activities. Actual results may differ materially from those stated or implied in these forward-looking statements. The factors that may cause actual results to differ materially include, but are not limited to, the risk factors described under the "Risk factors" section in this MD&A, and which represent, according to the Company's knowledge, the risks known and unknown as well as the uncertainties facing us as at December 31, 2017.

Investors should not place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will materialize. Readers are cautioned that the foregoing list of important factors is not exhaustive. Investors who base their opinion on the Company's forward looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. Readers are cautioned not to place undue reliance on the Company's forward-looking statements.

Last, the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable law.

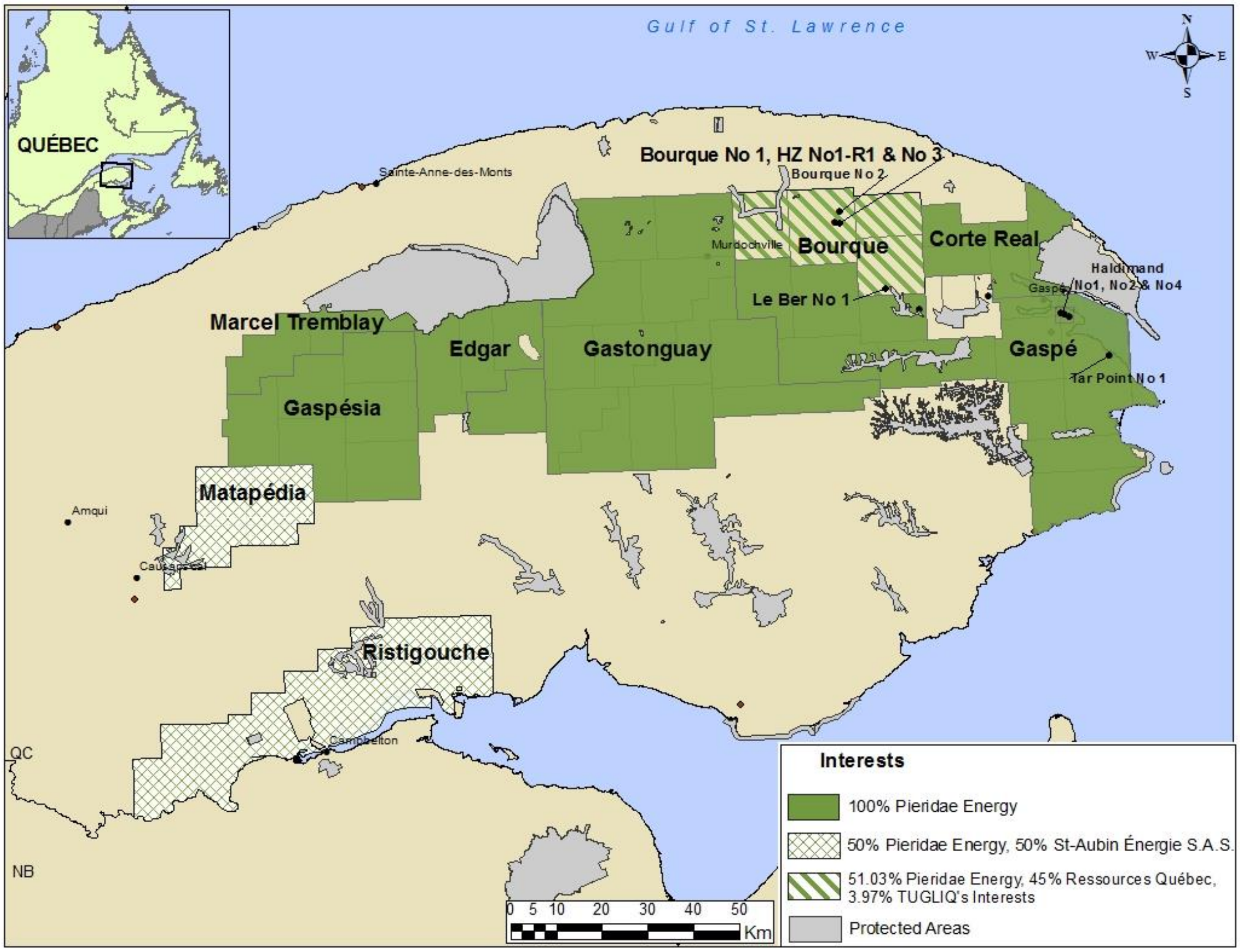
5. TERRITORIES UNDER LICENCE AND PARTNERSHIPS

Pieridae holds licences for and interests in an area of over 10 117.75 square kilometres (km²), amounting to nearly 22.7% of Québec's territory under licence. Located in Eastern Québec, these areas are largely known for their oil potential. Pieridae's territories under licence also offer the potential of discovering natural gas possibly containing liquid natural gas.

There are two partnership agreements covering portions of the Company's territories under licence:

- For the Baie-des-Chaleurs–Matapédia and Ristigouche licences, Pieridae and Saint-Aubin Énergie S.A.S. (a subsidiary of Maurel & Prom and Maurel & Prom International), each hold a 50% interest in 13 licences covering an area of over 1,800 km².
- The interests in the four Bourque property licences are as follows: Pieridae – 51.03%; TUGLIQ Energy S.A.R.F. – 3.97%; and Ressources Québec inc. – 45%.
- The remaining licence blocks are wholly owned by Pieridae.

The following map plots the locations of the licences held by Pieridae Energy and its partners.



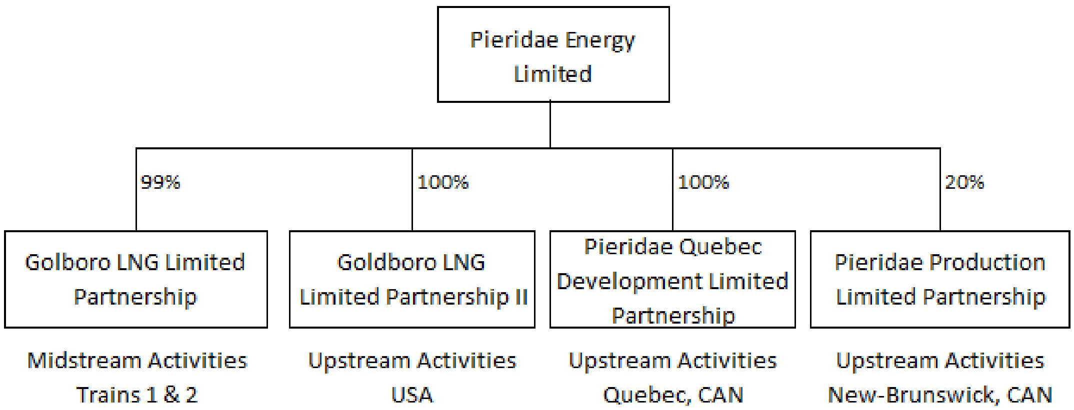
Pieridae also holds a 20% interest in Pieridae Production LP, which owns certain natural gas resource properties situated in New Brunswick. Under certain circumstances it is possible for Pieridae to increase this interest to 50%. However, there is presently a government imposed moratorium on the use of hydraulic fracturing in New Brunswick which effectively prevents any further exploration and development by Pieridae Production LP ("PPLP")of its natural gas resource properties in that province. The other partner in Pieridae Production LP is ORLEN Upstream Canada Ltd., an affiliate of Polski Koncern Naftowy Orlen Spółka Akcyjna which is a public corporation listed on the Warsaw stock exchange and is a major Polish oil refiner and petrol retailer with operations in Poland as well as the Czech Republic, Germany and the Baltic States.

6. PROJECTS, WORK PROGRAMS AND OUTLOOK

Goldboro LNG Project

Project outlook

Pieridae carries on its business indirectly, through its several limited partnerships in which it holds an interest as shown in the diagram below. Pieridae's Midstream Activities are carried on through its 99% interest in Goldboro LNG LP while its Upstream Activities in the United States and in New Brunswick are carried on through its 100% interest in Goldboro LNG LP II and its 20% interest in Pieridae Production LP, respectively.

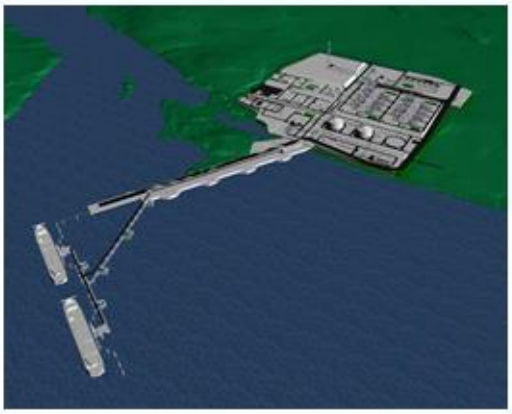


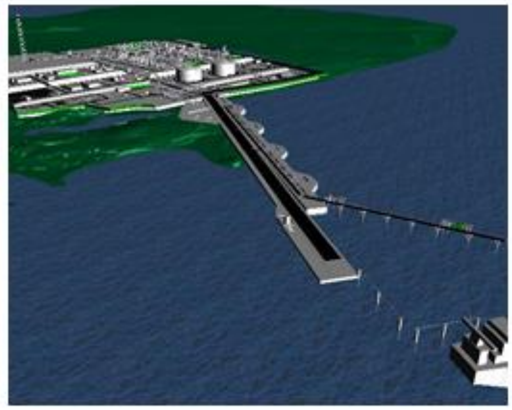
Pieridae is in the development stage of its Midstream Activities and is in the early acquisition stage of its Upstream Activities and therefore is not earning revenues from the sale of LNG, natural gas or any other product or service.

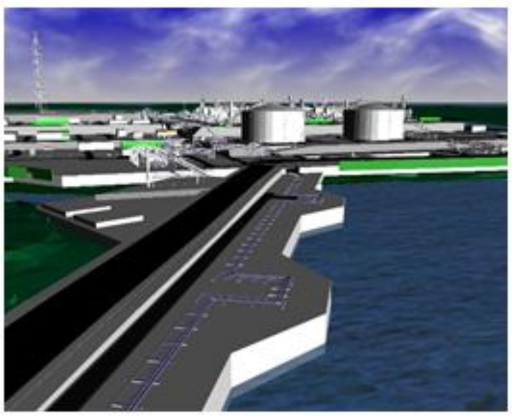
Pieridae anticipates that it will produce and procure sufficient natural gas supply, and will secure sufficient pipeline transportation capacity, to be able to make a positive Financial Investment Decision ("FID") in relation to the proposed Goldboro LNG Facility on or before December 31, 2018 and that the construction and commissioning of the Goldboro LNG Facility will be completed approximately four years thereafter. As of the date of the report, Pieridae hasn't yet entered into a natural gas supply agreement for the Goldboro LNG Facility.

The Goldboro LNG Facility will be located on the Atlantic Ocean coast of the Municipality, approximately two kilometres from the communities of Goldboro in the West, and Drum Head in the East. The Facility will include one or possibly two liquefaction trains, each with the annual production capacity of approximately 5 MTPA of LNG, a power plant which will generate the electricity required to produce LNG, two LNG storage tanks as well as marine structures and a jetty which will be equipped to accommodate two LNG carriers of up to 250,000 m3 of LNG each.

The following are engineering diagrams of the proposed Goldboro LNG Facility:







Goldboro LNG LP contracted CB&I UK Limited and CB&I Canada Limited which have completed the Front End Engineering and Design ("FEED") of the Goldboro LNG Facility and Pieridae Energy is now preparing to request the Class-2 open book cost estimate for the facility and to negotiate an engineering, procurement and construction contract.

In order to assist Pieridae Energy to secure project financing for the construction of the first train of the Goldboro LNG Facility, Uniper, on behalf of Goldboro LNG LP, filed a request under the "Untied Finance Credit" program sponsored by the Federal Republic of Germany, for a preliminary determination of whether such project financing would qualify for a loan guarantee from the German federal government. The Application was reviewed by both PriceWaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and Euler Hermes Deutschland A.G. which confirmed, as the joint representatives of the German government, that, in principle, construction of the first train of the Goldboro LNG Facility would qualify for a US $3 billion loan guarantee under the Untied Finance Credit program provided that, among other things, at least 1.5 MTPA of the LNG produced from the first train of the Goldboro LNG Facility is delivered by Uniper to the Netherlands for regasification and is then transported by pipeline to the Federal Republic of Germany for consumption in its domestic gas market. Uniper is contractually obligated, pursuant to the LNG Sale and Purchase Agreement to satisfy this condition at all relevant times.

Work completed and status update

The major achievements in the development of the Goldboro LNG Project include the following:

1. The confirmation in principle on April 25, 2013 that the project financing that is secured for the construction of the first train of the Goldboro LNG Facility will qualify for a US $3 billion loan guarantee from the German federal government provided that, among other things, at least 1.5 MTPA of the LNG produced from the first train of the Goldboro LNG Facility is delivered by Uniper to the German domestic gas market. Uniper is contractually obligated to satisfy this condition at all relevant times.

2. The pre-sale of 4.8 MTPA of LNG annually, on a “take or pay” basis to Uniper Global Commodities S.E., previously E.ON Global Commodities S.E., ("Uniper"), agreed to on May 31, 2013, for a term of 20 years commencing at the start of commercial deliveries of LNG. This annual volume of LNG represents substantially all of the LNG production from one of the two planned liquefaction trains of the Goldboro LNG Facility

3. The successful completion of the environmental assessment, by the Minister of the Environment of Nova Scotia (the "Minister"), of the proposed Goldboro LNG Facility to be located on the Project Site on March 31, 2014 further renewed in August 2015 and October 2017.

4. The issuance by the US DOE of Order No. 3639 on May 22, 2015 authorizing the annual export, by pipeline, of up to 292 Bcf of natural gas sourced from the United States to Canada for end use in Canada or, after liquefaction in Canada, to export, by vessel, the LNG produced from such natural gas to countries with which the United States has a free-trade agreement. This authorization is for a period of twenty years commencing on the earlier of date of first export and May 22, 2022.

5. The issuance by the National Energy Board (“NEB”) of Export Licence GL-313 on August 13, 2015 (ultimately approved May 26, 2016) authorizing the export from Canada up to 16.675 billion cubic meters of natural gas each year for a period of twenty years commencing on the date of first export.

6. The issuance by the NEB of Import Licence GL-314 on August 13, 2015 (ultimately approved May 26, 2016) authorizing the import to Canada up to 11.845 billion cubic meters of natural gas each year for a period of twenty years commencing on the date of first import.

7. The identification of the Project Site and its acquisition on December 3, 2015.

8. The acquisition of a 20% interest in PPLP in 2015 which owns certain natural gas resource properties situated in New Brunswick. Under certain circumstances it is possible to increase this interest to 50%. However, there is presently a government imposed moratorium on the use of hydraulic fracturing in New Brunswick which effectively prevents any further exploration and development by PPLP of its natural gas resource properties in that province. The other partner in PPLP is ORLEN Upstream Canada Ltd., an affiliate of Polski Koncern Naftowy Orlen Spółka Akcyjna which is a public corporation listed on the Warsaw stock exchange and is a major Polish oil refiner and petrol retailer with operations in Poland as well as the Czech Republic, Germany and the Baltic States.

9. The issuance by the US DOE of Order No. 3768 on February 5, 2016 authorizing the annual export, using the capacity of the U.S. portion of the M&N Pipeline that is in service as of February 5, 2016, of up to 292 Bcf natural gas sourced from the United States to Canada for liquefaction in Canada and re-export as LNG to countries with which the United States does not have a free-trade agreement. This authorization is for a period of twenty years commencing on the earlier of the date of first commercial re-export and February 5, 2023. The volume of natural gas that is authorized for export under Order No. 3768 is not additive to the volume of natural gas that is authorized for export under Order No. 3639.

10. The successful negotiation of a collective agreement on May 3, 2017 affecting 15 of the relevant trade unions in Nova Scotia which will be relied upon to construct the Goldboro LNG Facility and the issuance by the Labour Board (Nova Scotia) on July 28, 2017 of order LB-1322 and order LB-1323 declaring that the collective agreement is a project agreement with effect commencing July 27, 2017 in accordance with subsection 5(3) of the Construction Project Labour Relations Act (Nova Scotia).

11. The Business Combination with Pétrolia in 2017. Pieridae now owns certain natural gas resource properties situated in Québec.

Completed Milestones

Project Site Acquisition

On December 3, 2015 Pieridae acquired the beneficial interest in and to the Project Site from the Municipality of Guysboro in consideration for $3,2 million. The Project Site consists of approximately 107.5 hectares (265.5 acres) of unimproved land situated within the Goldboro industrial park. The Project Site is a suitable location for the proposed Goldboro LNG Facility for several reasons including the fact that the Goldboro industrial park is the origination point of the main line of the Canadian portion of the Maritimes & Northeast Pipeline (the "M&N Pipeline") as well as the landfall site for the Sable natural gas pipeline. The Project Site also has sheltered access to the deep water of Isaacs Harbour.

Legal title to the Project Site is held by 9290834 as bare trustee and agent of Pieridae pursuant to a declaration of bare trust and agency agreement made by 9290834 and Pieridae as of November 4, 2015. Pieridae has the right, exercisable on sixty (60) days prior notice at any time before March 31, 2019, to require the Municipality to repurchase the Project Site for $3,2 million on the terms and conditions of a put option registered against title to the Project Site. In addition, the Municipality has the right, exercisable on sixty (60) days prior notice, to repurchase the Project Site for $3,2 million on the terms and conditions of a call option registered against title to the Project Site if Pieridae either: (a) fails to make a final investment decision to proceed with the construction of the Goldboro LNG Facility on or before December 31, 2018; or (b) fails to obtain all regulatory permits that are necessary to construct the Goldboro LNG Facility on or before December 31, 2018.

Environmental Assessment

On March 21, 2014, the Minister approved the proposed Goldboro LNG Facility pursuant to section 40 of the Environment Act (Nova Scotia) and subsection 26(1) of the Environmental Assessment Regulations. The approval is subject to approximately forty conditions which are described in more detail at:

http://novascotia.ca/nse/ea/goldboro-lng/conditions.pdf.

One of the conditions (condition 1.3) requires that Pieridae commences work on the Goldboro LNG Facility within two years of the issuance of the approval unless granted a written extension by the Minister. On August 6, 2015, the Minister issued to Pieridae written confirmation that the deadline to commence work on the Goldboro LNG Facility is extended to March 21, 2019.

The Canadian Environmental Assessment Agency determined pursuant to paragraph 128(1)(c) of the Canadian Environmental Assessment Act (Canada) that a federal environmental assessment was not required to be obtained by Pieridae in relation to the proposed Goldboro LNG Facility.

Environmental Protection

Pieridae is subject to, and to the best of its knowledge is in compliance with, federal, provincial and municipal environmental legislation in all of its areas of activity. Pieridae recognizes that it must conduct all of its activities in a manner that both protects and preserves the environment.

Upstream Strategy

On March 4, 2013, Pieridae entered into an agreement with Contact Exploration Inc. (subsequently Kicking Horse Energy Inc.) to establish Pieridae Production LP (PPLP) in order to acquire and develop natural gas resources in New Brunswick. As at January 1, 2014, Pieridae, as a limited partner, had a 16.98% interest in PPLP and has made no further contributions to PPLP during that year. During 2015 Pieridae invested an additional $750,000 in PPLP, increasing its ownership interest to 20%. Pieridae is entitled to contribute an additional $14,125,000 to PPLP prior to any further funding by the other partner, and to thereby increase its ownership in PPLP to 50%. In late 2015, ORLEN Upstream Canada Ltd. acquired Kicking Horse Energy Inc.

There is presently a government imposed moratorium on the use of hydraulic fracturing in New Brunswick which effectively prevents any further exploration and development by PPLP of its natural gas resource properties in that province.

On October 24th 2017, Pieridae entered into an agreement with Pétrolia inc., acquiring properties amounting to nearly 22.7% of Québec's territory under licence and located in the eastern part of the province.

The LNG Purchase and Sale Agreement

Pieridae Energy and Uniper have entered into an agreement dated May 31, 2013, as amended on February 3, 2016 and June 2, 2017 (the "LNG Sale and Purchase Agreement") which contemplates the sale each year by Goldboro LNG LP, and the purchase by Uniper on a "take or pay" basis, of 4.8 MTPA of LNG for a term of 20 years commencing at the start of commercial deliveries of LNG. Title and risk to the LNG will pass from Goldboro LNG LP to Uniper at the point that the LNG passes from the Goldboro LNG Facility to the customer's LNG vessel. The price of LNG is expressed in U.S. dollars and is determined primarily by reference to the prevailing price for natural gas quoted on a prescribed European index discounted for costs incurred by the customer for the transportation and regasification of LNG. Under the terms of the LNG Sale and Purchase Agreement, Uniper has the right to terminate the agreement in accordance with its terms, including in the event Goldboro LNG LP fails to meet certain milestone deadlines (and such deadlines are not extended as agreed to between Uniper and Goldboro LNG LP).

Labour Matters

In order to establish a basis for determining the labour component of the construction cost of the Goldboro LNG Facility and to ensure that the construction of the Facility is not interrupted by a labour dispute, Pieridae Energy negotiated a project special needs collective agreement (the "Collective Agreement") affecting 15 of the relevant trade unions in Nova Scotia, of which 13 have signed and ratified the Collective Agreement.

On May 8, 2017 Nova Scotia Construction Labour Relations Association Limited, acting as the bargaining agent of Goldboro LNG LP, applied to the Labour Board (Nova Scotia) pursuant to subsection 5(1) of the Construction Project Labour Relations Act (Nova Scotia) for an order declaring the Collective Agreement to be a project agreement and declaring it to be in effect and thereby binding on all relevant trade unions. This application was opposed by the Operating Engineers, Local 721 which had applied to the Labour Board (Nova Scotia) under subsections 14(1) and 15(1) of the Construction Project Labour Relations Act (Nova Scotia) for a hearing to determine whether or not the Collective Agreement has the requisite approval of 85% of the relevant trade unions. That hearing was held on July 27, 2017. On July 28, 2017 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 in accordance with subsection 5(3) of the Construction Project Labour Relations Act (Nova Scotia).

Market and Marketing Plans

Goldboro LNG LP has pre-sold substantially all of the LNG production from one of the two liquefaction trains planned for the Goldboro LNG Facility to Uniper under the LNG Sale and Purchase Agreement for a term of twenty years commencing at the start of commercial production.

Pieridae is in discussions with potential customers for the pre-sale of the LNG production from the second liquefaction train planned for the Facility.

Regulatory - Canada

On August 13, 2015 the National Energy Board confirmed its decision, subject to the approval of the Governor in Council, to issue a licence to Pieridae Energy to:

- Export from Canada up to 16.675 billion cubic meters of natural gas each year for a period of twenty years commencing on the date of first export ("Export Licence GL-313"); and
- Import to Canada up to 11.845 billion cubic meters of natural gas each year for a period of twenty years commencing on the date of first import ("Import Licence GL-314").

On May 26, 2016, the Governor in Council approved Export Licence GL-313 and Import Licence GL-314 pursuant to section 117 of the National Energy Board Act (Canada).

Regulatory - United States

On May 22, 2015, the Department of Energy of the United States (the "US DOE") issued an order ("Order No. 3639") granting Goldboro LNG LP II authorization to export annually, by pipeline, up to 292 Bcf of natural gas sourced from the United States to Canada for end use in Canada or, after liquefaction in Canada, to export, by vessel, the LNG produced from such natural gas to countries with which the United States has a free-trade agreement. This authorization is for a period of twenty years commencing on the earlier of date of first export and May 22, 2022.

On February 5, 2016, the US DOE issued an order ("Order No. 3768") granting Pieridae, as the general partner of Goldboro LNG LP II, authorization to export annually, using the capacity of the U.S. portion of the M&N Pipeline that is in service as of February 5, 2016, up to 292 Bcf natural gas sourced from the United States to Canada for liquefaction in Canada and re-export as LNG to countries with which the United States does not have a free-trade agreement. This authorization is for a period of twenty years commencing on the earlier of the date of first commercial re-export and February 5, 2023. The volume of natural gas that is authorized for export under Order No. 3768 is not additive to the volume of natural gas that is authorized for export under Order No. 3639.

The regulatory history of the applications made by Goldboro LNG LP II, including a copy of Order No. 3639 and Order No. 3768, can be accessed at: https://energy.gov/fe/downloads/pieridae-energy-usa-ltd-fe-dkt-no-14-179-lng.

Both Order No. 3639 and Order No. 3768 are subject to certain reporting requirements and other conditions including the requirement to comply with the US DOE's Procedures for Change in Control Affecting Applications and Authorizations to Import or Export Natural Gas (79 FR 65541).

On December 18, 2015 Goldboro LNG LP II applied to the Assistant Secretary for Fossil Energy of the US DOE to approve the change of control of it occasioned by the acquisition by ORLEN Upstream Canada Ltd. of all of the issued and outstanding shares in the capital of Kicking Horse Energy Inc. which, at that time, owned (indirectly through KCK Atlantic Holdings Ltd.) approximately 10,77% of the issued and outstanding shares in the capital of Pieridae. On November 23, 2016, the US DOE notified Pieridae USA that the request for approval of the change in control is granted.

On May 21, 2017 Goldboro LNG LP II applied to the Assistant Secretary for Fossil Energy of the US DOE to approve the change of control of it occasioned by the proposed amalgamation of Pieridae and Pétrolia pursuant to the Arrangement. This application remains outstanding as of the date of this Information Circular.

On August 30, 2016, the US DOE promulgated the Revised Procedures Affecting Applications and Authorizations for the In-Transit Movement of Natural Gas (81 FR 59436) which clarify that in-transit shipments of natural gas are not "imports" or "exports" within the meaning of section 3 of the Natural Gas Act (15 U.S. Code Chapter 15B). Goldboro LNG LP II intends to rely on, and to comply with, these procedures in respect to possible shipments of natural gas by pipeline from Western Canada through portions of the United States en route to the Goldboro LNG Facility. For these purposes an "in-transit" shipment of natural gas includes a shipment of natural gas from Canada that only temporarily passes through the United States before returning to Canada.

Project Competitive Advantage

Integrated LNG Business Model

Pieridae is currently Canada's only integrated LNG enterprise holding key permits and approvals for its current stage of development. Pieridae combines the world-class expertise, experience and assets diversification of two companies – Pieridae and Pétrolia – which creates a model for effective and sustainable long-term growth. Half of the initial capacity of the Goldboro LNG Facility is sold under a 20-year, take-or-pay contract with Uniper Global Commodities SE, a 100% subsidiary of Uniper SE, one of Europe's most important energy companies. From its first acquisition of resources in New Brunswick, to its merger with Pétrolia, Pieridae has built an initial long-term portfolio of natural gas reserves in key natural gas basins in Québec and New Brunswick with plans to increase its reserves in the near future. Pieridae's Goldboro LNG Facility will be North America's closest mainland LNG export terminal to Europe. Pieridae's integrated LNG business model enhances our ability to comprehensively manage commercial risk.

<u>Long Term Sales Contract</u>

The primary sales contract with Uniper, a German utility, for approximately 5 MMTPA, gives us long term end user market access. This is important as LNG buyers are now signing shorter and smaller contracts.[1]

<u>Financing (UFK)</u>

As part of the agreement with Uniper, Pieridae is expected to receive an untied loan guarantee from Germany for approximately 3.0 B$ on processing equipment. The low cost of capital and the amount of leverage which can be achieved represent a significant advantage over competitors. Achieving a debt to equity structure of about 80/20 over the 50/50 of competitors on processing is a huge advantage since Pieridae's cost of debt could be at approximately 200 basis points lower than its competitors. All this translates into a cost of conversion of up to a $1.00/MMbtu lower than an integrated LNG company without such guarantee.

<u>World demand</u>

According to the International Energy Agency, the global energy demand is expected to grow by 30% between 2015 and 2040[2]. Global demand for LNG is predicted to grow from approximately ~175 MMPTA in 2010 to approximately ~375 MMPTA in 2020 and around ~575 MMPTA by 2035[3].It is predicted that demand in 2017 will increase ~9% to 280 MMTPA as China and Emerging markets will drive the demand growth over the next few years driven by Southeast Asia's demand. European demand is expected to buoy the global LNG demand from 2026 to 2030[4].

<u>Excess Supply</u>

Controlling the value chain from feed to transport and liquefaction. Pieridae, as part of its value chain strategy, plans to acquire stranded and economically constrained reserves and move them to world market prices. This includes acquisitions and joint ventures to acquire reserves in Canada and the United States. At the moment, there are multiple producers in Western Canada without a market to export their gas productions, driving the AECO prices down. Combined to smaller oil and gas business having difficulty to get back on their feet since the 2014 decline in oil prices, Pieridae has the opportunity to acquire feedstock at a good price.

<u>Transport Capacity</u>

The gas supply from a variety of sources for the project will be delivered via existing pipelines to the final connecting pipeline Maritimes and Northeast Pipeline (M&NP), located directly adjacent to the project site. All of the Western Canada production would move through the TransCanada mainline with a tolling structure. This system is under utilized with a current capacity of approximately 6 Bcf/day, but operating at about 2.4 Bcf/day. TransCanada will also be able to toll separately its capacity starting in 2020, providing significantly discounted tolls. Starting in 2020, TransCanada will be willing to provide 20 years fixed tolling on the pipeline path.

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[1] Royal Dutch Shell plc, *Shell LNG outlook 2018: Supply Investment Required To Meet Long-Term Demand Growth*, Shell interpretation of HIS Markit, Wood Mackenzie FGE, BNEF and Poten & Partners Q4 2017 Data, page 26.

[2] Royal Dutch Shell plc, *Shell LNG outlook 2018: External Environment Creating More Opportunities For Gas And LNG*, page 5.

[3] Royal Dutch Shell plc, *Shell LNG outlook 2018: Supply Investment Required To Meet Long-Term Demand Growth*, Shell interpretation of HIS Markit, Wood Mackenzie FGE, BNEF and Poten & Partners Q4 2017 Data, page 24.

[4] Todd Kepler, CFA, *Pieridae Energy Limited : On Track to Become Canada's First Major LNG Exporter*, Laurentian Bank Securities, Oil and Gas, January 16, 2018, page 20.

Delivery

The location of our LNG Facility is another of the essential advantages of the project. The land where the facility will be built will allow North American gas to be turned into International gas, allowing all targeted markets to be served within a 6 day baseload and a 14 days or less shipping range.

Planned work for 2018

For 2018, Pieridae will make its Final Investment Decision (“FID”) by the end of the year. To achieve this decision, Pieridae will secure financing via debt and equity before the FID. It also plans on securing its gas supply, transportation and sales for 1 and/or 2 trains in the upcoming quarters. The Corporation is working to insure that it has all the regulatory permits needed and to obtain the approval by the Nova Scotia Energy Board for the First End Engineering and Design (“FEED”) and make sure that all the other conditions are met.

For the facility, a Class 2 Open-book costs estimate will be completed prior to the FID. This cost estimate represents a more detailed plan for the construction of the Facility. The Class 2 estimate is necessary to generate a tender offer and to finalise the lump-sum contract by the engineering firm for the construction of the Goldboro LNG Facility.

Haldimand project (Gaspé block)

Project background and potential

Discovered in 2006, Haldimand is a conventional deposit located in the York River Formation, which consists of naturally fractured sandstone. It is located on the Haldimand Peninsula outside the Town of Gaspé, in a forest in the Sandy Beach area. On October 23, 2017, Pieridae has acquired complete control of the project. Previously, the Company had a 50% interest with Québénergie inc. holding the other 50%.

Over the years, exploration work has been carried out on the property, including the drilling of Haldimand 1, 2 and 4, three-dimensional seismic, surface geochemical and magnetotelluric surveys, reprocessing of data as well as well cleaning operations. As at December 31, 2017, Pieridae and its partners have invested over $29 million in the property. Following the work carried out, Pieridae confirmed the existence of a functional oil reservoir comprising natural fractures on the Haldimand property. The production test carried out in 2016 on Haldimand 4 allowed the natural production, without artificial aid, of high quality oil (API 53). During this test program, which included periods of production and stoppage, the well produced nearly 1,200 barrels of light oil without a pump. This test also allowed the collection of important data on the permeability and porosity of the reservoir.

As shown in the following table, as of October 31, 2017, an independent assessment by Sproule, an oil industry consulting firm, calculated the best estimate of the Discovered Petroleum Initially-In-Place (DPIIP), unadjusted for risk, at 87,9 million barrels and the Unrisked Contingent Ressources at 12,4 million barrels.

	Crude (100%) (millions of barrels)		
	Low estimate	**Best estimate**	**High estimate**
Discovered Petroleum Initialy-In-Place (DPIIP)	13,8	87,9	199,1
Contingent Resources	1,4	12,4	28,4

Planned work for 2018

Pieridae is working on developing a stimulation program that would allow for optimal production of the Haldimand reservoir. Once we have completed the analysis and studies of the data collected, we will work on potential stimulation programs and will file application to obtain all the permits and authorizations necessary to carry out those programs.

Bourque project

Project background and potential

The Bourque project, which was launched in 2007, is located on the northwestern part of the Gaspé property, 30 km east of Murdochville and 50 km west of the Town of Gaspé. There are four licences related to this property. The Company's interest in this project currently amounts to 51.03%, with the interests of Ressources Québec Inc. and TUGLIQ Energy Corp. in the licences amounting to 45% and 3.97%, respectively.

A number of exploration programs have been carried out in the property in recent years, including a three-dimensional seismic survey in 2008, the drilling of Bourque 1 and Bourque 2 in 2012, as well as the re-entry of Bourque 1 and the driling of Bourque 3 in 2016. As at December 31, 2017, Pieridae and its partners have invested nearly $31 million in the property.

The work made it possible to identify geological prospects in the Forillon Formation for which Sproule estimated, as of September 30, 2017, the mean volume of Total Petroleum Initially-In-Place, unadjusted for risk, at 827 million barrells of oil.

	Total Petroleum Initially-In-Place (100%) (Mbbl)			Pieridae's share (51.03%) (Mbbl)
	Low estimate	**Best estimate**	**High estimate**	**Mean estimate**
Bourque North	26	99	199	50
Bourque South	206	647	1,246	330
Bourque 2 Region	24	81	161	41
Total	**256**	**827**	**1,606**	**422**

Work completed and status update

Following the re-entry of Bourque 1 (Bourque HZ No. 1R1) and the drilling of Bourque 3 (Bourque HZ No. 3) carried out in fall 2016 pressure gauges were installed and the wells were shut-in for the winter. The pressure data recorders installed in the two wells in December 2016 were recovered on May 17, 2017.

On July 19, 2017, production tests on the Bourque No. 1 R1 and No. 3 wells were resumed.

The results of the production tests and sample analyses have been used to assess the best means to put these wells into production. In late August, Sproule received all this new data as well as 66 km^2 of reprocessed 3D seismic data obtained in 2015. Sproule was then mandated to prepare an update of the evaluation report of the resource contained within the Bourque project, effective as of September 30, 2017. The final report was delivered on November 15, 2017.

Planned work for 2018

We plan on recovering the downhole gauges for further analysis of the data, after wich we will work toward potential stimulations programs together with our Partners.

Other properties

Pieridae reviewed all of its data from his other properties in the Gaspé Peninsula to pinpoint areas with characteristics similar to those found in the Bourque Project and identified high-potential development properties.

Planned work for 2018 :

For the Gaspé Peninsula, a 169.5 km^2 Pseudo 3D seismic survey is planned to define a major structure mapped with already acquired 2D seismic lines. The new survey is designed to confirm the structural closure. We will also conduct a 1,090 km survey with an Airborne Hydrocarbon Geochemical Sensing System. Additionnal to this survey, we have planned an optional 1,194 km of Airborne Electromagnetic Survey to confirm the prospectivety of this feature. The Company is waiting for the legal authorizations and permits in order to proceed. Pending on Authorizations these surveys are planned for the summer and fall of 2018. Given positive results, the drilling of an exploratory well is tentatively forecast for the 2019 drilling season. The main objectives are the Val-Brilliant Silurian sandstones and Sayabec Silurian carbonates, as a dry gas prospect. The work as planned should be:

- A Pseudo 3D seismic survey & Processing for Gaspésia;
- A Geochemical, Arial Hydrocarbons detection, survey with Sky Hunter for Gaspesia, Fletcher-Le Ber and Haldimand-Tar Point;
- A Geophysical AEM-PTP, Passive Airborne Transient Pulse Electromagnetic, survey for Gaspesia, Fletcher-Le Ber and Haldimand-Tar Point (Optional).

7. COMPANY EXPERTISE

Pieridae has a dynamic, motivated team, with highly skilled technical personnel, making the Company the first integrated LNG player in Canada.

All Company worksites employ industry best practices. As a result, every effort is made to reduce environmental and social risks as much as possible. On that front, an emergency measures plan tailored to the reality of each region is prepared to prevent and react effectively to emergency situations.

8. MANAGEMENT'S ANALYSIS OF FINANCIAL INFORMATION

Selected annual information

	December 31, 2017	December 31, 2016
	$ [000s]	$ [000s]
STATEMENT OF LOSS		
Revenues	90	—
Net loss attributable to equity holders	(8,825)	(14,002)
Basic net loss per share	(0.237)	(0.900)
STATEMENT OF CASH FLOWS		
Cash flows related to operating activities	(10,239)	(8,317)
Cash flows related to investing activities	12,418	—
Cash flows related to financing activities	18,769	3,004
STATEMENT OF FINANCIAL POSITION		
Working capital	10,379	(24,260)
Total assets	74,045	10,028
Total liabilities	14,683	27,073
Equity (deficiency)	59,362	(17,045)

Operating results and cash position

For the year ended December 31, 2017, the Company's revenues mainly consisted of project management revenues totaling $90,000. Project management revenues comprise management fees invoiced by the Company as a project operator for exploration and restoration work.

For 2017, the Company reported a net loss attributable to the equity holders of $9,182,000, compared with $14,088,000 for the period ended December 31, 2016. This significant variation stemmed primarily from the completion of the FEED in 2016. The net loss for period ended December 31, 2017 was also impacted by a loss on conversion of the convertible loan in common shares for an amount of 2,987,000.

As at December 31, 2017, the Company had $21,238,000 in cash and cash equivalents and cash equivalent held for exploration, and $10,379,000 in positive working capital.

Analysis of cash flows

For the twelve-month period ended December 31, 2017, the Company's operating activities used cash totalling $10,599,000, compared with cash used amounting to $8,317,000 for the same period in 2016. The difference arose primarily from the net change in non-cash operating items and the change in net loss between the periods.

Investing activities for the year ended December 31, 2017 generated $12,418,000 mainly due to net cash received from the reverse takeover with Petrolia for an amount of $12,610,000.

Cash flows from financing activities for 2017 amounted to $18,769,000, primarily from proceeds totalling $23,673,000, net of share issue expenses, from the issuance of 2,052,130 shares before the amalgamation with Pétrolia. These proceeds are reduced by the repayment of bank borrowing for $3,201,000 and repayment of promissory notes for an amount of $2,153,000. During the same period in 2016, financing activities generated cash totalling $3,004,000 stemming for the most part from proceeds from the issuance of promissory notes totalling an amount of $2,215,000 and for $750,000, net of share issuance costs, from the issuance of 75,556 shares.

Analysis of administrative and operating expenses

Detail of administrative expenses:

	December 31, 2017 $	**December 31, 2016 $**
	[000s]	[000s]
Share-based compensation	160	543
Salaries and employee benefits	462	558
Board of Directors fees	38	—
Travel	9	10
Professional services	244	237
Depreciation of property, plant and equipment	5	—
Other expenses	146	2
Total administrative expenses before re-invoicing	1,064	1,350
Re-invoicing of expenses	(1)	—
	1,063	1,350

For the year ended December 31, 2017, administrative expenses, net of re-invoiced expenses, were down $287 from the year ended December 31, 2016. The key differences in administrative expenses were employees compensation offset by costs associated with the reverse takeover. Employees compensation expenses were down mainly due to lower share-based compensation, whereas Fees, Board of Directors fees and Shareholder reporting expenses were up year-over-year due to the reverse takeover and its implications.

Detail of operating expenses:

	December 31, 2017 $ [000s]	December 31, 2016 $ [000s]
Engineering and consulting	945	9,486
Environmental review	38	195
Share-based compensation	3,455	1,590
Salaries and employee benefits	503	1,087
Travel	69	87
Professional services	6	218
Depreciation of property, plant and equipment	15	7
Other expenses	199	190
Total administrative expenses before re-invoicing	5,230	12,860
Re-invoicing of expenses	(33)	—
Transfer to exploration and evaluation assets	(178)	—
	5,019	12,860

For the year ended December 31, 2017, operating expenses, net of re-invoiced expenses and transfer to exploration assets, were down $7,841,000 from the year ended December 31, 2016. The key differences in operating expenses were engineering and consulting and salaries and employee benefits compensated by an increase in share-based compensation. Diminution of engineering and consulting fees is explained by important non-recurring FEED expenses incurred in 2016. Salaries and employee benefits were low in 2017 due to staff reductions. In counterpart, due to the reverse take-over between Pieridae and Pétrolia, some stock-options had an accelerated vesting at the date of the transaction which impacted 2017 expense.

Summary of quarterly results

The Company's quarterly results may fluctuate significantly from quarter to quarter owing to the developement stage of the Company.

The information for the summary of quarterly results is based on International Financial Reporting Standards (IFRS).

	December 2017 $	September 2017 $	June 2017 $	March 2017 $
	[000s] *Post-consolidation*	[000s]	[000s]	[000s]
Revenues (including financial income)	161	—	—	—
Net loss attributable to equity holders	(3,091)	(1,736)	(2,132)	(3,281)
Net loss per share				
Basic	(0.067)	(0.137)	(0.111)	(0.120)
Diluted	(0.067)	(0.137)	(0.111)	(0.120)

	December 2016 $	September 2016 $	June 2016 $	March 2016 $
	[000s]	[000s]	[000s]	[000s]
Revenues (including financial income)	—	—	—	—
Net loss	(5,447)	(1,364)	(500)	(6,777)
Net loss per share				
Basic	(0.348)	(0.086)	(0.031)	(0.435)
Diluted	(0.348)	(0.086)	(0.031)	(0.435)

Analysis of share of associates

The Company's share in the net loss of associates for fiscal 2017 totalled $120,000 compared with $125,000 for fiscal 2016.

Financial information:

Key financial information for the interests held by Pieridae in Pieridae Production LP [20% of units] is as follows:

	2017 $	2016 $
	[000s]	[000s]
Current assets	**134**	104
Non-current assets	**20,145**	20,145
Current liabilities	**(1,947)**	(1,317)
Net loss for the year	**(600)**	(626)
Share of Pieridae	**(120)**	(125)

Related party transactions

The Company's related parties include other related parties and key management personnel, as described below.

Transactions with key management personnel

Key management personnel compensation includes the following expenses:

	2017 $ [000s]	2016 $ [000s]
Short-term employee benefits:		
Salaries and employee benefits	**520**	511
Director fees	**35**	—
Total short-term employee benefits	**555**	511
Fees	**63**	210
Share-based compensation	**547**	1,540
Total compensation	**1,165**	2,261

During the years ended December 31, 2017 and 2016, no options granted under the stock option plan were exercised by key management personnel of the Company.

Related companies and other parties

Transactions were carried out with a company in which a director is a majority shareholder:

	2017 $ [000s]	2016 $ [000s]
Comprehensive loss:		
Other expenses	**4**	—

These transactions were in the normal course of business and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Commitments

Under the terms of exploration licences granted by the Ministère des Ressources naturelles et de la Faune du Québec, the Company is committed to pay fees in the amount of $2,922,000 by 2026. The minimum payments required in the next five years are as follows:

2018 $ [000s]	2019 $ [000s]	2020 $ [000s]	2021 $ [000s]	2022 $ [000s]
136	136	177	489	526

The adoption of Bill 18 in Québec suspends some of these statutory work obligations for up to three years while at the same time extending the validity of all the licences for the same period. In June 2014, this period was extended until an act on hydrocarbons is tabled. On December 9, 2016, Bill 106, Act to implement the 2030 Energy Policy and to amend various legislative provisions, was adopted by the Government of Québec. However, as of the date of these financial statements, no regulations related to Bill 106 has been adopted.

Financial instrument disclosure

Risk management policy

The Company's financial assets and liabilities expose it to various risks. The following analysis provides an assessment of those risks as at the statement of financial position date, that is, December 31, 2017.

Credit risk

The assets that give rise to potential credit risk exposure for the Company consist primarily of cash and cash equivalents, receivables and security deposits. The Company's cash and cash equivalents are held with or are issued by established Canadian financial institutions, while security deposits are made directly to the Government of Québec. Receivables are mostly amounts related to commodity taxes or from subsidiaries of the Government of Québec. Management considers the risk of non-recovery to be low.

Liquidity and funding risk

Liquidity and funding risk is the risk that the Company may be unable to obtain sufficient cash or its equivalent in a timely and cost effective manner to meet its commitments as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements as they become due. The Company manages its capital structure, being its share capital and debt facilities, and makes adjustments to it based on the funds available to the Company, in order to support future business opportunities. The Company manages the capital structure and makes adjustments in light of changes in economic and market conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, additional debt facilities and/or consider strategic alliances including joint venture partners. To date, the Company has funded its share of commitments from existing cash balances and equity raises.

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

Interest rate risk

The Company is exposed to fair value risk through interest rate risk on its fixed-rate financial instruments.

Currency risk

The Company is also exposed to fluctuations in foreign exchange rates as certain accounts payable and accrued liabilities and commitments [note 11] are US dollar, UK pound sterling and Euro denominated. If the Canadian dollar was to change by five percent against the various currency exposures, the impact to the foreign exchange gain or loss would have been approximately $401,000. To date, the Company has not entered into any foreign currency transactions or financial instruments to manage currency risks.

Price risk

While the Company is still in a pre-development phase, it is not directly subject to fluctuations in commodity prices. However, fluctuations in commodity prices, specifically the price of LNG and the price of the North American gas supply, have a significant impact on the Company's final investment decision for the LNG project. These commodity prices also have a significant impact on the Company's ability to attract the necessary investment to ultimately construct the LNG project. As the Company advances toward a final investment decision for the LNG project and pursues the required financing it will evaluate a number of options to potentially manage this risk.

9. RISK FACTORS

The Company operates in an industry exposed to a variety of risk factors and uncertainties. The risks disclosed below reflect, to its knowledge, the risks and uncertainties to which the Company is exposed as at December 31, 2017.

Risks inherent to the industry

The LNG, oil and gas industry involves a high degree of risk which even a combination of experience, knowledge and careful evaluation may not be able to overcome.

Additional financing

The Company will require additional financing to support operations. 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. 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, which may adversely affect the Company's business and financial position. If financing is obtained by issuing additional equity, control of the Company may be affected.

Flow-through shares financing

Before the amalgamation, Pétrolia was financed in part by the issuance of flow-through shares for which Pieridae has commitments to fullfil in 2018. Although Pieridae has taken all the necessary measures in this regard, there is no guarantee that the Company will receive autorization and permits from government for completing the planned work. As a result, there is a risk that it will not incur sufficient exploration expenses to fully meet its undertaking to the subscribers of flow-through shares.

Competition

The LNG, oil and natural gas industry is extremely competitive. The Company competes with other companies that have ongoing LNG projects. Competition may affect the Company's ability to land customers, obtain sufficient supply or access to transportation.

Environmental issues

The LNG, oil and natural gas operations involve natural risks that could cause damage to the environment or other unforeseen conditions that could result in damage to the properties of the Company or to properties owned by third parties which could lead to potential liability toward third parties. The industry is subject to extensive environmental legislation providing restrictions and prohibitions on the emissions or release of certain substances produced in various activities within this industry. In addition, the legislation requires that land, wells and facility sites that are abandoned be reclaimed to the satisfaction of government authorities at the end of the licence validity period.

Oil and natural gas prices

The Company's operating results and financial position are partly dependent on the prices obtained for its eventual production. There have been significant fluctuations in LNG, oil and natural gas prices in recent years. These prices are based on international supply and demand, as well as other factors, such as climate, general economic conditions and conditions in other oil and natural gas producing regions, which are beyond the Company's control. Any change in LNG, oil and natural gas prices could have material adverse effects on the Company's business and financial position.

Development of reserves

The future success of the exploration work will depend on Company's ability to discover or acquire oil and natural gas reserves that are economically recoverable. The Company will find or acquire reserves only if it conducts successful exploration or development activities, concludes joint ventures and/or acquires properties containing proven reserves. There can be no assurance that the development projects and exploration activities that may be implemented in the future will result in reserves or that the Company will succeed in drilling productive wells at low exploration costs. If prevailing LNG, oil and natural gas prices were to increase significantly, the Company's exploration costs to find or acquire reserves would be expected to increase. Drilling oil wells involves a high degree of risk especially the risk of a dry hole or of a well that is not sufficiently productive to provide a return on the capital expended to drill the well. Thus the LNG facility supply and the Company's financial situation could be impacted by these factors.

Insurable risks

Where possible, the Company will purchase liability insurance that will insure against risks and provide coverage in accordance with industry standards. The Company or the other entities in which the Company will invest can suffer damages resulting from incidents such as fires, blowouts, geological formation damage, oil spills as well as personal injury, against which they may not be insured or they may choose not to be insured in light of high premium costs or other reasons. In addition, indemnities could exceed the policy limits. The costs of repairing such damages or paying such indemnities could cause the ongoing operation of the Company's business to become unprofitable and/or impossible.

Conflicts of interest

Certain directors of the Company serve on the boards of other corporations engaged in natural resource exploration and development operations. Such ties could give rise to conflicts of interest. In making any decisions involving the Company, these directors will satisfy their duties and obligations to deal fairly and in good faith with the Company and the other entities. In addition, these directors will disclose their interest and refrain from voting on any matter that could give rise to a conflict of interest.

Permits, licences and approvals

The Company's business requires permits and licences from government authorities. There can be no assurance that the Company will obtain all the permits and licences required to continue exploration operations. In addition, if the Company commences commercial operation of property, it must obtain and comply with all the necessary permits and licences. There can be no assurance that the Company will be able to obtain or comply with the requirements of such permits and licences.

Title to property

While the Company has taken reasonable steps to ensure it has good and valid title over its properties, there can be no assurance that title to such properties will not be disputed or challenged. Third parties may have valid claims with respect to the Company's properties.

Litigation

The Company may be held liable for pollution or for other risks for which it cannot be insured or for risks it may choose not to insure in light of high premium costs or other reasons. Payments of amounts in respect thereof may result in the loss of assets of the Company.

Regulatory impact

The LNG, oil and natural gas industry is subject to controls and regulations established by the various levels of government with respect to prices, royalties, land tenure, production quotas, imports and exports of LNG, oil, natural gas and environmental protection.

Nothing allows us to plan with certainty the impact these control measures and regulations and their amendments will have on the Company's operations.
The industry is subject to environmental regulations pursuant to a variety of provincial and federal legislation. These legislations provides restrictions and prohibitions on the emission or release of various substances produced or used in association with certain production activities within the industry and which affect the costs and location of wells and facilities and the extent to which activities are authorized. In addition, the legislation requires land, wells and facility sites that are abandoned to be reclaimed to the satisfaction of provincial authorities. Any breach of such legislation may result in the imposition of fines and penalties, suspension or revocation of necessary licences, permits and authorizations to operate a business and enforcement of civil liabilities for pollution damages. In Québec, environmental issues are governed mainly by the Environment Quality Act (Québec). The act

imposes obligations with respect to the environment, disclosure and monitoring. Furthermore, the law sets forth an impact study and broader public consultation process regarding environmental assessment and law enforcement issues. In Nova Scotia, environmental issues are governed mainly by the Environment Department and the Environment Policy Documents, the environmental acts, legislations and regulations. There are also Agencies, Boards and Commissions regarding the environment which have legal authority to exercise power over people or an activity and function independent of Government. Their powers may include licensing, advising a Minister, rule and policy making, and issuing approvals

The royalty program implemented by each province is a significant factor in the profitability of LNG, oil and natural gas production. Royalties payable on output are determined by government regulation; they are calculated as a percentage of the gross value of output and, typically, the rate of royalties payable depends in part on the prescribed benchmark price, well productivity, geographical location, field discovery date and the type or quality of the resource produced.

Hydraulic fracturing

The hydraulic fracturing process gives rise to concerns in communities particularly with respect to the drilling fluids used in the fracturing process and their effects on the aquifer, water use in connection with operations, the capability to recycle such water and the seismic effects associated with the process. A number of Canadian provincial governments are currently reviewing aspects of the scientific, regulatory and political framework in which the hydraulic fracturing operations are carried out. At present, most of these governments are taking part in the collection, review and assessment of technical information regarding the hydraulic fracturing process. Pursuant to the new hydrocarbon legislative framework adopted in December 2016, Québec legislation requires that wells and facility sites be built, operated, maintained, abandoned and restored to the satisfaction of the applicable regulatory authorities. The Ministère de l'Énergie et des Ressources naturelles ("MERN") will be issuing regulations governing how hydraulic fracturing is to be carried out under the new legislation. The Ministère du Développement Durable, de l'Environnement et aux Changements Climatiques is also reviewing its main law, the Loi sur la Qualité de l'Environnement and some of its related regulations in conjunction with the MERN. The government of Nova Scotia has banned hydraulic fracturing since November, 2014. The government of New Brunswick has also a ban on hydraulic fracturing.

Although the Company has no way of predicting the impact of any potential regulations on its business, the implementation of new laws, regulations, permits or licences regarding the use or disposal of water, or hydraulic fracturing in general, could increase the Company's compliance costs and the operating and exploration costs of its properties, the litigation risk and environmental liability of the Company and, in turn, adversely impact the future prospects of the Company and its financial position.

Political and social risk

LNG, oil and natural gas exploration and development activities may be subject to opposition from ecologist, environmentalist, aboriginal and non governmental groups . Demonstrations or acts of civil disobedience could have an impact on the Company's business. There can be no assurance that such activities will not target projects in which the Company holds an interest. Similarly, there can be no assurance as to any attitude or behaviour of a political party or a political group (whether municipal, provincial or federal) that could have an impact on the Company's business.

Land claims

Some properties may be subject to land claims by First Nations. There can be no assurance that such land claims will not be made against properties in which the Company holds an interest.

Availability of drilling equipment and access

Oil and natural gas exploration and development activities are dependent on the availability of related equipment, more specifically in the areas in which such activities are carried out. Demand for such equipment or access restrictions may affect the Company's ability to procure such equipment and may delay any exploration and development activities.

Growth management

The Company may be subject to growth risks including limitations and pressure on its internal control systems and measures. The Company's ability to manage growth effectively will require it to continuously implement and improve its operating and financial systems and expand, train and manage its core workforce. The Company's inability to support such growth could have a material adverse impact on its business, operations and prospects.

International protocols

Canada has signed international protocols and conventions setting forth certain environment requirements that may adversely affect the Company's business.

Share price volatility

The price of common shares is subject to changes owing to numerous factors beyond the Company's control, including reports pertaining to new information, changes in the Company's financial position, sales of the Company's shares in the market, Company announcements or LNG, oil and natural gas prices. There can be no assurance that the market price of the Company's shares will be protected from such fluctuations in the future.

10. OTHER INFORMATION

Supplemental documents

Certain supplemental documents, including prior management's discussion and analysis and press releases, are available online at www.sedar.com in the documents section or on Pieridae's website at www.pieridaeenergy.com.

Regulation 51-102 Section 5.3

Exploration expenses incured by Pétrolia (before amalgamation) and Pieridae for the year ended December 31, 2017 are detailed as follows:

	Geology	Geophysics	Completion and drilling	Analysis	Fracturing	General expenses	Options	Provision	Site maintenance	Total
	$	$	$	$	$	$	$	$	$	$
	[000s]	[000s]	[000s]	[000s]	[000s]	[000s]	[000s]	[000s]	[000s]	[000s]
Anticosti	-	-	-	-	-	2	-	-	-	2
Gastonguay	-	-	-	-	-	-	-	-	-	-
Gaspésia Marcel-Tremblay Edgar	6	32	-	-	-	5	-	-	-	43
Gaspé	3	5	-	-	-	33	-	47	4	92
Bourque	20	1	891	85	272	129	-	118	63	1,579
Haldimand	1	1	-	103	3	115	-	378	36	637
Tar Point	-	-	-	-	-	-	-	115	8	123
Matapédia	-	3	-	-	-	1	-	-	-	4
	30	**42**	**891**	**188**	**275**	**285**	**-**	**658**	**111**	**2,480**

Exploration expenses incured by Pétrolia for the year ended December 31, 2016 are detailed as follows:

	Geology	Geophysics	Completion and drilling	Analysis	Fracking	General expenses	Options	Provision	Site maintenance	Total
	$	$	$	$	$	$	$	$	$	$
	[000s]	[000s]	[000s]	[000s]	[000s]	[000s]	[000s]	[000s]	[000s]	[000s]
Anticosti	-	-	-	-	-	3	-	26	-	29
Gastonguay	-	-	-	-	-	-	-	-	-	-
Gaspésia Marcel-Tremblay Edgar	-	-	-	-	-	-	-	-	-	-
Gaspé	81	19	13	-	-	36	13	32	1	195
Bourque	91	20	8,627	3	-	29	31	148	11	8,960
Haldimand	5	1	522	12	-	56	28	75	108	807
Tar Point	10	-	-	-	-	1	-	16	2	29
Matapédia	-	-	-	-	-	-	1	-	-	1
	187	**40**	**9,162**	**15**	**-**	**125**	**73**	**297**	**122**	**10,021**

Règlement 51-102 section 5.4

Information regarding shares issued, stock options and warrants as at March 15, 2017

Common shares: 50,517,602 shares are issued and outstanding.

Stock options outstanding: the stock options granted to directors, members of senior management, employees and service providers are as follows:

Number	Exercise price	Expiry date
33,333	$11.76	September 14, 2018
32,496	$8.04	December 5, 2018
27,500	$8.04	May 27, 2019
61,664	$5.82	November 25, 2019
6,250	$6.84	25 mars 2020
6,250	$6.60	May 27, 2020
104,680	$4.08	November 24, 2020
9,375	$2.64	May 25, 2021
44,115	$0.01	June 8, 2021
441,150	$4.08	June 8, 2021
441,150	$4.08	June 13, 2021
34,374	$2.52	August 25, 2021
441,150	$5.67	October 19, 2021
111,085	$1.98	November 16, 2021
1,007,400	$5.67	January 28, 2023
2,801,972		

Warrants outstanding: 343,747 warrants exercisable at a price of $6.48 per share until November 6, 2018. Each warrant entitles the holder to purchase one common share of the Company at the stipulated exercise price until the expiry date.

11. MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management is responsible for Pieridae's financial statements, which have been approved by the Board of Directors on recommendation of the Audit Committee. The financial statements have been prepared by management in accordance with International Financial Reporting Standards. The annual consolidated financial statements of Pieridae Energy Limited for the periods ended December 31, 2017 and 2016 were audited by the Company's independent auditors. The financial statements include certain amounts that are based on the use of estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

Calgary, March 15, 2017

On behalf of the Board of Directors,

(signed) Alfred Sorenson
Alfred Sorensen
President

(signed) Mario Racicot
Mario Racicot
Chief Financial Officer