PIERIDAE ENERGY

Q1, 2019 Management's Discussion and Analysis

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides a review by management of the financial position and consolidated results of Pieridae Energy Limited ("Pieridae", "we", "our" or the "Company") for the three months ended March 31, 2019, as well as information about our future prospects. This MD&A has been prepared as of May 29, 2019 and should be read in conjunction with the Company's condensed consolidated interim unaudited financial statements for the three months ended March 31, 2019, its audited consolidated financial statements and the accompanying notes for the years ended December 31, 2018 and 2017, and the Annual Information Form for the year ended December 31, 2018. Continuous disclosure materials are available on the Company's website, www.pieridaeenergy.com, or on SEDAR, www.sedar.com. The reporting currency is the Canadian dollar. All amounts are presented in Canadian dollars unless otherwise stated.

In this MD&A, barrel of oil equivalent ("boe") amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil, which represents an energy equivalency conversion method applicable at the burner tip and does not represent a value equivalency at the wellhead. While it is useful for comparative measures, it may not accurately reflect individual product values and may be misleading if used in isolation.

This MD&A contains forward-looking information and statements along with certain measures which do not have any standardized meaning prescribed by Canadian Generally Accepted Accounting Principles ("GAAP"). The terms "operating netback", "operating income", "net operating expenses", and "project expenditures" do not have any standardized meaning as prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. We refer you to advisory on forward-looking information and statements and a summary of our non-GAAP measures at the end of the MD&A.

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Cautionary Note Regarding Forward-Looking Information

Certain of the statements contained herein including, without limitation, management plans and assessments of future plans and operations, Pieridae’s expected 2019 capital budget, Pieridae's future business plan and strategy, Pieridae's criteria for evaluating acquisitions and other opportunities, Pieridae's intentions with respect to future acquisitions and other opportunities, plans and timing for development of undeveloped and probable resources, timing of when the Company may be taxable, estimated abandonment and reclamation costs, plans regarding hedging, wells to be drilled, the weighting of commodity expenses, expected production and performance of oil and natural gas properties, results and timing of projects, access to adequate pipeline capacity and third-party infrastructure, growth expectations, supply and demand for oil, natural gas liquids, and natural gas, industry conditions, government regulations and regimes, and capital expenditures and the nature of capital expenditures and the timing and method of financing thereof, may constitute "forward-looking statements" or "forward-looking information" within the meaning of Applicable Securities Laws (as defined herein) (collectively "forward-looking statements"). Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue", "shall", "estimate", "expect", "propose", "might", "project", "predict", "forecast" and similar expressions may be used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management.

Forward-looking statements involve significant risk and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of resources estimates, environmental risks, competition from other producers, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources and the risk factors outlined under "Risk Factors" and elsewhere herein. The recovery and resources estimate of Pieridae's reserves provided herein are estimates only and there is no guarantee that the estimated resources will be recovered. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements.

Forward-looking statements are based on a number of factors and assumptions which have been used to develop such forward-looking statements, but which may prove to be incorrect. Although Pieridae believes that the expectations reflected in such forward-looking statements are reasonable, undue reliance should not be placed on forward-looking statements because Pieridae can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which Pieridae operates; the timely receipt of any required regulatory approvals; the ability of Pieridae to obtain qualified staff, equipment and services in a timely and cost efficient manner; the ability of the operator of the projects which Pieridae has an interest in, to operate the field in a safe, efficient and effective manner; the ability of Pieridae to obtain financing on acceptable terms; the ability to replace and expand oil and natural gas resources through acquisition, development and exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of Pieridae to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Pieridae operates; timing and amount of capital expenditures, future sources of funding, production levels, weather conditions, success of exploration and development activities, access to gathering, processing and pipeline systems, advancing technologies, and the ability of Pieridae to successfully market its oil and natural gas products.

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Pieridae's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), and at Pieridae's website (www.pieridaeenergy.com). Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and Pieridae assumes no obligation to update or review them to reflect new events or circumstances except as required by Applicable Securities Laws.

Forward-looking statements contained herein concerning the oil and gas industry and Pieridae's general expectations concerning this industry are based on estimates prepared by management using data from publicly available industry sources as well as from reserve reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which Pieridae believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While Pieridae is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.

Special Note Regarding Non-IFRS Financial Measures

This MD&A includes references to financial measures such as project expenditures and net working capital, that the Company believes is important to the understanding of the business activities. These financial measures are not defined by International Financial Reporting Standards (“IFRS”) and therefore are referred to as non-IFRS measures. The non-IFRS measures used by the Company may not be comparable to similar measures presented by other companies. The Company uses these non-IFRS measures to evaluate its performance. The non-IFRS measures should not be considered an alternative to or more meaningful than measures determined in accordance with IFRS, as an indication of the Company’s performance. The non-IFRS measures are reconciled to their closest IFRS measure on page 18 of this MD&A.

Special Note Regarding Production and Reserves

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

Consolidated Performance Highlights

	For the three months ended			
($000s, except where otherwise stated)		March 31, 2019		March 31, 2018
Revenue (net of royalties)	$	22,982	$	16
Net loss	$	12,996	$	2,959
Net loss per common share - basic and diluted ($/share)	$	(0.17)	$	(0.06)
Cash flow from operating activities	$	(17,084)	$	(2,148)
Project expenditures (1)	$	1,061	$	1,132
Net working capital deficit (1)	$	(66,192)	$	(84,061)
Shareholder's equity	$	98,340	$	57,746
Operating				
Daily production				
Crude Oil and NGLs (bbl/d)		200		-
Natural gas (Mcf/d)		102,221		-
Barrels of oil equivalent (boe/d) (2)		17,236		-

(1) Non-IFRS measure. See page 18 in this MD&A.

(2) Excludes sulphur production. This was supplemented by an additional 20,172 tonnes of sulphur.

Pieridae's financial results for the first quarter of 2019 reflect the fact the Company has evolved into an upstream exploration and production company, as well as a development company focused on the construction of its proposed LNG facility. The Company' operations are now dominated by the assets and activities associated with its acquisition of Ikkuma in late 2018. Management hopes to leverage off of these assets, and grow its upstream business, as it looks to fulfill its goal of becoming a fully integrated LNG company.

Operational Update

Background

Pieridae is a publicly traded, Canadian based Company engaged in the development of a fully integrated liquefied natural gas ("LNG") project to be built in Goldboro, Nova Scotia. See the Company's December 31, 2018 Annual Report for detailed information regarding the Goldboro LNG Facility.

On December 20, 2018, Pieridae completed a plan of arrangement whereby the Company acquired, directly and indirectly, all of the issued and outstanding common shares of Ikkuma Resources Corp. ("Ikkuma"), a publicly traded company engaged in the development and production of petroleum and natural gas resources located in the foothills of Alberta and British Columbia. By virtue of this acquisition, Pieridae also became an upstream petroleum and natural gas producer and took a large step towards meeting the supply requirements for Train 1 of the Goldboro facility. For information on all of the Company's upstream assets see the December 31, 2018 Annual Report.

The common shares of Pieridae trade on the Toronto Venture Exchange ("TSX") under the symbol PEA.V.

First Quarter Operational Highlights

Q1 2019 was the first quarter in which Pieridae recognized three full months of activity of its wholly owned subsidiary, Ikkuma. This milestone marks Pieridae's evolution to a true upstream energy producer, from a company focused primarily on the development and construction of its proposed LNG facility in Nova Scotia. It also positions Pieridae for further upstream acquisitions as it works to grow its natural gas production to levels sufficient to fill the LNG production trains at its proposed facility.

Production for the first quarter averaged 17,236 boe per day. Production was 99 percent natural gas and 1 percent natural gas liquids ("NGL's"). This production resulted in Pieridae recognizing petroleum and natural gas revenue (net of royalties) of

$22.4 million which included sulphur production revenue of $1.7 million. Pieridae also generated other income, in the form of processing fees, totalling $1.3 million.

Increased demand for natural gas in the winter months helped Pieridae to realize an average price of $2.26 per Mcf on natural gas and $45.61 per bbl on NGL's.

Exploration and development expenditures were minimal in the quarter as the Company focused on working capital management.

In February of 2019, the Nova Scotia Mi'kmaq Benefits Agreement negotiated with the Assembly of Nova Scotia Mi'kmaq Chiefs was ratified. The Benefits Agreement establishes the framework under which the Mi'kmaq of Nova Scotia will benefit economically from the development, construction and operation of the Goldboro LNG project. A Memorandum of Understanding, signed in 2013, originally outlined the relationship between Pieridae and the Mi'kmaq in Nova Scotia and this new Benefits Agreement underscores Pieridae's commitment to ongoing engagement and relationship building with the First Nations communities in Nova Scotia.

On April 1, 2019, the Company announced that it had engaged Kellogg Brown & Root Limited ("KBR") to perform a review of an amended version of the previously prepared front-end engineering and design ("FEED") study for its proposed Goldboro LNG Facility. KBR will also conduct an Open Book Estimate ("OBE") necessary for entering into a lumpsum engineering, procurement and construction ("EPC") contract.

Pieridae expected to make a soft final investment decision ("SFID") during 2019. This SFID would have allowed the Company to start the process of identifying capital partners and funding sources. Milestones for this decision include 1) securing natural gas transportation from Western Canada to Goldboro, 2) obtaining additional support from the German government to support upstream development, and 3) receiving the Permit to Construct from the Nova Scotia government. These milestones have all been met. In addition to these activities, Pieridae continues to negotiate a firm, lump-sum EPC contract for construction of Goldboro. Subsequent to year end, the Company decided to award an engagement to validate the FEED and complete the OBE to EPC contractor KBR. As the original FEED was completed by McDermott CB&I, this change in EPC partner has delayed the declaration of SFID. This declaration is still expected to occur in 2019. Final FID milestones and timing will be determined after the completion of the OBE and finalization of the firm, lump-sum EPC contract.

Business Environment

	For the three months ended			
(3-month average)		March 31, 2019		March 31, 2018
Dated Brent benchmark price (USD$/bbl)	$	63.34	$	66.99
WCS heavy differential from WTI (USD$/bbl)	$	12.38	$	24.27
Condensate benchmark price (USD$/bbl)	$	50.49	$	63.12
NYMEX benchmark price (USD$/MMBtu)	$	3.16	$	2.98
AECO benchmark price (CAD$/GJ)	$	1.84	$	1.75
NBP UK natural gas benchmark price (USD$/MMBtu)	$	6.64	$	7.11
US/Canadian dollar average exchange rate (USD$)	$	0.7522	$	0.7905
US/Canadian dollar period end exchange rate (USD$)	$	0.7483	$	0.7755

Once the Goldboro facility is operational, substantially all of the Company's production is expected to be sold based on NBP UK natural gas benchmark pricing. International natural gas prices closely correlate to Brent indices. Canadian natural gas pricing is primarily based on Alberta AECO reference pricing, which is derived from the NYMEX reference pricing and adjusted for its basis or location differential to the NYMEX delivery point at Henry Hub. The Company's realized prices can be sensitive to fluctuations in market prices and foreign exchange rates.

Financial Results

Consolidated Financial Highlights

	For the three months ended			
($000s, except where otherwise stated)		March 31, 2019		March 31, 2018
Revenue (net of royalties)	$	22,982	$	16
Net loss	$	12,996	$	2,959
Net loss per common share - basic and diluted ($/share)	$	(0.17)	$	(0.06)
Cash flow from operating activities	$	(17,084)	$	(2,148)
Capital expenditures	$	572	$	251
Project expenditures [(1)]	$	1,061	$	1,132
Net working capital deficit [(1)]	$	(66,192)	$	(84,061)
Shareholder's equity	$	98,340	$	57,746

(1) Non-IFRS measure. See page 18 in this MD&A.

This was the first quarter in which Pieridae recognized operational revenue and expenses with three full months of activity from its wholly owned subsidiary, Ikkuma.

In February the Company completed a private placement of common shares at a price of $2.00 per share. These efforts resulted in gross proceeds of $19.1 million. Pieridae used the proceeds of the private placement for general corporate purposes, including further reducing the liabilities assumed in the Ikkuma acquisition.

In Q1 2019 management re-evaluated the Company's prospects in Quebec and compared these to other opportunities available to the Company. Management concluded that renewing some petroleum licenses in Quebec was not in the best interests of the Company. Consequently, only licenses for properties which held the most promise, and likelihood of exploratory success, were renewed. The other licenses were relinquished. This was deemed as an indicator of impairment for the related properties, and an impairment charge of $7.9 million was recognized.

Revenues

	For the three months ended			
($000s)		March 31, 2019		March 31, 2018
Petroleum and natural gas revenue, net of royalties	$	22,370	$	-
Project management	$	-	$	16
Other income	$	1,268	$	-
Loss on risk management contracts	$	(656)	$	-
Total	$	22,982	$	16

Petroleum and natural gas revenues for the three months ended March 31, 2019 were $22.4 million. The Company also earned other income in the form of transportation and processing fees totalling $1.3 million. This represents third-party natural gas volumes transported through, and processed at, pipelines and facilities in which Pieridae has an ownership interest. There were no comparable revenues in 2018. Project management revenues are management fees invoiced by the Company as a project operator for site restoration work in Quebec.

Operating expenses

	For the three months ended			
($000s)		March 31, 2019		March 31, 2018
Engineering and consulting	$	130	$	166
Production expenses	$	12,116	$	-
Land improvements	$	921	$	53
Salaries and benefits	$	2,202	$	424
Other	$	825	$	112
Total	$	16,194	$	755

Operating expenses for the three months ended March 31, 2019, increased by $15.4 million, compared to the equivalent period in 2018. Most of the increase is attributable to the $12.1 million of production expenses incurred in the quarter related to the petroleum and natural gas assets acquired from Ikkuma in late 2018. The Ikkuma acquisition also resulted in a significantly higher headcount which increased salaries and benefits by $1.8 million. Road and lease maintenance in Ikkuma resulted in land improvements expense to increase by $868 thousand. Land lease and license fees contributed to a $713 thousand increase in other expenses.

Administrative expenses

	For the three months ended			
($000s)		March 31, 2019		March 31, 2018
Salaries and benefits	$	2,617	$	377
Professional fees	$	1,006	$	118
Other	$	409	$	102
Total	$	4,032	$	597

Administrative expenses for the three months ended March 31, 2019, increased by $3.4 million compared to the same period in 2018. The additional headcount from the Ikkuma acquisition contributed to an increase of $2.2 million in salaries and benefits in the quarter. The balance of the increase was attributable to costs related to ongoing efforts to progress the Goldboro LNG facility including financial advisor and engineering costs.

Transportation Expenses

	For the three months ended			
($000s)		March 31, 2019		March 31, 2018
Total transportation expenses	$	1,629	$	-

The Company's transportation expense for the three months ended March 31, 2019 were $1.6 million. There were no comparable costs in the same period in 2018.

Depletion and depreciation

	For the three months ended			
($000s)		March 31, 2019		March 31, 2018
Depletion and depreciation	$	4,345	$	16

Depletion and depreciation for the three months ended March 31, 2019, reflects the fact that a full quarter of depletion related to the Ikkuma properties was recognized in the quarter.

Impairment

	For the three months ended			
($000s)		March 31, 2019		March 31, 2018
Impairment	$	7,859	$	-

Management elected not to renew certain licenses in Quebec in 2019. It was concluded that due to the continuing challenges facing oil and gas companies in Quebec, that retaining these licenses was too costly, compared to other opportunities now available to the Company. Consequently, the Company relinquished most of its licenses in Quebec, and the associated capitalized costs were impaired.

Share-based compensation

	For the three months ended			
($000s)		March 31, 2019		March 31, 2018
Share-based compensation	$	149	$	1,327

Share-based compensation for the three months ended March 31, 2019, decreased by $1.2 million from the same period in 2018due to roughly one million options being granted in January 2018. No grants were awarded in the first quarter of 2019.

Financial income and expenses

	For the three months ended			
($000s)		March 31, 2019		March 31, 2018
Interest expense	$	1,171	$	13
Interest income	$	(108)	$	(45)
Accretion	$	706	$	14
Other	$	71	$	(1)
Net financial expense (income)	$	1,840	$	(19)

The $1.8 million increase in financial income and expenses for the three months ended March 31, 2019, is attributable to interest expense of $1.2 million related to Pieridae's term debt, plus $706 thousand of accretion associated with its provision for site restoration.

Segmented Information

With the acquisition of Ikkuma, the Company has active upstream operations. Therefore, management now evaluates its operations in two segments: Upstream and LNG. Upstream is represented predominantly by the properties acquired from Ikkuma in 2018. However, it also includes the Company's upstream operations in Quebec and New Brunswick. Segmented determinations are based on the operations of the separate subsidiaries involved in these activities. Upstream is currently the only segment generating operating revenues. LNG is based on the operations and activities associated with the development of the Company's Goldboro LNG Facility and corporate overhead costs.

	For the three months ended			
($000s)		March 31, 2019		March 31, 2018
Revenue				
Upstream	$	22,982	$	16
LNG	$	-	$	-
	$	22,982	$	16
Expenses				
Upstream	$	33,257	$	1,747
LNG	$	2,721	$	1,228
	$	35,978	$	2,975
Net loss				
Upstream	$	(10,275)	$	(1,731)
LNG	$	(2,721)	$	(1,228)
	$	(12,996)	$	(2,959)

	As at			
($000s)		March 31, 2019		December 31, 2018
Upstream assets	$	347,288	$	357,287
LNG assets	$	21,761	$	13,386
Total consolidated assets	$	369,049	$	370,673

Upstream Segment

The upstream segment includes the operations and assets in Western Canadian, primarily Alberta, as well as Quebec and New Brunswick. Due to ongoing restrictions on hydraulic fracturing and other exploration and development activities, the Company currently only has active operations in Western Canada.

Summary results

	For the three months ended			
($000s)		March 31, 2019		March 31, 2018
Total revenue	$	22,982	$	-
Petroleum and natural gas revenue, net of royalties	$	22,370	$	-
Expenses	$	33,257	$	1,747
Net operating expenses (1)	$	14,926	$	-
Net loss	$	10,275	$	1,731
Operating income (1)	$	5,159	$	-
Operating netback (1) (per boe)	$	3.32	$	-

(1) Non-IFRS measure. See page 18 in this MD&A.

Pieridae's net operating expenses totalled $14.9 million for the three months ended March 31, 2019. Processing fees make up the greatest proportion of operating costs. Net operating expense was $9.62 per boe. Pieridae's operating income for its upstream petroleum and natural gas assets was $5.2 million for the three months ended March 31, 2019. Its operating netback was $3. 32 per boe. There were no comparable costs for the prior year period or prior quarter as this is the first quarter of full operations since the Ikkuma acquisition.

Revenue

	For the three months ended			
($000s)		March 31, 2019		March 31, 2018
Natural Gas	$	20,725	$	-
NGL's	$	823	$	-
Sulphur	$	1,742	$	-
Royalties	$	(920)	$	-
Net petroleum and natural gas revenue	$	22,370	$	-
Project management	$	-	$	16
Other income	$	1,268	$	-
Total before risk management contracts	$	23,638	$	16
Revenue/boe	*$*	*15.24*	$	-

Petroleum and natural gas revenues for the three months ended March 31, 2019 were $22.4 million. The Company also earned other income in the form of transportation and processing fees totalling $1.3 million. This represents third-party natural gas volumes transported through, and processed at, pipelines and facilities in which Pieridae has an ownership interest. There were no comparable revenues in 2018. Project management revenues are management fees invoiced by the Company as a project operator for site restoration work in Quebec.

Production

	For the three months ended			
($000s)		March 31, 2019		March 31, 2018
Natural gas (mcf/d)		102,221		-
NGL's (bbl/d)		200		-
Total boe/d[1]		17,236		-
Natural gas		99%		-

(1) Excludes sulphur production

Average production for the three months ended March 31, 2019 was 17,236 boe/d. Quarterly gas production was associated with 20,172 tonnes of sulphur. Average gas production rates remained relatively stable for the quarter with only a few minor disruptions due to the extreme cold weather in February.

Royalties

	For the three months ended			
($000s)		March 31, 2019		March 31, 2018
Royalties	$	920	$	-
Per boe	*$*	*0.59*	$	-
Percentage of revenue		4.0%		-

Royalties averaged $0.59 per boe in the quarter, and 4 percent of revenues. There were no comparable costs in 2018.

Expenses

	For the three months ended			
($000s)		March 31, 2019		March 31, 2018
Operating expenses	$	16,194	$	-
Administrative expenses	$	1,339	$	568
Transportation	$	1,629	$	-
Impairment of assets	$	7,859	$	-
Share-based compensation	$	111	$	1,160
Gain on foreign exchange	$	(8)		
Depletion and depreciation	$	4,345	$	16
Financial expenses	$	1,840	$	-
Share of net loss of associate	$	3	$	3
Gain on disposal	$	(55)	$	-
Total	$	33,257	$	1,747

Operating expenses for the three months ended March 31, 2019, increased by $16.2 million compared to equivalent period in 2018. The increase was entirely attributable to the recognition of operating expenses related to the former Ikkuma assets, and the employees of that comapny.

Administrative expenses for the three months ended March 31, 2019, increased by $771 thousand, compared to the same period in 2018. Again, this was due primarily to the Ikkuma acquisition.

Transportation expenses reflect transportation costs for production in the period ended March 31, 2019. There were no similar charges in the prior year.

The Company recognized an impairment of $7.9 million related to its properties in Quebec. Management elected not to renew certain licenses for 2019. As such, the costs related to these licenses were impaired.

Depletion and depreciation for the three months ended March 31, 2019, reflects the depletion related to one full quarter of petroleum and natural gas production.

The finance expenses relate to the interest on the term debt used to partially fund the Ikkuma acquisition, and the accretion on the Company's provision for site restoration.

Assets

	As at			
($000s, except per share amounts)		March 31, 2019		December 31,2018
Petroleum and natural gas properties and equipment	$	302,222	$	301,603
Exploration and evaluation assets	$	19,896	$	27,573
Other assets	$	25,170	$	28,111
	$	347,288	$	357,287

The decrease in assets reflects a $5.5 million reduction in restricted cash set aside for the settlement of Ikkuma hedges which occurred prior to close, and the $7.9 million impairment recorded in Q1 2019.

LNG Segment

The LNG segment includes the development activities related to the Company's proposed Goldboro LNG facility. As this segment is in the developmental stage, there is no revenue being generated.

Expenses

	For the three months ended			
($000s)		March 31, 2019		March 31, 2018
Operating expenses	$	-	$	755
Administrative expenses	$	2,693	$	29
Share-based compensation	$	38	$	167
(Gain) loss on foreign exchange	$	(10)	$	296
Financial income	$	-	$	(19)
Total	$	2,721	$	1,228

Operating and administrative expenses for the three months ended March 31, 2019, increased by $1.9 million. The increase reflects Pieridae's recent efforts related to the proposed Goldboro LNG facility. The Company has engaged financial advisors, engineering consultants, environmental consultants and legal advisors as it works towards a final investment decision.

Summary of quarterly results

The Company's quarterly results may fluctuate significantly from quarter to quarter owing to the fact that the Company's activities have been primarily in the development stage.

($000s, except per share amounts)		Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Revenues	$	22,982	2,432	215	66	16	90	-	-
Operating expenses	$	16,194	5,093	2,018	1,575	1,013	2,493	877	48
Administrative expenses	$	4,032	3,971	1,707	1,759	1,682	1,063	44	631
Net loss attributable to equity holders	$	(12,996)	(8,848)	(20,368)	(2,711)	(2,942)	(3,091)	(2,131)	(1,572)
Net loss per share attributable to equity holders (basic and diluted)	$	(0.17)	(0.17)	(0.40)	(0.05)	(0.06)	(0.06)	(0.06)	(0.05)

Prior to Q4 2017, Pieridae was solely involved in the development of the proposed Goldboro LNG facility, so the operations during those quarters reflect that activity. In Q4 2017, Pieridae acquire Quebec based Petrolia which had primarily undeveloped upstream properties. It also acquired the operating and administrative costs related to those activities. In Q3 2018, Pieridae recognized an impairment on some of those Quebec assets which resulted in an increase in the net loss. In Q4 2018, Pieridae acquired upstream producer, Ikkuma, which resulted in eleven days of revenue and costs being recognized for that operation. Q1 2019 represents the first full quarter of operations acquired from Ikkuma. The Company also recorded an impairment of $7.9 million related to its Quebec licenses. With the evolution of the organization, historical results are not indicative of, and should not be relied upon to estimate, future financial results.

Project Investment

	For the three months ended			
($000s)		March 31, 2019		March 31, 2018
Capex	$	572	$	251
Goldboro spending (1)	$	489	$	881
Total	$	**1,061**	$	1,132

(1) Non-IFRS measure. See page 18 in this MD&A.

Goldboro spending relates to costs to address all the environmental conditions related to the environmental assessment approval. In order to keep the project on schedule, certain site preparation work and the OBE will also need to be completed in 2019, including completion of the land preparation and a road detour. The completion of this early work will be dependent on the Company obtaining further financing.

Capital Resources and Liquidity

Net Working Capital

	As at			
($000s)		March 31, 2019		December 31, 2018
Net working capital (deficit) (1)	$	(66,192)	$	(84,061)

(1) Non-IFRS measure. See page 18 in this MD&A.

As at March 31, 2019, Pieridae had a consolidated cash position of $16.2 million compared to a cash position of $9.1 million as at December 31, 2018. The working capital deficit was $66.2 million compared to a working capital deficit of $84.1 million at December 31, 2018. The $17.9 million decrease in the working capital deficit is primarily attributable to the $19.1 million raised through a private placement in February 2019, and the use of those funds to pay down accounts payable assumed from Ikkuma. The Company is actively working with its financial advisors for additional funding to allow it to meet these obligations, to grow its upstream asset base, and to allow it to proceed with construction of the Goldboro LNG facility once a final investment decision has been made. Although there is no guarantee that it will be successful, management believes the Company presents a compelling opportunity to potential lenders and investors due to the status of approvals for the project, the loan guarantees being offered by the German government and the strong business case for the Goldboro LNG facility. These factors all contributed to the success of its private placement in February.

Pieridae's capital strategy is aligned with its business strategy and is focused on ensuring that we have sufficient liquidity to fund our ongoing operations and our project development initiatives. Pieridae's principal sources of liquidity are equity and term debt. The Company will continue to tap into these sources, as able and as required, to execute on its strategy to become an integrated LNG producer. With the Ikkuma acquisition, the Company will also have a source of potential liquidity from cashflows attributable to active operations. At March 31, 2019, our capital structure was comprised of share capital, working capital and term debt.

Sources and Uses of Cash Flows

	For the three months ended			
($000s)		March 31, 2019		March 31, 2018
Cash flows related to operating activities	$	(17,084)	$	(2,148)
Cash flows related to investing activities	$	(572)	$	(251)
Cash flows related to financing activities	$	23,676	$	88

Cash flows used in operating activities increased from $2.1 million in the first quarter of 2018 to $17.1 million in the first quarter of 2019 due primarily to the payment of current liabilities acquired with Ikkuma.

Cash flows used for investing activities increased from $0.3 million in the first quarter of 2018 to $0.6 million in the same period in 2019 due primarily to maintenance capital requirements in Alberta.

Cash flows received from financing activities increased to $23.7 million in the first quarter of 2019 from $0.1 million in the same period in 2018 due primarily to the private placement completed in February and the release of cash restricted under a discontinued financial hedging program.

Capital resources

Our capital structure is composed of total shareholders' equity, and loans and term debt, less cash and cash equivalents. The following table summarizes our capital structure at March 31, 2019.

	As at			
($000s)		March 31, 2019		December 31, 2018
Cash and cash equivalents	$	16,158	$	9,112
Less: loans and term debt	$	(50,005)	$	(50,007)
Net debt	$	(33,847)	$	(40,895)
Shareholders' equity	$	98,340	$	91,900

Cash and cash equivalents

The balance of $16.2 million in cash and cash equivalents at March 31, 2019 does not include $3.1 million pledged as security for various Letters of Credit ("LC's") required to be posted with provincial agencies and other companies, to facilitate the Company's ongoing operations. These LC's have varying maturities. Restricted cash of $5.5 million related to Ikkuma's former hedging program was still outstanding at December 31, 2018. These funds settled in January. LC's worth $2.5 million renew automatically every anniversary date. LC's worth $0.6 million mature within one year. A $1.0 million LC matures in April 2020 and is recorded in non-current assets.

An additional $0.7 million of the cash and cash equivalents are held for exploration purposes related to flow-through shares, representing the unexpended proceeds of a flow-through share financing. According to restrictions imposed under financing arrangement, the Company was required to spend these funds on the exploration of oil and gas properties in Quebec. The Company also holds $0.7 million related to the Bourque project in Quebec. This represents the remaining cash from partner advances which must be spent on exploration work on the Bourque property. The net cash and cash equivalents not restricted is $14.7 million.

Loans and term debt

On December 20, 2018, the Company entered into a Senior Secured Credit Agreement for a $50.0 million non-revolving, term credit facility. The facility is secured by a fixed and floating debenture over all the assets of the Company. It bears interest at 9.5%, which is payable upon maturity. The facility is repayable on September 30, 2019. The Company used the proceeds to fund the repayment of Ikkuma's outstanding debt facilities of $65.7 million on the close of the acquisition.

Share Capital

During the three months ended March 31, 2019, the Company issued 11,281 common shares under its share-based compensation plan. It also issued 9,550,000 commons shares in a private placement. As of March 31, 2019, the Company had 84,121,990 common shares outstanding (December 31, 2018: 74,516,594). At May 29, 2019, 84,121,990 common shares were outstanding.

Commitments and Contingencies

The Company has a number of financial obligations that are incurred in the ordinary course of business. On April 1, 2019, the Company announced that it had engaged KBR to perform a review of an amended version of the previously prepared FEED study for its proposed Goldboro LNG Facility. KBR will also conduct an OBE necessary for entering into a lumpsum EPC contract. The total commitment for this contract is $13 million. Most of these payments will come due over the balance of 2019.

As of March 31, 2019, Pieridae's cumulative commitments, and the expected timing of these obligations, are detailed below:

($000s)		2019	2020	2021	2022	Thereafter	**Total**
Firm transportation	$	7,005	6,045	2,108	1,131	3,414	**19,703**
Engineering costs (KBR)	$	12,097	911	-	-	-	**13,008**
Leases	$	720	748	650	486	219	**2,823**
Quebec license fees	$	46	46	46	-	-	**138**
Interest on debt	$	2,381	-	-	-	-	**2,381**
Total	$	**22,249**	**7,750**	**2,804**	**1,617**	**3,633**	**38,053**

The Company is financed in part by the issuance of flow-through shares. However, although it has taken all the necessary measures in this regard, there is no guarantee that the funds spent by the Company regarding these shares will be deemed eligible by tax authorities in the event of an audit. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors. As at March 31, 2019, the balance of eligible expenses to be incurred amounted to $0.5 million (December 31, 2018: $0.5 million). The eligible expenses were to be incurred no later than December 31, 2018. However, due to the moratorium on exploration and development activity in the province of Quebec, Pieridae was not able to fulfill its obligations.

Off Balance Sheet Transactions

We do not have any financial arrangements that are excluded from the consolidated financial statements as at March 31, 2019, nor are any such arrangements outstanding as of the date of this MD&A.

Critical Accounting Policies, Estimates and Judgements

There have been no changes in our critical accounting estimates in the three months ended March 31, 2019 except for the adoption of IFRS 16, as discussed further below. Additional information regarding our critical accounting policies and estimates can be found in the notes to our audited consolidated financial statements and MD&A for the year ended December 31, 2018.

Changes in accounting policies

Pieridae adopted IFRS 16 Leases on January 1, 2019, using the modified retrospective approach. The modified retrospective approach does not require restatement of comparative financial information as it recognizes the cumulative effect on transition as an adjustment to opening retained earnings and applies the standard prospectively. Comparative information in the Company's consolidated statements of financial position, consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity, and consolidated statements of cash flows has not been restated. The cumulative effect of initial application of the standard was to recognize a $2.7 million increase to right-of-use assets ("lease assets") and an $2.7 million increase to lease obligations. Initial measurement of the lease obligation was determined based on the remaining lease payments at January 1, 2019, using a variety of incremental borrowing rates specific to the respective assets. The lease assets were initially recognized at an amount equal to the lease obligations. The lease assets and lease obligations recognized largely relate to the Company's head office lease in Calgary.

The adoption of IFRS 16 using the modified retrospective approach allowed the Company to use the following practical expedients in determining the opening transition adjustment:

- leases with a term of less than 12 months as at January 1, 2019 were accounted for as short-term leases;
- leases with an underlying asset of low value are recorded as an expense and not recognized as a lease asset; and
- leases with similar characteristics were accounted for as a portfolio using a single discount rate.

The Company's accounting policy for leases effective January 1, 2019 is set forth below. The Company applied IFRS 16 using the modified retrospective approach. Comparative information continues to be accounted for in accordance with the Company's previous accounting policy found in the December 31, 2018 audited financial statements.

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

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amount of assets, liabilities, income, and expenses. Actual results could differ significantly from these estimates. Management has made the following judgments, estimates, and assumptions related to the accounting for leases. The carrying amounts of the right-of-use assets, lease obligations, and the resulting interest and depletion and depreciation expense are based on the implicit interest rate within the lease arrangement or, if this information is unavailable, the incremental borrowing rate. Incremental borrowing rates are based on judgments including economic environment, term, and the underlying risk inherent to the asset.

Control Environment

The Company's management, including the Chief Executive Officer and the Chief Financial Officer evaluated the effectiveness of disclosure controls and procedures as at March 31, 2019, and concluded that disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in its annual filings and other reports filed with securities regulatory authorities in Canada is recorded, processed, summarized and reported within the time periods specified and such information is accumulated and communicated to the Company's management to allow timely decisions regarding required disclosures.

The Company's management, including the Chief Executive Officer and the Chief Financial Officer also evaluated the effectiveness of internal control over financial reporting as at March 31, 2019, and concluded that internal control over financial reporting is effective. Further, there were no changes in the Company's internal control over financial reporting during the first three months of 2019 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

While the Company's management believes that the Company's disclosure controls and procedures and internal control over financial reporting provide a reasonable level of assurance, they are effective, they recognize that all control systems have inherent limitations. Because of its inherent limitations, the Company's control systems may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Outlook and Guidance

Management reiterates the guidance issued in the Company's Annual Report with 2019 average daily production expected to be in the range of 16,000 – 18,000 boe/d. Production guidance excludes potential acquisitions. Pieridae's 2019 Upstream capital program will focus on necessary maintenance, equipping, tie-in and low cost high-return optimization initiatives at a cost of approximately $8 – 10 million. Depending on funding initiatives, Pieridae would expect to incur up to $45 million in Goldboro development activities.

Non-IFRS Measures

Net Operating Expense and Operating Netback

With the new operational activities undertaken with the Ikkuma acquisition, Management has identified certain industry benchmarks such as operating netback and net operating expense as derived from the netback to analyze financial and operating performance. These benchmarks, as presented, do not have any standardized meanings prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other entities. Operating netback equals petroleum and natural gas revenue including realized gains and losses on commodity risk management contracts less royalties, net operating expenses and transportation expenses calculated on a boe basis. Management considers operating netback an important measure to evaluate the Company's operational performance as it demonstrates Pieridae's field level profitability relative to current commodity prices. Net operating expense is a non-IFRS measure calculated as operating expenses less other income. Other income includes gas processing income earned from fees charged to third parties at facilities where Pieridae has an ownership interest.

Net Operating Expenses

Upstream segment	For the three months ended			
($000s)		March 31, 2019		March 31, 2018
Operating expenses	$	16,194	$	-
Other income	$	(1,268)	$	-
Net operating expenses	$	14,926	$	-
Per boe	$	9.62	$	-

Operating Income & Operating Netbacks

Operating Income

Upstream segment	For the three months ended			
($000s)		March 31, 2019		March 31, 2018
Revenue (net of royalties)	$	22,370	$	-
Realized loss on risk management contracts	$	(656)	$	-
Net operating expenses	$	(14,926)	$	-
Transportation expenses	$	(1,629)	$	-
Operating income	$	5,159	$	-

Operating Netback

	For the three months ended			
(Per boe)		March 31, 2019		March 31, 2018
Revenue	$	15.01	$	-
Realized loss on risk management contracts	$	(0.43)	$	-
Royalties	$	(0.59)	$	-
Net operating expenses	$	(9.62)	$	-
Transportation expenses	$	(1.05)	$	-
Operating netbacks	$	3.32	$	-

Project investment

Project investment represent total capital expenditures included in the financial statements plus Goldboro spending (defined below). This information is important as it shows Pieridae's total spending on key long-term initiatives.

Goldboro spending

Goldboro spending reflects all expenditures associated with the Company's proposed LNG facility in Goldboro, Nova Scotia, that are not of a capital nature. These expenditures are included in administration and operating expenses for the LNG segment. This information is important as it shows Pieridae's continued investment in Goldboro prior to these costs being available for capitalization.

Net Working Capital

	As at			
($000s)		March 31, 2019		December 31, 2018
Cash and cash equivalents	$	14,697	$	7,651
Cash and cash equivalents held for exploration purposes	$	1,461	$	1,461
Restricted cash	$	3,119	$	8,626
Accounts receivable	$	17,169	$	16,187
Prepaid expenses	$	2,589	$	2,250
Trade and other payables	$	(45,274)	$	(60,922)
Current portion of deferred lease inducements	$	(20)	$	(20)
Current portion of term debt	$	(50,005)	$	(50,007)
Partner advances for planned exploration work	$	(624)	$	(624)
Provision for contingent liability	$	(530)	$	(530)
Flow-through shares premium	$	(82)	$	(82)
Current portion of lease liabilities	$	(650)	$	-
Deferred accounts payable	$	(8,042)	$	(8,051)
Net working capital (deficit)	$	(66,192)	$	(84,061)