CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited, in thousands of Canadian dollars		**September 30, 2021**	**December 31, 2020**
Assets			
Current assets			
Cash and cash equivalents		**11,111**	11,069
Restricted cash		**2,193**	1,995
Accounts receivable	(Note 12)	**42,723**	44,900
Prepaid expenses and deposits		**4,108**	5,364
Inventories		**23,879**	23,882
		84,014	87,210
Security deposits		**600**	790
Interests in associates		**3,698**	3,698
Property, plant and equipment	(Note 5)	**464,577**	514,727
Exploration and evaluation assets	(Note 6)	**5,667**	3,255
Right-of-use assets		**1,200**	2,971
Total assets		**559,756**	612,651
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**129,782**	98,845
Current portion of decommissioning obligations	(Note 8)	**4,434**	4,434
Current portion of lease liabilities		**818**	2,032
Other amounts payable		**1,514**	1,514
		136,548	106,825
Other amounts payable	(Note 14)	**4,131**	14,898
Term debt	(Note 7)	**243,023**	219,555
Decommissioning obligations	(Note 8)	**213,599**	266,006
Lease liabilities		**384**	983
Total liabilities		**597,685**	608,267
Shareholder's equity			
Share capital	(Note 9)	**274,322**	274,322
Contributed surplus		**12,860**	12,374
Warrants	(Note 9)	**1,349**	-
Accumulated other comprehensive income		**2,922**	2,619
Deficit		**(329,011)**	(284,668)
Equity attributable to equity holders of the Company		**(37,558)**	4,647
Non-controlling interests		**(371)**	(263)
Total shareholders' equity		**(37,929)**	4,384
Total liabilities and shareholders' equity		**559,756**	612,651

Commitments (Note 15)

See accompanying notes to the unaudited condensed interim consolidated financial statements

CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

		Three months ended September 30,		Nine months ended September 30,	
Unaudited, in thousands of Canadian dollars, except per share amounts		**2021**	2020	**2021**	2020
Revenue					
Petroleum and natural gas	(Note 10)	**77,089**	48,347	**230,207**	167,359
Royalties		**(6,024)**	(1,195)	**(13,718)**	(5,207)
		71,065	47,152	**216,489**	162,152
Other income		**599**	1,386	**2,921**	2,669
Third party processing		**3,633**	6,009	**12,279**	19,737
		75,297	54,547	**231,689**	184,558
Realized gain on risk management contracts		**-**	-	**-**	12,708
Unrealized gain (loss) on risk management contracts		**-**	7	**-**	(159)
		75,297	54,554	**231,689**	197,107
Expenses					
Operating		**52,679**	51,543	**164,769**	147,947
Transportation		**4,698**	3,650	**13,680**	11,425
General and administrative		**6,750**	5,855	**18,362**	18,542
Development	(Note 14)	**783**	2,472	**4,525**	10,060
Finance	(Note 11)	**14,410**	11,746	**41,835**	35,067
Depletion and depreciation	(Note 5)	**10,634**	9,057	**32,466**	28,561
Share-based compensation		**202**	110	**486**	428
Foreign exchange gain (loss)		**(13)**	(43)	**17**	(213)
Share of net loss of associates		**-**	3	**-**	9
Loss on asset disposition		**-**	6	**-**	6
		90,143	84,399	**276,140**	251,832
Net loss before taxes		**(14,846)**	(29,845)	**(44,451)**	(54,725)
Current income tax expense		**-**	-	**-**	-
Deferred income tax (recovery)/expense		**-**	-	**-**	-
Deferred income tax recovery		**-**	-	-	-
Net loss		**(14,846)**	(29,845)	**(44,451)**	(54,725)
Other comprehensive income, net of income tax					
Foreign currency translation gain (loss)		**(205)**	275	**303**	(190)
Total comprehensive loss		**(15,051)**	(29,570)	**(44,148)**	(54,915)
Net loss attributable to					
Equity holders of the Company		**(14,913)**	(29,825)	**(44,343)**	(54,674)
Non-controlling interests		**67**	(20)	**(108)**	(51)
Net loss per share attributable to equity holders of the Company					
Basic		**(0.09)**	(0.19)	**(0.28)**	(0.35)
Diluted		**(0.09)**	(0.19)	**(0.28)**	(0.35)

See accompanying notes to the unaudited condensed interim consolidated financial statements

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited, in thousands of Canadian dollars		**Share Capital**	**Contributed Surplus**	**Warrants**	**Deficit**	**Accumulated Other Comprehensive Income (Loss)**	**Total Equity Attributable to Equity Holders**	**Non-Controlling Interests**	**Total Equity**
As at December 31, 2019		274,799	10,458	933	(184,076)	2,363	104,477	(162)	104,315
Share-based compensation		64	428	-	-	-	492	-	492
Expiry of warrants		-	489	(489)	-	-	-	-	-
Net loss attributable to equity holders of the Company		-	-	-	(54,674)	(190)	(54,864)	(51)	(54,915)
As at September, 30 2020	(Note 9)	274,863	11,375	444	(238,750)	2,173	50,105	(213)	49,892
As at December 31, 2020		274,322	12,374	-	(284,668)	2,619	4,647	(263)	4,384
Share-based compensation			486	-	-	-	486	-	486
Issuance of warrants		-	-	1,349	-	-	1,349	-	1,349
Net loss attributable to equity holders of the Company		-	-	-	(44,343)	303	(44,040)	(108)	(44,148)
As at September 30, 2021	(Note 9)	**274,322**	**12,860**	**1,349**	**(329,011)**	**2,922**	**(37,558)**	**(371)**	**(37,929)**

See accompanying notes to the unaudited condensed interim consolidated financial statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three months ended September 30,		Nine months ended September 30,	
Unaudited, in thousands of Canadian dollars		**2021**	2020	**2021**	2020
Operating activities					
Net loss		**(14,846)**	(29,845)	**(44,451)**	(54,725)
Unrealized loss on risk management contracts		**-**	126	**-**	159
Depletion and depreciation		**10,634**	9,057	**32,466**	28,561
Accretion of financing costs	(Note 11)	**6,209**	3,662	**17,679**	11,017
Non-cash interest expense		**4,831**	-	**7,938**	-
Accretion of decommissioning obligations		**-**	209	**-**	632
Share-based compensation		**202**	110	**486**	428
Change in provisions		**-**	(1,969)	**-**	-
Loss on asset disposition		**-**	6	**-**	6
Unrealized loss (gain) on foreign exchange		**-**	180	**-**	10
Share of net loss of associates		**-**	3	**-**	9
Other amounts payable	(Note 14)	**(1,033)**	627	**(10,767)**	627
Settlement of decomissioning obligations	(Note 8)	**(73)**	(1,077)	**(1,750)**	(1,740)
Changes in non-cash working capital	(Note 13)	**961**	14,370	**28,377**	14,888
Cash (used in) provided by operating activities		**6,885**	(4,541)	**29,978**	(128)
Investing activities					
Additions to property, plant and equipment	(Note 5)	**(9,460)**	(6,021)	**(31,013)**	(6,446)
Additions to exploration and evaluation assets	(Note 6)	**(392)**	(12)	**(2,412)**	(1,871)
Proceeds from asset disposition		**-**	75	**(54)**	75
Changes in non-cash working capital	(Note 13)	**5,581**	4,563	**6,186**	4,563
Cash (used in) provided by investing activities		**(4,271)**	(1,395)	**(27,293)**	(3,679)
Financing activities					
Issuance of share capital, net of costs		**-**	-	**-**	64
Restricted cash		**-**	17,692	**(198)**	16,967
Repayment of term debt		**(400)**	-	**(800)**	-
Payments on lease obligations		**(638)**	(660)	**(1,948)**	(2,037)
Cash (used in) provided by financing activities		**(1,038)**	17,032	**(2,946)**	14,994
Increase (decrease) in cash and cash equivalents		**1,576**	11,096	**(261)**	11,187
Cash and cash equivalents, beginning of period		**9,740**	10,475	**11,069**	9,567
Effect of foreign exchange on cash		**(205)**	(1,149)	**303**	(332)
Cash and cash equivalents, end of period		**11,111**	20,422	**11,111**	20,422
Cash paid:					
Interest paid in cash		**3,194**	7,767	**15,622**	23,133

See accompanying notes to the unaudited condensed interim consolidated financial statements

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

Many of the Company's oil and natural gas activities involve jointly owned assets. These condensed interim consolidated financial statements reflect only the Company's proportionate interest in such activities and are comprised of the Company and its subsidiaries.

These condensed interim consolidated financial statements were approved by the Board of Directors of Pieridae on November 10, 2021.

2. Basis of presentation

These unaudited condensed interim consolidated financial statements ("interim financial statements") and the notes thereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). These interim financial statements have been prepared following the same accounting policies and methods of computation as the Company's annual consolidated financial statements as at and for the year ended December 31, 2020. Certain information and disclosures normally required to be included in the notes to the annual financial statements have been condensed or omitted. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements as at and for the year ended December 31, 2020. Comparative amounts have been reclassified to match the current period presentation. There were no changes to the Company's operating segments during the period.

As at September 30, 2021 the Company had negative equity of $37.9 million, and current liabilities exceeded current assets by $52.5 million. During the nine months ended September 30, 2021, the Company generated a net loss of $44.5 million and had to defer it's commitment due in October 2021 related to its Credit Agreement, refer to note 7. Additionally, the Company has been unable to meet key conditions necessary to make a final investment decision on the Goldboro LNG Project which would have facilitated near-term financial flexibility. These factors impact the Company's ability to secure further financing and indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not reflect adjustments in the carrying value of assets and liabilities, revenue or expenses, nor the statement of financial position classification that could be necessary if the going concern assumption was not valid. Such adjustments could be material.

Significant accounting judgments and estimates

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

Critical accounting judgments and estimates used in preparing the interim financial statements are described in Pieridae's consolidated financial statements for the year ended December 31, 2020. Current conditions have increased the complexity in making judgments, estimates and assumptions used to prepare the interim financial statements, particularly related to the following:

(i) Impairment of petroleum and natural gas assets

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

3. New Accounting Policies and Standards

New accounting standards and amendments not yet adopted

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

4. Segmented Financial Information

The Company has two operating segments: Upstream and Corporate and LNG. Upstream assets include materials inventory acquired as part of the Acquisition on October 16, 2019. As at September 30, the Company held $23.9 million (December 31, 2020 - $23.9 million) of materials inventory.

Segmented Information	Three months ended September 30,					
	Upstream		**Corporate & LNG**		**Consolidated**	
Unaudited, in thousands of Canadian dollars	**2021**	2020	**2021**	2020	**2021**	2020
Revenue						
Petroleum and natural gas	**77,089**	48,347	-	-	**77,089**	48,347
Royalties	**(6,024)**	(1,195)	-	-	**(6,024)**	(1,195)
	71,065	47,152	-	-	**71,065**	47,152
Other income	**599**	1,386	-	-	**599**	1,386
Third party processing	**3,633**	6,009	-	-	**3,633**	6,009
	75,297	54,547	-	-	**75,297**	54,547
Realized gain on risk manangement contracts	-	-	-	-	-	-
Unrealized loss on risk management contracts	-	7	-	-	-	7
	75,297	54,554	-	-	**75,297**	54,554
Expenses						
Operating	**52,679**	51,543	-	-	**52,679**	51,543
Transportation	**4,698**	3,650	-	-	**4,698**	3,650
General and administrative	**4,827**	1,424	**1,923**	4,431	**6,750**	5,855
Development (Note 14)	-	-	**783**	2,472	**783**	2,472
Finance	**14,270**	11,746	**140**	-	**14,410**	11,746
Depletion and depreciation	**10,452**	8,878	**182**	179	**10,634**	9,057
Share-based compensation	**127**	45	**75**	65	**202**	110
Foreign exchange gain	**(13)**	(43)	-	-	**(13)**	(43)
Share of net loss of associates	-	3	-	-	-	3
Gain on asset disposition	-	6	-	-	-	6
	87,040	77,252	**3,103**	7,147	**90,143**	84,399
Net loss	**(11,743)**	(22,698)	**(3,103)**	(7,147)	**(14,846)**	(29,845)

Segmented Information	Nine months ended September 30,					
	Upstream		Corporate & LNG		Consolidated	
Unaudited, in thousands of Canadian dollars	**2021**	2020	**2021**	2020	**2021**	2020
Revenue						
Petroleum and natural gas	**230,207**	167,359	-	-	**230,207**	167,359
Royalties	**(13,718)**	(5,207)	-	-	**(13,718)**	(5,207)
	216,489	162,152	-	**-**	**216,489**	162,152
Other income	**2,921**	2,669	-	-	**2,921**	2,669
Third party processing	**12,279**	19,737	-	-	**12,279**	19,737
	231,689	184,558	-	-	**231,689**	184,558
Realized gain on risk manangement contracts	**-**	12,708	**-**	-	**-**	12,708
Unrealized loss on risk manangement contracts	**-**	(159)	**-**	-	**-**	(159)
	231,689	197,107	**-**	-	**231,689**	197,107
Expenses						
Operating	**164,769**	147,947	**-**	-	**164,769**	147,947
Transportation	**13,680**	11,425	**-**	-	**13,680**	11,425
General and administrative	**13,037**	6,980	**5,325**	11,562	**18,362**	18,542
Development (Note 14)	**-**	-	**4,525**	10,060	**4,525**	10,060
Finance	**41,358**	35,067	**477**	-	**41,835**	35,067
Depletion and depreciation	**31,925**	28,028	**541**	533	**32,466**	28,561
Share-based compensation	**286**	168	**200**	260	**486**	428
Foreign exchange loss (gain)	**8**	(213)	**9**	-	**17**	(213)
Share of net loss of associates	**-**	9	**-**	-	**-**	9
Gain on asset disposition	**-**	6	**-**	-	**-**	6
	265,063	229,417	**11,077**	22,415	**276,140**	251,832
Net loss	**(33,374)**	(32,310)	**(11,077)**	(22,415)	**(44,451)**	(54,725)

As at	September 30, 2021	December 31, 2020
Upstream assets	**488,847**	536,715
LNG assets	**6,794**	14,451
Corporate assets	**64,115**	61,485
Total consolidated assets	**559,756**	612,651

5. Property, Plant and Equipment

($ 000s) Cost	September 30, 2021	December 31, 2020
Balance, January 1	**594,556**	516,575
Additions	**31,013**	13,269
Change in decommissioning obligations (Note 8)	**(50,657)**	65,253
Business acquisition	**-**	(541)
Balance, end of period	**574,912**	594,556

Accumulated Depletion and Depreciation	September 30, 2021	December 31, 2020
Balance, January 1	**79,829**	21,527
Depletion and depreciation	**30,506**	41,426
Impairment	**-**	16,876
Balance, end of period	**110,335**	79,829

Net Book Value	September 30, 2021	December 31, 2020
Balance, January 1	**514,727**	495,048
Balance, end of period	**464,577**	514,727

Future development costs of Pieridae's proved and probable reserves of $226.0 million (December 31, 2020 - $226.0 million) were included in the depletion calculation for the three and nine months ended September 30, 2021.

At September 30, 2021, the Company determined that no indicators of impairment or impairment reversal exist in any of the Company's CGUs.

At December 31, 2020, impairment indicators existed on the Company's Northern and Central CGUs due to declines in reserves and forecasted commodity prices. An impairment test was performed and an impairment of $16.9 million was recognized on the Company's Northern CGU as the estimated recoverable amount exceeded its carrying value. The impairment resulted from decreases in estimated future net revenues, mainly due to lower forecasted oil and natural gas prices. No impairment was recognized on the Company's Central CGU.

6. Exploration and Evaluation Assets

($ 000s)	September 30, 2021	December 31, 2020
Balance, January 1	**3,255**	1,077
Additions	**2,412**	2,178
Balance, end of period	**5,667**	3,255

Exploration and evaluation ("E&E") assets consist of the Company's undeveloped land, seismic and exploration projects, which are pending the determination of technical feasibility and commercial viability. At September 30, 2021 and December 31, 2020, no impairment indicators were identified related to the Company's E&E assets.

7. Term Debt

($ 000s)	September 30, 2021	December 31, 2020
Balance, January 1	**219,555**	202,913
Accretion of financing costs	**15,530**	15,085
Interest paid in kind	**7,938**	1,557
Balance, end of period	**243,023**	219,555

In July 2020, the Company received a $6 million guarantee facility from Export Development Canada which was increased to $8 million in June 2021. This guarantee facility provides for 100% guarantee to the issuing banks of the Company's existing and future letter of credit of which $7.7 million was drawn at September 30, 2021 (December 31, 2020 – $4.9 million).

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

Under the terms of the Credit Agreement, unless the Company exercises a purchase right, but not an obligation, to acquire certain petroleum and natural gas properties from the lender for a purchase price of $45.0 million in cash on or before October 16, 2021 (deferred to January 1, 2022 per below), the Company will pay a deferred fee in the amount of $50.0 million to the agent. Pieridae is currently providing for the eventual payment of the deferred fee, and is accreting the $50.0 million value as a deferred charged over 48 months and recognizing these amounts as a finance expense.

On March 23, 2021, a waiver was provided by the agent and lender to amend the requirement to hedge at least 60% of production volumes on an 18-month rolling average to 38% for March, 49% for April to September and 60% for October 2021 and onwards. In addition, the financial covenant of $200 million minimum market capitalization threshold commencing June 30, 2021 was removed. Associated with this amendment, Pieridae issued 5,000,000 common share purchase warrants to the lender at an exercise price equal to $0.70 per common share with an expiration date of March 31, 2026.

On June 30, 2021, the Company executed certain amendments to the Credit Agreement in order to allow for temporary amendments or waivers of certain covenants, as described below. Additionally, on September 30, 2021, amendments to the Credit Agreement were made to delay payment of the $50.0 million deferred fee to January 1, 2022. Interest on this deferred fee will accrue from October 16, 2021 until paid in full. The Company also deferred an additional 6% of its third quarter interest through payment of interest in kind by accruing to the principle. Under the terms of the amended Credit Agreement:

(i) a minimum adjusted monthly working capital ratio of 1:1 was waived and temporarily reduced to 0.80:1 for the periods between August 2021 to October 2021 and 0.90:1 for November 2021. The amended working capital ratio covenant is calculated on an adjusted basis for 2021 to, among other things, normalize for the impact of planned gas processing facility turnarounds.
(ii) Minimum of 60% of production on an 18-month rolling average hedge requirement was waived for the periods July 2021 through September 2021 (further waived through the September amendment through December 2021).
(iii) the project milestone final investment decision date of September 30, 2021 was removed.

As at September 30, 2021 the Company was in compliance with, or had received waivers from the lender for, all covenants.

For the three and nine months ended September 30, 2021, the Company elected to PIK the 3.0% and additional 6.0% interest resulting in $4.8 million (September 30, 2020 – nil) and $7.9 million addition to the principal outstanding at September 30, 2021. The effective interest rate on the Company's term debt for the year ended September 30, 2021 was 21.8% (December 31, 2020 – 21.8%).

8. Decommissioning Obligations

($ 000s)	**September 30, 2021**	**December 31, 2020**
Balance, January 1	**270,440**	206,520
Additions	**-**	2,674
Change in estimates	**-**	(1,823)
Change in discount rate	**(50,657)**	64,402
Settlement of obligations	**(1,750)**	(2,173)
Accretion	**-**	840
Balance, end of period	**218,033**	270,440
Expected to be incurred within one year	**4,434**	4,434
Expected to be incurred beyond one year	**213,599**	266,006

The Company's decommissioning obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total undiscounted amount of cash flows required to settle its decommissioning obligations is approximately $237.7 million (December 31, 2020 - $237.7 million).

The Company used an observable, market-based and inflation adjusted risk-free real rate of return to estimate the present value of the decommissioning obligation. At September 30, 2021, the Company used a risk-free discount rate of 0.25% (December 31, 2020 – -0.28%).

9. Share Capital

Issued and Outstanding Common Shares

	September 30, 2021		December 31, 2020	
($ 000s except share amount)	**Common shares**	**Amount**	**Common shares**	**Amount**
Balance, January 1	**157,641,871**	**274,322**	157,561,174	274,799
Shares issued on Shell acquisition	**-**	**-**	-	(541)
Share-based compensation	**-**	**-**	80,697	-
Share issue costs (net of tax)	**-**	**-**	-	64
Balance, end of period	**157,641,871**	**274,322**	157,641,871	274,322

Warrants

On March 31, 2021, the Company issued 5,000,000 common share purchase warrants to the senior lender, at an exercise price equal to $0.70 per common share warrant (refer to Note 7). The Black-Scholes pricing model was used with the following assumptions to calculate the fair value of $1.3 million for the warrants on issue date at March 31, 2021:

Risk-free interest rate	0.99%
Option life (years)	5.0
Volatility	84.10%

Net loss per share – Basic and Diluted

	Three months ended September 30		Nine months ended September 30	
($ 000s except share amount)	**2021**	**2020**	**2021**	**2020**
Net loss for the period attributable to equity holders of the Company	**(14,913)**	(29,825)	**(44,343)**	(54,674)
Weighted average number of common shares (*000s of shares*)	**157,642**	157,642	**157,642**	157,631
Dilutive effect of options [(1)]	**-**	-	**-**	-
Weighted average common shares, diluted (*000s of shares*)	**157,642**	157,642	**157,642**	157,631
Net loss per shares – basic and diluted	**(0.09)**	(0.19)	**(0.28)**	(0.35)

[(1)] For the three and nine months ended September 30, 2021, 0.3 million and 0.1 million options were excluded from the diluted weighted average shares calculation as they were anti-dilutive (0.1 million and nil for the three and nine months ended September 30, 2020 respectively).

10. Petroleum and Natural Gas Sales

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

	Three months ended September 30		Nine months ended September 30	
($ 000s)	**2021**	**2020**	**2021**	**2020**
Natural Gas	**47,601**	28,787	**144,278**	105,058
Condensate	**15,356**	11,535	**48,083**	40,606
NGL	**10,169**	6,125	**27,805**	17,291
Sulphur	**3,963**	1,900	**10,041**	4,404
Total petroleum and natural gas sales	**77,089**	48,347	**230,207**	167,359

11. Finance Expense

($ 000s)	Three months ended September 30 2021	2020	Nine months ended September 30 2021	2020
Interest expense	**8,159**	7,839	**24,034**	23,384
Accretion of financing costs	**6,209**	3,662	**17,679**	11,017
Interest income	**(7)**	(4)	**(19)**	(76)
Accretion of decommissioning obligations (Note 8)	**-**	209	**-**	632
Interest on lease liabilities	**49**	40	**141**	110
Total finance expense	**14,410**	11,746	**41,835**	35,067

12. Financial Instruments and Risk Management

Fair Values

The Company's risk management contracts, if any, are classified as Level 2 in the three-level fair value measurement hierarchy. Fair values for risk management contracts are determined using external counterparty information, which is compared to observable market data. At September 30, 2021, the Company did not enter into any financial risk management contracts.

Term Debt is classified as amortized costs and determined using internal information inherent to the Credit Agreement. At September 30, 2021, the fair value of term-debt is $215.5 million (December 31, 2020 - $206.0 million) compared to a carrying value of $243.0 million (December 31, 2020 - $219.6 million).

Certain non-derivative financial instruments measured at amortized cost including cash and cash equivalents, trade receivables and trade payables have carrying amounts that approximate their fair value due to the nature of the item or the short time to maturity. These instruments would be classified as Level II of the fair value hierarchy.

The Company has exposure to counterparty credit risk, liquidity risk and market risk. Pieridae recognizes that effective management of these risks is a critical success factor in managing organization and shareholder value. Risk management strategies, policies and limits ensure risks and exposures are aligned to the Company's business strategy and risk tolerance. The Board of Directors is responsible for providing risk management oversight and oversees how management assesses and monitors risk. The following analysis provides an assessment of those risks as at September 30, 2021.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivable from partners in jointly owned assets, natural gas marketers and counterparties to derivative financial contracts. As at September 30, 2021, the Company did not have any financial risk management contracts.

The carrying amount of accounts receivable represents the maximum credit exposure. As at September 30, 2021 and December 31, 2020, the Company's accounts receivables consisted of:

($ 000s)	**September 30, 2021**	**December 31, 2020**
Petroleum and natural gas marketers	**25,267**	26,968
Partners in jointly owned assets	**15,460**	16,232
Other (primarily government entities)	**1,996**	1,700
Total	**42,723**	44,900

As at September 30, 2021 and December 31, 2020, the Company's accounts receivables were aged as follows:

($ 000s)	**September 30, 2021**	**December 31, 2020**
Current (less than 90 days)	**35,312**	36,454
Past due (more than 90 days)	**7,411**	8,446
Total	**42,723**	44,900

The Company has assessed the past due receivables and determined that no provision is required as at September 30, 2021.

Liquidity and funding risk

Liquidity and funding risk is the risk that the Company may be unable to obtain sufficient cash or its equivalent in a timely and cost-effective manner in order to meet its commitments as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements as they become due. The Company manages its liquidity risk by forecasting cash flows over a 12-month rolling time period to identify and allocate capital requirements. As at September 30, 2021, the Company's current liabilities exceed current assets by $52.5 million. The Company is currently looking at strategic alternatives in an effort to generate sufficient liquidity to cover its commitments. These alternatives could include any or a combination of modifications to Pieridae's capital structure, cost reduction strategies, strategic alliances, and/or disposition of assets. On September 30, 2021, following negotiations with the senior lender, the Company made amendments to its Credit Agreement to delay payment of the $50.0 million deferred fee to January 1, 2022. Refer to notes 2 and 7.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market conditions. Market risk comprises three types of risk: commodity price risk, interest rate risk and currency risk.

a. Commodity price risk

The Company's petroleum and natural gas production is directly subject to fluctuations in commodity prices. Fluctuations in commodity prices, both absolute and associated with changes in the Canadian to U.S. dollar exchange rate, and specifically the prices for natural gas, condensate and NGL's, could have significant impact on the Company's cash flows and its ability to sustain its operations. Such an exposure may impact the Company's operating cash flows, and its ability to attract the necessary investment to maintain operations.

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

The Company had the following fixed price physical commodity sales contracts in place at September 30, 2021.

Type of contract	Quantity	Time Period	Contract Price
Fixed Price - Natural Gas	172,500 GJ/d	Oct 2021	CAD $2.59/GJ
Fixed Price - Natural Gas	72,500 GJ/d	Nov – Dec 2021	CAD $3.12/GJ
Fixed Price - Natural Gas	60,000 GJ/d	Jan – Mar 2022	CAD $3.01/GJ
Fixed Price - Natural Gas	83,500 GJ/d	Apr – Oct 2022	CAD $2.29/GJ
Fixed Price - Natural Gas	17,500 GJ/d	Nov 2022 – Mar 2023	CAD $2.88/GJ
Fixed Price - Condensate	1,500 Bbl/d	Oct – Dec 2021	CAD $54.95/Bbl

The Company did not have any commodity derivative contracts in place or associated realized gains or losses for the three and nine months ended September 30, 2021 (three and nine months ended September 30, 2020 – nil and realized gains of $12.7 million respectively).

b. Interest rate risk

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

c. Currency risk

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

13. Presentation in Consolidated Statements of Cash Flows

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

	Three months ended September 30		Nine months ended September 30	
($ 000s)	**2021**	**2020**	**2021**	**2020**
Accounts receivable	**3,087**	(3,984)	**2,177**	(4,303)
Prepaid expenses and deposits	**1,006**	340	**1,446**	(1,392)
Inventories	**(13)**	(71)	**3**	455
Accounts payable and accrued liabilities	**2,462**	22,218	**30,937**	24,261
Other amounts payable	**-**	430	**-**	430
Total change in non-cash working capital	**6,542**	18,933	**34,563**	19,451
Relating to:				
Operating activities	**961**	14,370	**28,377**	14,888
Investing activities	**5,581**	4,563	**6,186**	4,563

14. Other Amounts Payable

During the second quarter of 2021, a liability of $7.5 million due to a third-party, contingent upon the execution of an engineering, procurement, construction and commissioning ("EPCC") contract within a specifically designed scope was determined to be extremely unlikely, thus the full amount was reversed to development expense.

The remaining balance is comprised of other amounts payable to third parties that extend beyond one year. In April 2020, the Company entered into an arbitration agreement with a third party to resolve an on-going commercial dispute. The matter was settled in November 2020 and resulted in the recognition of a total liability of $14.4 million. At September 30, 2021, the balance of $8.2 million was classified as $4.1 million long term and $4.1 million current, within accounts payable and accrued liabilities. For the three and nine months ended September 30, 2021, $1.0 million and $3.1 million respectively was paid to the third party. The year-to-date change of $10.8 million is comprised of payments to the third party and the reversal of the EPCC contract.

15. Commitments

The following table provides the Company's financial obligations and commitments at September 30, 2021 and the expected timing of their settlement:

($ 000s)	2021	2022	2023	2024	Thereafter	Total
Interest on term debt	59,709	32,324	25,594	-	-	117,627
Firm transportation	2,363	9,373	3,968	1,010	1,169	17,883
Total	**62,072**	**41,697**	**29,562**	**1,010**	**1,169**	**135,510**