MANAGEMENT'S REPORT

The accompanying consolidated financial statements of Pieridae Energy Limited (the "Company") and all other information contained elsewhere in this Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies described in the accompanying notes. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. In the opinion of management, the financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The financial information presented elsewhere in this report has been reviewed to ensure consistency with the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to provide reasonable assurance that transactions are appropriately authorized and recorded, assets are safeguarded from loss or unauthorized use and financial records are properly maintained to provide reliable information for preparation of financial statements.

The Board of Directors (the "Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board exercises this responsibility through the Audit Committee of the Board, which is comprised entirely of independent directors. The Audit Committee meets with management and the independent auditors to satisfy itself that management responsibilities are properly discharged and to review the consolidated financial statements before they are presented to the Board for approval. The consolidated financial statements have been approved by the Board on the recommendation of the Audit Committee.

The consolidated financial statements have been audited by Ernst & Young LLP, Chartered Professional Accountants, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders.

(signed)
Alfred Sorensen
Chief Executive Officer

(signed)
Adam Gray
Chief Financial Officer

Calgary, Alberta, Canada
March 21, 2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Pieridae Energy Limited

Opinion

We have audited the consolidated financial statements of Pieridae Energy Limited (the Company), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Recoverability of deferred tax assets	
• The consolidated statement of financial position as at December 31, 2022 includes a deferred tax asset of $78.9 million. Refer to Note 3 for a description of the Company's tax accounting policy. Note 17 includes the disclosures for income taxes. The recognition of deferred tax assets is based on management's estimate that it is probable taxable profit will be available against which these assets can be utilized. This involves an assessment of when those deferred tax assets are likely to reverse and judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. • Auditing the Company's estimate of future taxable profit and the recoverability of the deferred tax asset	To test the Company's estimated recoverability of deferred tax assets, we performed the following procedures, among others: o As the work of management's experts was used in performing our procedures to evaluate the reasonableness of oil and gas reserves used in determining forecasted profit, we evaluated management's experts' competence, capability and objectivity as well as obtained an understanding of the work they performed. The appropriateness of their work as audit evidence was evaluated by considering the relevance and reasonableness of the methods assumptions.

was complex due to the subjective and sensitive nature of the various management inputs and assumptions. The significant inputs most impacting the deferred tax asset recognition model were cash flows from the production of proved plus probable reserves volumes, The evaluation of this estimate required specialized skills and knowledge.

- Compared forecast benchmark commodity price estimates against historically realized prices and to other reputable third-party forecasts.
- Assessed forecasted production, royalty, operating cost, and capital cost data by comparing it to historical performance of the Company.
- Involved our tax specialists who assisted in evaluating the application of relevant tax laws and regulations used in the determination of the deferred income tax asset.
- With the support of our tax specialists, tax pool balances were agreed to the most recent tax filings, and the tax rates used in determining the deferred tax balances were compared against the enacted or substantively enacted tax rates.
- We assessed the completeness and accuracy of the Company's income tax disclosures in note 17 of the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Robert Troy Jubenvill.

Ernst & Young LLP

Calgary, Canada
March 21, 2023

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In thousands of Canadian dollars		December 31, 2022	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents	(Note 6)	**22,273**	26,216
Restricted cash	(Note 6)	**670**	1,348
Accounts receivable	(Note 18)	**74,514**	49,637
Prepaid expenses and deposits		**8,130**	5,060
Inventories		**3,122**	2,515
Assets held for sale	(Note 7)	**17,731**	-
Risk management contracts	(Note 18)	**505**	-
		126,945	84,776
Property, plant and equipment	(Note 7)	**398,092**	528,366
Exploration and evaluation assets	(Note 8)	**7,863**	6,062
Right-of-use assets	(Note 9)	**3,640**	2,736
Other assets		**-**	600
Deferred taxes	(Note 17)	**78,937**	-
Total assets		**615,477**	622,540
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**116,836**	143,849
Current portion of decommissioning obligations	(Note 12)	**4,749**	5,390
Liabilities related to assets held for sale	(Note 12)	**16,673**	-
Current portion of lease liabilities	(Note 10)	**1,849**	1,549
Risk management contracts	(Note 18)	**254**	-
Term debt	(Note 11)	**203,254**	21,654
		343,615	172,442
Other amounts payable		**509**	3,099
Long-term debt	(Note 11)	**-**	209,927
Decommissioning obligations	(Note 12)	**154,755**	269,097
Lease liabilities	(Note 10)	**1,840**	1,185
Total liabilities		**500,719**	655,750
Shareholder's equity			
Share capital	(Note 13)	**275,882**	274,322
Contributed surplus		**12,819**	12,882
Warrants	(Note 13)	**1,349**	1,349
Accumulated other comprehensive income		**2,809**	2,958
Deficit		**(177,760)**	(324,344)
Equity attributable to equity holders of the Company		**115,099**	(32,833)
Non-controlling interests		**(341)**	(377)
Total shareholders' equity		**114,758**	(33,210)
Total liabilities and shareholders' equity		**615,477**	622,540

Commitments (Note 22)
See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Directors

(signed) Charles Boulanger
Chair of the Audit Committee and Director

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

In thousands of Canadian dollars, except per share amounts		**2022**	2021
Revenue			
Petroleum and natural gas	(Note 14)	**487,830**	334,655
Royalties		**(75,431)**	(31,405)
		412,399	303,250
Third party processing and other income	(Note 14)	**31,185**	18,555
		443,584	321,805
Unrealized gain on risk management contracts	(Note 18)	**251**	-
		443,835	321,805
Expenses			
Operating		**219,570**	218,631
Transportation		**23,025**	19,089
General and administrative		**28,015**	25,868
Development	(Note 21)	**(4,514)**	4,750
Finance	(Note 16)	**52,612**	40,592
Depletion and depreciation	(Note 7,9)	**56,199**	48,442
Share-based compensation	(Note 15)	**1,387**	508
Foreign exchange (gain) loss		**(142)**	17
Share of net loss of associates		**-**	3,698
		376,152	361,595
Net income (loss) before taxes		**67,683**	(39,790)
Deferred income tax expense (recovery)	(Note 17)	**(78,937)**	-
Net income (loss)		**146,620**	(39,790)
Other comprehensive income (loss), net of income tax			
Foreign currency translation gain (loss)		**(149)**	339
Total comprehensive income (loss)		**146,471**	(39,451)
Net income (loss) attributable to			
Equity holders of the Company		**146,584**	(39,676)
Non-controlling interests		**36**	(114)
Net income (loss) per share attributable to equity holders of the Company			
Basic	(Note 13)	**0.93**	(0.25)
Diluted	(Note 13)	**0.91**	(0.25)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

In thousands of Canadian dollars	Share Capital	Contributed Surplus	Warrants	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Equity Attributable to Equity Holders	Non-Controlling Interests	Total Equity
As at December 31, 2020	274,322	12,374	-	(284,668)	2,619	4,647	(263)	4,384
Share-based compensation	-	508	-	-	-	508	-	508
Issuance of warrants	-	-	1,349	-	-	1,349	-	1,349
Net loss attributable to equity holders of the Company	-	-	-	(39,676)	339	(39,337)	(114)	(39,451)
As at December 31, 2021	274,322	12,882	1,349	(324,344)	2,958	(32,833)	(377)	(33,210)
As at December 31, 2021	274,322	12,882	1,349	(324,344)	2,958	(32,833)	(377)	(33,210)
Share-based compensation	-	460	-	-	-	460	-	460
Common shares issued on stock option exercise	1,560	(523)	-	-	-	1,037	-	1,037
Net income attributable to equity holders of the Company	-	-	-	146,584	(149)	146,435	36	146,471
As at December 31, 2022	**275,882**	**12,819**	**1,349**	**(177,760)**	**2,809**	**115,099**	**(341)**	**114,758**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars		**2022**	2021
Operating activities			
Net Income (loss)		**146,620**	(39,790)
Unrealized gain on risk management contracts	(Note 18)	**(251)**	-
Depletion and depreciation	(Note 7,9)	**56,199**	48,442
Accretion of financing costs	(Note 16)	**21,125**	6,537
Non-cash interest expense paid in kind	(Note 16)	**13,715**	7,938
Accretion of decommissioning obligations	(Note 12)	**1,252**	-
Stock-based compensation	(Note 15)	**460**	508
Share of net loss of associates		**-**	3,698
Deferred income tax recovery	(Note 17)	**(78,937)**	-
Other assets		**600**	-
Other amounts payable		**(2,590)**	(11,799)
Settlement of decommissioning obligations	(Note 12)	**(3,791)**	(2,537)
Changes in non-cash working capital	(Note 19)	**(66,235)**	38,120
Cash provided by operating activities		**88,167**	51,117
Investing activities			
Additions to property, plant and equipment	(Note 7)	**(37,725)**	(32,111)
Additions to exploration and evaluation assets	(Note 8)	**(1,801)**	(2,807)
Proceeds from asset disposition		**-**	(54)
Changes in non-cash working capital	(Note 19)	**10,668**	1,460
Cash used in investing activities		**(28,858)**	(33,512)
Financing activities			
Exercise of stock options		**1,037**	-
Restricted cash		**678**	647
Repayment of term debt	(Note 11)	**(62,064)**	-
Payment of financing fees	(Note 11)	**(1,103)**	(1,100)
Payments on lease obligations		**(1,651)**	(2,344)
Cash used in financing activities		**(63,103)**	(2,797)
Increase (decrease) in cash and cash equivalents		**(3,794)**	14,808
Cash and cash equivalents, beginning of period		**26,216**	11,069
Effect of foreign exchange on cash		**(149)**	339
Cash and cash equivalents, end of period		**22,273**	26,216
Cash paid:			
Interest paid in cash		**16,440**	25,340

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Pieridae Energy Limited (the "Company" or "Pieridae") is a publicly traded, Canadian based Company in the business of developing, producing and processing natural gas, natural gas liquids ("NGL's") and sulphur. The common shares of Pieridae trade on the Toronto Stock Exchange ("TSX") under the symbol PEA. The Company was incorporated on May 29, 2012, under the laws of Canada. It is headquartered at 3100, 308 – 4th Avenue SW, Calgary, Alberta, T2P 0H7.

Many of the Company's activities involve jointly owned assets. The consolidated financial statements reflect only the Company's proportionate interest in such activities and are comprised of the Company and its subsidiaries. The majority of Pieridae's assets and business activities are held in a wholly owned subsidiary, Pieridae Alberta Production Ltd.

2. Basis of Presentation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements are presented in Canadian dollars. The functional currency of the Company and its subsidiaries is Canadian dollars. All financial information reported in thousands, except per share amounts or where otherwise noted.

The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments which are measured at fair value as detailed in the accounting policies disclosed in Note 3 "Summary of Accounting Policies". Certain comparative amounts have been restated to conform to the current period presentation.

The consolidated financial statements were authorized for issue by the Board of Directors on March 21, 2023.

3. Summary of Accounting Policies

a. Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies to obtain benefits from its activities. Intercompany balances and transactions have been eliminated upon consolidation of these financial statements.

b. Business combinations

The Company accounts for business combinations using the acquisition method when the acquired assets meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the consideration given, including cash and equity. The acquired identifiable assets and liabilities assumed are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair value of the net identifiable assets acquired is recognized as goodwill. If the cost of acquisition is below the fair values of the identifiable net assets acquired, the difference is recognized as a bargain purchase gain in the consolidated financial statements of profit or loss. Transaction costs are expensed when incurred.

c. Inventories

Inventory is primarily comprised of consumables, materials and supplies and is carried at the lower of cost and net realizable value. Cost of inventory consists of purchase costs and is determined using average cost or on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. If the carrying amount exceeds net realizable value, an impairment is recognized. The impairment may be reversed in a subsequent period if the circumstances which caused it no longer to exist and the inventory is still on hand.

d. Financial instruments

i. Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, accounts receivable, term debt, and accounts payable. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss ("FVTPL"), any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Cash and cash equivalents: Cash and cash equivalents comprise cash on hand, term deposits held with banks, other short-term highly liquid investments with original maturities of three months or less and are measured at amortized cost.

Other: Other non-derivative financial instruments, such as accounts receivable, term debt, and accounts payable and accrued liabilities and other amounts payable are measured at amortized cost using the effective interest method, less any impairment losses. Transaction costs related to our term debt are capitalized and amortized as financial expenses over the term of the term debt. For a financial asset or a financial liability carried at amortized cost, transaction costs directly attributable to acquiring or issuing the asset or liability are added to, or deducted from, the fair value on initial recognition and amortized through profit or loss over the term of the financial instrument. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or a financial liability classified as FVTPL are expensed at inception of the contract.

ii. Derivative financial instruments

The Company may enter into certain financial derivative contracts in order to manage its exposure to market risks from fluctuations in commodity prices, interest rates and the exchange rate between Canadian and Unites States dollars. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, and thus not applied hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, all financial derivative contracts are classified as fair value through profit or loss and are recorded on the statement of financial position at fair value. Financial derivatives are subsequently measured at fair value with changes in fair value immediately charged to the consolidated statement of loss. Transaction costs are recognized in profit or loss when incurred.

The Company has accounted for its forward physical delivery sales contracts and power contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements as executory contracts. As such, these contracts are not considered to be derivative financial instruments and have not been recorded at fair value on the statement of financial position. Settlements on these physical sales contracts are recognized as petroleum and natural gas revenue or operating expense in profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through earnings. Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

e. Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

f. Property, plant and equipment

i. Recognition and measurement

Exploration and evaluation assets

Costs incurred prior to obtaining the right to explore a mineral resource are recognized as an expense in the period incurred. E&E activities comprise the Company's exploration and evaluation projects which are pending determination of technical feasibility and commercial viability.

E&E expenditures are initially capitalized and may include mineral license acquisitions, geological and geophysical evaluations, technical studies, exploration drilling and testing and directly attributable general and administrative costs. Tangible assets acquired, which are consumed in developing an intangible exploration asset, are recorded as part of the cost of the exploration asset. The costs are accumulated in cost centers by exploration area pending determination of technical feasibility and commercial viability.

The technical feasibility and commercial viability of extracting a mineral resource in an exploration area is generally considered to be determinable when economical quantities of proved and probable reserves have been discovered. A review of each

exploration area is carried out at each reporting date to ascertain whether reserves have been discovered. Upon determination of commercial proved and probable reserves, associated exploration costs are transferred from exploration and evaluation to property, plant and equipment as reported on the Consolidated Statements of Financial Position. Exploration and evaluation assets are reviewed for impairment prior to any such transfer. Assets classified as E&E are not subject to depletion and depreciation until they are classified to property, plant and equipment.

E&E assets are assessed for impairment if: (a) sufficient data exists to determine technical feasibility and commercial viability; (b) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to related CGUs.

Development and production costs
Items of property, plant and equipment, which include oil and gas development and production costs, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Property, plant and equipment include land and lease acquisition costs, geological and geophysical costs, costs of drilling and equipping productive wells, costs for production and processing facilities, decommissioning costs, and other directly attributable administrative costs. Property, plant and equipment are accumulated in cost centers based on CGUs for impairment testing. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of property, plant and equipment, property swaps and farm-outs, are determined by comparing the proceeds or fair value of the asset received or given up with the carrying amount of property, plant and equipment and are recognized in profit or loss.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized petroleum and natural gas assets and equipment generally represent costs incurred in developing proved and/or probable reserves and bringing on or enhancing production from such reserves and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

ii. Depletion and depreciation

The net carrying value of property, plant and equipment is depleted using the unit of production method by reference to the ratio of production in the year to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Relative volumes of reserves and production are converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil. Future development costs are estimated by taking into account the level of development required to produce those reserves. These estimates are reviewed by independent engineers at least once annually.

Capitalized plant turnaround costs are depreciated on a straight-line basis over the estimated time until the next turnaround is completed. Corporate assets, which include office furniture and equipment, software and computer equipment are depreciated on a straight-line basis over the useful lives of the assets, which are estimated to be five years, or on a declining balance basis of 20 to 30 percent per year.

g. Impairment

i. Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired by measuring the asset’s expected credit loss (“ECL”). The ECL pertaining to accounts receivable is assessed at initial recognition and this provision is re-assessed at each reporting date. The provision is adjusted as a result of changes in historical default rates, age of balances outstanding and counterparty credit metrics. In making an assessment as to whether financial assets are credit-impaired, the Company considers historically realized bad debts and evidence of a debtor’s present financial condition. The carrying amounts of financial assets are reduced by the amount of the ECL through an allowance account and losses are recognized through profit or loss. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

ii. Non-financial assets

The carrying amounts of the Company’s non-financial assets, other than exploration and evaluation and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Exploration and evaluation assets are assessed for impairment when they are

reclassified to property, plant and equipment, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets or CGUs. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows from proved and probable reserves are discounted to their present value that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is determined as the amount that would be obtained from the disposition of the asset in an arm's length transaction between knowledgeable and willing parties. The petroleum and natural gas future prices used in the impairment test are based on period-end commodity price forecasts estimated by the Company's independent reserves evaluator and are adjusted for petroleum and natural gas differentials, transportation and marketing costs specific to the Company.

Where circumstances change such that an impairment no longer exists or is less than the amount previously recognized, the carrying amount of the CGU is increased to the revised estimate of its recoverable amount as long as the revised estimate does not exceed the carrying amount that would have been determined, net of depletion and depreciation, had no impairment loss been recognized for the CGU in prior periods. A reversal of an impairment loss is recognized immediately through income or loss.

h. Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing development or use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition. For the sale to be highly probable, Management must be committed to a plan to sell the asset, and an active program to locate a buyer and complete the plan must have been initiated. The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value and the sale should be expected to be completed within one year from the date of classification. Certain events or circumstances beyond the Company's control may extend the period to complete the sale beyond one year. Immediately before PP&E and E&E are classified as held for sale, they are assessed for indicators of impairment or reversal of impairment and are measured at the lower of their carrying amount and recoverable amount, with any impairment charge or reversal of impairment recognized in the statements of income. Non-current assets held for sale and their associated liabilities are classified and presented in current assets and liabilities within the balance sheets. Assets held for sale are not depleted, depreciated, or amortized.

i. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive), as a result of a past event, if it is probable the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is significant).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably. Provisions are not recognized for future operating losses.

i. Decommissioning obligations

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date using the risk-free interest rate. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as a finance cost whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

j. Revenue recognition

Revenue from the sale of petroleum and natural gas is measured based on the consideration specified in contracts with customers. The Company recognizes revenue when it transfers control of the product to the buyer. This is generally at the time

the customer obtains legal title to the product and when it is physically transferred to the custody transfer point accepted by the customer, often terminals, pipelines or other transportation methods.

The Company evaluates its arrangements with counterparties and partners to determine if the Company acts as the principal or as an agent. In making this evaluation, management considers if the Company obtains control of the product delivered, which is indicated by the Company having the primary responsibility for the delivery of the product, having the ability to establish prices or having inventory risk. If the Company acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the Company from the transaction.

Tariffs and tolls charged to other entities for use of facilities owned by the Company are recognized as revenue as they accrue in accordance with the terms of the service or tariff and tolling agreements.

Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

k. Foreign currency transactions

Transactions completed in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the time of the transactions. Foreign currency assets and liabilities are translated to functional currency at the period-end exchange rate. Revenue and expenses are translated to functional currency using the average exchange rate for the period. Realized and unrealized gains and losses resulting from the settlement or translation of foreign currency transactions are included in profit or loss.

Certain subsidiaries of the Company operate and transact primarily in currencies other than the Canadian dollar. The designation of a subsidiary's functional currency is a management judgment based on the currency of the primary economic environment in which the subsidiary operates. The financial statements of each entity are translated into Canadian dollars in preparation of the Company's consolidated financial statements. The assets and liabilities of a foreign denominated operation are translated to Canadian dollars at the period-end exchange rate. Revenues and expenses of foreign denominated operations are translated to Canadian dollars using the average exchange rate for the period. Foreign exchange differences are recognized in accumulated other comprehensive income or loss.

l. Share-based compensation

The Company's share-based compensation plan includes equity-settled and cash-settled awards.

Equity-settled share-based awards granted by the Company include stock options granted to directors, officers, employees and key consultants. The fair value determined at the grant date of an award is expensed on a graded basis over the vesting period of each respective tranche of an award with a corresponding adjustment to contributed surplus. In calculating the expense of share-based awards, the Company revises its estimate of the number of equity instruments expected to vest by applying an estimated forfeiture rate for each vesting tranche and subsequently revising this estimate throughout the vesting period, as necessary, with a final adjustment to reflect the actual number of awards that vest. Upon the exercise of share-based awards, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. In the event that vested share-based awards expire without being exercised, previously recognized compensation costs associated with such rewards are not reversed.

The fair value of equity-settled share-based awards is measured using the Black-Scholes option-pricing model taking into account the terms and conditions upon which the awards were granted. Measurement inputs as at the grant date include share price, exercise price, expected volatility, weighted average expected life of the instruments, expected dividends and the risk-free interest rate applicable to the term of the award.

Liabilities associated with cash-settled awards are determined based on the fair value of the award at grant date and are subsequently revalued at each period end. This valuation incorporates the five-day volume-weighted average share price and the number of awards outstanding at each period end. Compensation expense is recognized in the statements of income over the relevant service period with a corresponding increase or decrease in accrued liabilities. Classification of the associated short-term and long-term liabilities is dependent on the expected payout dates of the awards.

m. Finance income and expenses

Finance expenses comprise service charges, interest expense on term debt, accretion of deferred financing costs and accretion of decommissioning obligations. Borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. All other borrowing costs are recognized in profit or loss using the effective interest rate method. The capitalization rate used to determine the amount of

borrowing costs to be capitalized is the weighted average interest rate applicable to the Company's outstanding term debt during the period.

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

n. Income tax

Income tax expense comprises current and deferred tax and is recognized in net income or loss except to the extent that it relates to items recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

o. Per share information

Basic earnings per share information is calculated on the basis of weighted average number of common shares outstanding during the period. Diluted per share information reflects the potential dilutive effect of stock options and warrants. No adjustment to diluted net loss per share is made if the result of these calculations is anti-dilutive.

p. Joint arrangements

The Company conducts its exploration and development activities independently, as well as jointly with others through jointly controlled assets and operations. All of the Company's current interests in joint arrangements are classified as joint operations. To account for these arrangements, the Company recognizes its proportionate share of the related revenues, expenses, assets and liabilities of such joint operations.

q. Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i. Property, plant and equipment and intangible exploration assets

The fair value of property, plant and equipment recognized in a business combination is based on market values. The market value of property, plant and equipment is the estimated amount for which property, plant and equipment could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in property, plant and equipment) and exploration assets is estimated with reference to the discounted cash flow expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions. The market value of other items of property, plant and equipment is based on the quoted market prices for similar items.

ii. Cash and cash equivalents, accounts receivable, term debt, accounts payable and accrued liabilities and other amounts payable

Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and other amounts payable are measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows.

Term debt bears a fixed interest rate and is carried at its amortized cost using the effective interest method.

iii. Derivatives

The fair value of financial commodity price risk management contracts is determined by discounting the difference between the contracted prices and published forward price curves as at the statement of financial position date, using the remaining contracted oil and natural gas volumes and a risk-free interest rate (based on published government rates). The fair value of options and costless collars is based on option models that use published information with respect to volatility, prices and interest rates.

iv. Share options

The fair value of employee share options is measured using a Black-Scholes option-pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

v. Measurement

The Company classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Refer to Note 18 of the consolidated financial statements, which provides fair value measurement information for financial assets and liabilities.

r. Leases

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 leases 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.

4. New Accounting Policies and Standards

New Accounting Policies

Amendments to IAS 16 Property, Plant and Equipment

On January 1, 2022, the Company adopted Property, Plant and Equipment – Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit a company from deducting the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. There was no impact to the financial statements.

Amendments to IAS 37 Provision Contingent Liabilities and Contingent Assets

On January 1, 2022, the Company adopted Onerous Contracts – Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions Contingent Liabilities and Contingent Assets. The amendments specify which costs an entity includes in determining

the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. There was no impact to the financial statements.

Future Accounting Pronouncements
The Company plans to adopt the following amendments to accounting standards, issued by the IASB, on their respective effective dates, however, the amendments are not expected to have a material impact on the consolidated financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
In February 2021, the IASB issued amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors to clarify its definition of accounting estimates. The amendment will be effective on January 1, 2023.

Amendments to IAS 12 Income taxes
In May 2021, the IASB issued amendments to IAS 12 Income Taxes to clarify its requirements for deferred tax related to assets and liabilities arising from a single transaction. The amendment will be effective on January 1, 2023.

Amendments to IAS 1 Presentation of Financial Statements
In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify its requirements for the presentation of liabilities as current or non-current in the consolidated statements of financial positions and clarify its requirements for the disclosure of Accounting Policies. In October 2022, the IASB issued amendments to IAS 1, which specify the classification and disclosure of a liability with covenants. Both amendments will be effective on January 1, 2024.

Amendments to IFRS 16 Lease Liability in a Sale and Leaseback
In September 2022, the IASB issued amendments to IFRS 16, Lease Liability in a Sale and Leaseback to clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendment will be effective on January 1, 2024.

5. Management Judgement and Estimation Uncertainty

The timely preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions. These estimates and judgement are subject to change and actual results may differ from those estimated. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets, liabilities, revenues and expenses are discussed below:

i. Identification of cash generating units

Some of the Company's assets are aggregated into cash-generating units ("CGUs"), for the purpose of calculating depletion and impairment. A CGU is comprised of assets that are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. By their nature, these estimates and assumptions are subject to measurement uncertainty and may impact the carrying value of the Company's assets in future periods.

ii. 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. Impairment charges and reversals are recognized in profit or loss.

iii. Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation ("E&E") assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found in assessing commercial viability and technical feasibility.

iv. Lease arrangements

The Company applies judgement when reviewing each of its contractual arrangements to determine whether an arrangement contains a lease. The carrying amounts of the right-of-use assets, lease obligations, and the resulting interest 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.

v. Debt instruments

Debt instruments are initially recognized at fair value based on consideration received and adjusted in respect of any transaction costs that are incremental and directly attributable to the issue of the instrument. Subsequent measurement is at amortized cost and the effective interest rate method. Certain financing arrangements contain options which may revise future estimated cash outflow and result in an adjustment to the carrying value of the financial liability. At each reporting period, the Company will estimate whether such options will be exercised and if an adjustment to the financial liability is required. All adjustments arising from such changes in estimates are recognized immediately in profit or loss.

vi. Assessment of going concern

The Company has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon its ability to continue as a going concern. In reaching this conclusion, the Company uses significant judgement and estimates, and considered all relevant information, including feasibility of and effectiveness of management's mitigation plans. Accordingly, actual circumstances will differ from those estimates and the variation may be material.

vii. Reserves

The assessment of reported recoverable quantities of proved and probable reserves include estimates regarding production profile, commodity prices, exchange rates, remediation costs, timing and amount of future development costs and production, transportation and marketing costs for future cash flows. It also requires interpretation of geological, engineering, and geophysical models in anticipated recoveries. The economical, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying values of the Company's property, plant and equipment, the calculation of depletion, the provision for decommissioning obligations and the recognition of deferred tax assets due to changes in expected future cash flows. The recoverable quantities of proved and probable reserves and associated estimated cash flows are independently evaluated by qualified reserve evaluators at least annually.

The Company's petroleum and natural gas reserves represent the estimated quantities of petroleum and natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be economically recoverable in future years from known reservoirs and which are considered economically producible. Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon (i) a reasonable assessment of the future economics of such production; (ii) a reasonable expectation that there is a market for all or substantially all the expected petroleum and natural gas production; and (iii) evidence that the necessary production, transmission and transportation facilities are available or can be made available. Reserves may only be considered proven and probable if the ability to produce is supported by either production or conclusive formation tests. Pieridae's petroleum and gas reserves are determined pursuant to National Instrument 51-101, Standard for Disclosures for Oil and Gas Activities.

viii. Business combinations

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed which includes assessing the value of oil and gas properties based upon the estimation of recoverable quantities of proven and probable reserves acquired. Various valuation techniques are applied for measuring fair value including market comparables and discounted cash flows which rely on assumptions such as forward commodity prices, reserves and resources estimates, production costs and discount rates. Changes in any of these variables could significantly impact the carrying value of the net assets.

ix. Decommissioning obligations

The Company estimates future decommissioning and remediation costs of production facilities, processing facilities, wells and pipelines at the end of their economic lives. In most instances, abandonment and reclamation of these assets occurs many years into the future. This requires assumptions regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating costs, future removal technologies in determining the removal cost, inflation and liability-specific discount rates to determine present value of these cash flows.

x. Share-based payments

Equity-settled, share-based awards issued by the Company are fair valued using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation, estimates must be made regarding the expected volatility in share price, weighted average expected life of the instrument, expected dividend yield, risk-free interest rate and estimated forfeitures at the initial grant date.

Compensation expense related to the cash-settled awards (Restricted Share Unit Incentive Plan) is dependent on management's estimate of the number of restricted share units that will ultimately vest.

xi. Deferred taxes

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amount recognized in income or loss for the period in which the change occurs.

6. Cash and Cash Equivalents & Restricted Cash

At December 31, 2022, cash and cash equivalents were $22.3 million (December 31, 2021 - $26.2 million) and restricted cash was $0.7 million (December 31, 2021 - $1.3 million). Restricted cash is primarily used to collateralize letters of credit issued to regulators.

7. Property, Plant and Equipment

($ 000s) **Cost**	**2022**	**2021**
Balance, January 1	**654,285**	594,556
Additions	**37,725**	53,145
Change in decommissioning obligations (Note 12)	**(95,771)**	6,584
Transfers to assets held for sale	**(58,645)**	-
Balance, December 31	**537,594**	654,285

Accumulated Depletion and Depreciation	**2022**	**2021**
Balance, January 1	**125,919**	79,829
Depletion and depreciation	**54,497**	46,090
Transfers to assets held for sale	**(40,914)**	-
Balance, December 31	**139,502**	125,919

Net Book Value	**2022**	**2021**
Balance, January 1	**528,366**	514,727
Balance, December 31	**398,092**	528,366

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

In June 2022, the Company entered into an agreement to dispose of certain non-core oil and natural gas properties in Northeast British Columbia. As the carrying value of the asset was lower than the fair value less costs to sell, no impairment write-down was required. The net carrying value of these assets of $17.7 million has been classified as assets held for sale, and the associated liabilities of $16.7 million relating to decommissioning obligations have been reclassified to current liabilities. In March 2023 the purchaser failed to meet the required closing conditions, following multiple extensions. The Company has retained the purchaser's non-refundable deposit of $4.2 million.

8. Exploration and Evaluation Assets

($ 000s)	**2022**	**2021**
Balance, January 1	**6,062**	3,255
Additions	**1,801**	2,807
Balance, December 31	**7,863**	6,062

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

9. Right-Of-Use Assets

The Company enters into arrangements to secure access to assets necessary for operating the business. Leased right-of-use ("ROU") assets include office, vehicles and equipment. The following table details the cost and accumulated depreciation of the Company's ROU assets as at December 31, 2022, and December 31, 2021:

($ 000s) **Cost**	**2022**	**2021**
Balance, January 1	**8,776**	6,714
Additions	**2,630**	2,126
Disposals	**(24)**	(64)
Balance, December 31	**11,382**	8,776

Accumulated Depreciation	**2022**	**2021**
Balance, January 1	**6,040**	3,743
Depreciation	**1,702**	2,352
Disposals	**-**	(55)
Balance, December 31	**7,742**	6,040

Net Book Value	**2022**	**2021**
Balance, January 1	**2,736**	2,971
Balance, December 31	**3,640**	2,736

At December 31, 2022, and 2021, the Company determined that no impairment indicators existed on the right-of-use assets, therefore no impairment tests were performed.

10. Lease Liabilities

The following table summarizes the movement in the Company's lease liabilities for the year ended December 31, 2022, and December 31, 2021:

($ 000s)	**2022**	2021
Balance, January 1	**2,734**	3,015
Additions	**2,630**	2,126
Disposal	**(24)**	(63)
Interest expense	**146**	**175**
Lease payments	**(1,797)**	(2,519)
Balance, December 31	**3,689**	2,734
Lease liabilities due within one year	**1,849**	1,549
Lease liabilities due beyond one year	**1,840**	1,185

Lease payments that were expensed under short-term and low dollar value exemptions in the years ended December 31, 2022, and 2021 were trivial.

11. Term Debt

($ 000s)	2022	2021
Balance, January 1	**231,581**	219,555
Accretion of financing costs (Note 16)	**21,125**	6,537
Interest paid in kind (Note 16)	**13,715**	7,938
Principal Repayments	**(62,064)**	-
Financing fees	**(1,103)**	(2,449)
Balance, December 31	**203,254**	231,581
Current portion	**203,254**	21,654
Long-term portion	**-**	209,927

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

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

Pieridae is subject to certain financial covenants and other obligations:

(i) Minimum adjusted monthly working capital ratio starting January 31, 2022, of 0.7:1 calculated as current assets plus capital spare parts included in property, plant and equipment, and current liabilities less all amount due or accrued to the lender.

(ii) Mandatory principal repayments of excess cash on a quarterly basis if the adjusted working capital ratio, as described in (i) above, exceeds 0.85:1.

(iii) Minimum net operating income (“NOI”) of $70 million per annum. NOI is a non-GAAP measure calculated as petroleum and natural gas revenue less royalties, plus other income, third party processing and realized gains and losses on risk management contracts, less operating and transportation expenses.

(iv) Minimum hedging covenant of 60% of the Company average daily sales volumes; waived through March 31, 2023.

As at December 31, 2022, and 2021 the Company was in compliance with, or had received waivers from the lender for all covenants.

During the year, the Company made principal repayments of $62.1 million (December 31, 2021 – nil) which included $13.7 million of interest paid in kind and subsequently repaid as principal, and $15.0 million (December 31, 2021 – nil) in excess cashflow sweep as the threshold was met under the terms of the credit agreement. At December 31, 2022, the excess cashflow to be paid as principal on or before February 28, 2023 was calculated to be $22.3 million (December 31,2021 – nil).

The effective interest rate on the term debt for the year ended December 31, 2022, was 22.0% (December 31, 2021 – 20.0%).

Letter of Credit Guarantee Facility

In July 2020, the Company received a $6 million guarantee facility from Export Development Canada which was increased to $8 million in June 2021 and to $12.0 million on June 30, 2022. This guarantee facility provides for 100% guarantee to the issuing banks of the Company’s existing and future letter of credit of which $7.2 million was drawn at December 31, 2022 (December 31, 2021 - $7.8 million). Outstanding letters of credit are not recorded on the consolidated statements of financial position.

12. Decommissioning Obligations

($ 000s)	**2022**	2021
Balance, January 1	**274,487**	270,440
Change in cost estimates	**11,363**	24,243
Change in discount rate	**(107,134)**	(17,659)
Settlement of obligations	**(3,791)**	(2,537)
Accretion	**1,252**	-
Transfers to assets held for sale (Note 7)	**(16,673)**	-
Balance, December 31	**159,504**	274,487
Expected to be incurred within one year	**4,749**	5,390
Expected to be incurred beyond one year	**154,755**	269,097

The Company's decommissioning obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total undiscounted amount of cash flows required to settle its decommissioning obligations is approximately $275.7 million (December 31, 2021 - $256.4 million).

The Company used an observable, market-based and inflation adjusted risk-free real rate of return to estimate the present value of the decommissioning obligation. At December 31, 2022, the Company used a risk-free discount rate of 1.19% (December 31, 2021 – -0.14%). The use of the risk-free real rate of return resulted in a change in estimate of $107.1 million being reduced to the cost of the related asset in property, plant and equipment and exploration and evaluation assets.

A portion of the Company's decommissioning obligations were acquired from Shell as part of the southern Alberta Foothills acquisition in October 2019, which included three major gas processing facilities. In accordance with the purchase and sale agreement ("PSA"), Shell retains the liability for future subsurface reclamation costs associated with pre-existing sulfinol plumes under two of these facilities. These subsurface costs represent a material percentage of the total decommissioning liability associated with these two facilities. The Company has not recognized a liability for this portion of the estimated decommissioning cost.

Following the acquisition, Shell submitted application to the Alberta Energy Regulator to transfer the licenses from Shell to Pieridae, which was initially rejected due to complications of the liability bifurcation. This process remains ongoing and material uncertainty exists regarding the timing and outcome of that transfer, however Pieridae is the beneficial owner of all assets acquired under the PSA and operates them as such. The Company has recognized all decommissioning obligations associated with the PSA; the timing and outcome of this process on the consolidated financial statements is uncertain.

13. Share Capital

Authorized

The Company has an unlimited number of common shares with the holders of common shares entitled to one vote per share and an unlimited number of preferred shares issuable in series, with rights and privileges to be designated by the Board of Directors at the time of issuance. There were no preferred shares outstanding at December 31, 2022, or 2021.

Issued and Outstanding Common Shares

		2022		**2021**
($ 000s except share amount)	**Common shares**	**$**	**Common shares**	**$**
Balance, January 1	**157,645,871**	**274,322**	157,641,871	274,322
Share issues on stock option exercise	**1,317,465**	**1,560**	4,000	-
Balance, December 31	**158,963,336**	**275,882**	157,645,871	274,322

Warrants

On March 31, 2021, the Company issued 5,000,000 common share purchase warrants to the senior secured lender, at an exercise of $0.70 per common share warrant with an expiry date of March 31, 2026. 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%
Expected life (years)	5.0
Volatility	84.1%

Per Share Amounts

The net income (loss) per common share has been determined based on the following.

(000s of shares)	**2022**	**2021**
Weighted average common shares	**158,220,397**	157,642,287
Dilutive effect of options and warrants [(1)]	**2,785,930**	-
Weighted average common shares, diluted	**161,006,327**	157,642,287

[(1)] For the year ended December 31, 2022, 1.5 million options (December 31, 2021 – all options and warrants) were excluded from the diluted weighted average shares calculation as they were anti-dilutive.

14. 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 and include the impact of the physical forward sales contracts (refer to Note 18).

($ 000s)	**2022**	**2021**
Natural gas	**291,602**	211,422
Condensate	**116,041**	66,370
NGLs	**56,290**	42,628
Sulphur	**23,897**	14,235
Total petroleum and natural gas revenues	**487,830**	334,655

The Company also generated gas processing revenue of $23.5 million (December 31, 2021 - $15.3 million) for fees charged to third parties for processing through facilities in which Pieridae has an ownership interest and $7.7 million (December 31, 2021 – $3.3 million) in other income for fees charged to third parties for transportation and marketing of commodities. This revenue is classified as third-party processing and other income on the consolidated statement of income (loss) and comprehensive income (loss).

15. Share Based Payments

Pursuant to the Company's Stock Option Plan, the Board of Directors may grant options to directors, officers, employees and other service providers. The aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the shares issued and outstanding as at the time of granting. Stock options expire not more than five years from the date of grant, or earlier if the individual ceases to be associated with the Company.

The changes in options outstanding and the related weighted average exercise prices for the years ended December 31, 2022, and 2021 were as follows:

	Options	Weighted Average Exercise Price ($)
Balance, January 1, 2021	**8,322,072**	**1.99**
Granted	**1,993,590**	**0.30**
Exercised	**(4,000)**	**0.30**
Forfeited	**(1,831,967)**	**1.03**
Expired	**(1,439,230)**	**4.36**
Balance, December 31, 2021	**7,040,465**	**1.27**
Granted	**1,004,500**	**1.25**
Exercised	**(1,317,465)**	**0.79**
Forfeited	**(867,131)**	**2.75**
Balance, December 31, 2022	**5,860,369**	**1.21**

The following table summarizes stock options outstanding and exercisable at December 31, 2022:

	Stock Options Outstanding			Stock Options Exercisable		
Range of Exercise Price ($)	Number of Outstanding Stock Options	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price ($)	Number of Exercisable Stock Options	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price ($)
0.30 – 0.80	1,539,500	3.63	0.30	707,300	3.63	0.30
0.81 – 1.00	2,802,869	2.12	0.88	1,811,849	2.13	0.88
1.01 – 2.00	1,004,500	4.67	1.25	155,900	4.67	1.24
2.01 – 5.67	513,500	0.08	5.67	513,500	0.08	5.67
Total	**5,860,369**	**2.77**	**1.21**	**3,188,549**	**2.25**	1.54

The weighted average fair value of options granted in 2022 was $1.25 (December 31, 2021 - $0.30). The following table discusses the assumptions used in the Black-Scholes option-pricing model to calculate the weighted average fair value of the stock options granted during 2022 and 2021, respectively:

	2022	2021
Risk-free interest rate	**3.5%**	0.60%
Expected life (years)	**3.5**	3.3
Volatility	**95.95%**	89.47%
Forfeiture rate	**16.71%**	12.64%

Restricted Share Awards

In August 2022, the Company implemented a Restricted Share Unit (RSU) Incentive Plan. RSU awards are granted to employees and will vest evenly over a period of three years, with the first payment occurring on the first anniversary. Upon vesting of the RSUs, the holder receives a cash payment based on five-day volume-weighted average share price of the RSU vested. At implementation, 4.5 million RSUs were granted resulting in a share-based compensation expense of $0.9 million and capitalized share-based compensation of $0.2 million. Current and long-term compensation liability of $0.6 million and $0.5 million respectively was calculated using a December 31, 2022 five-day volume-weighted average share price of $1.21.

16. Finance Expense

The following is a summary of finance expenses:

($ 000s)	**2022**	**2021**
Cash portion of Interest expense	**16,440**	25,340
Non-cash interest paid in kind	**13,715**	7,938
Accretion of financing costs	**21,125**	6,537
Accretion of decommissioning obligations (Note 12)	**1,252**	-
Interest on lease liabilities (Note 10)	**146**	175
Other charges	**(66)**	602
Total finance expense	**52,612**	40,592

17. Deferred Taxes

The tax provision differs from the amount computed by applying the combined federal and provincial income tax rates to the Company's net income (loss) before taxes as follows:

($ 000s)	**2022**	**2021**
Income (loss) before taxes	**67,683**	(39,790)
Combined federal and provincial income tax rate	**23.00%**	23.00%
Computed income tax expense (benefit)	**15,567**	(9,152)
Tax effects of		
Non-deductible share-based compensation	**320**	117
Non-deductible expense	**10**	309
True up of prior years' tax filings	**(9,675)**	-
Change in unrecognized deferred tax assets	**(85,178)**	7,946
Change in tax rates	**19**	780
Total deferred tax recovery	**(78,937)**	-

The following table summarizes the components of the deferred income tax asset:

($ 000s)	**2021**	**Recognized in Net Income**	**2022**
Deferred tax assets			
Non-capital losses	89,372	(15,650)	**73,722**
Decommissioning obligations	63,726	(23,053)	**40,673**
Other	7,636	2,109	**9,745**
Deferred tax liabilities			
Property, plant and equipment	(67,226)	32,922	**(34,304)**
Net deferred tax asset not recognized	(93,508)	82,609	**(10,899)**
Net deferred tax assets	-	78,937	**78,937**

Deferred income tax assets are recognized for tax loss and tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company had an unrecognized deferred tax asset in the amount of $93.5 million at December 31, 2021. The Company recognized $78.9 million at December 31, 2022 as the Company expects to have sufficient taxable profits in the future in order to realize the current benefit of $78.9 million. Non-capital loss carry forwards expire in the years 2034 through 2041.

18. Financial Instruments and Risk Management

Financial instruments at December 31, 2022, consist of accounts receivable, accounts payable, other amounts payable and term debt. The financial instruments that are carried at fair value on the Statement of Financial Position include cash and cash equivalents and risk management contracts. All of the Company's financial instruments carried at fair value are transacted in active markets. Cash and cash equivalents are classified as Level 1 measurements and risk management contracts are classified as Level 2 measurements in the three-level fair value measurement hierarchy. The Company does not have any financial

instruments that are classified as Level 3 that are carried at fair value. There were no transfers between the levels in the fair value hierarchy for the year ended December 31, 2022. The Company's accounts receivable, accounts payable, and other amounts payable approximate their fair values due to the short-term nature of these instruments.

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 December 31, 2022.

Counterparty credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable from partners in jointly owned assets, natural gas marketers and counterparties to derivative financial contracts.

Substantially all of the Company's petroleum and natural gas production is marketed under standard industry terms. Sales from petroleum and natural gas marketers are normally collected on the 25th day of the month following sale. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with creditworthy purchasers. The Company historically has not experienced any material collection issues with its petroleum and natural gas marketers.

Receivables from partners in jointly owned assets associated with processing fees, operating costs and other costs are typically collected within one to three months of the bill being issued to the partner. The Company attempts to mitigate the credit risk from joint venture partners in jointly owned assets by, where possible, transacting with creditworthy counterparties, and by obtaining partner approval of significant capital expenditures prior to the expenditure. However, the receivables are from participants in the petroleum and natural gas sector, and collection of the outstanding balances can be impacted by industry factors such as commodity price fluctuations, limited capital availability and unsuccessful drilling programs.

The Company does not typically obtain collateral from petroleum and natural gas marketers or partners in jointly owned assets; however, the Company can cash call for major projects and does have the ability, in most cases, to withhold production from these partners in the event of non-payment.

For the year ended December 31, 2022, the Company had sales to four customers (2021 – three customers) which constituted more than 10% of commodity sales. Sales to such customers totaled $425.8 million (year ended December 31, 2021 - $290.1 million).

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

($ 000s)	**2022**	**2021**
Petroleum and natural gas marketers	**49,087**	33,308
Partners in jointly owned assets	**24,189**	14,848
Other (primarily government entities)	**1,238**	1,481
Total	**74,514**	49,637

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

($ 000s)	**2022**	**2021**
Current (less than 90 days)	**72,088**	42,806
Past due (more than 90 days)	**2,426**	6,831
Total	**74,514**	49,637

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

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 capital requirements. These requirements are then addressed through management of Pieridae's 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 timing of cash outflows relating to financial liabilities as at December 31, 2022, is outlined in the table below:

($ 000s)	2023	2024	2025	2026	Thereafter	Total
Accounts payable and accrued liabilities	116,836	-	-	-	-	116,836
Other amounts payable	-	509	-	-	-	509
Term debt [(1)]	233,312	-	-	-	-	233,312
Lease payments	1,849	1,345	731	65	6	3,996
Total	**351,997**	**1,854**	**731**	**65**	**6**	**354,653**

[(1)] Includes interest on term debt.

The Company's significant outstanding financial liabilities consist of accounts payable and accrued liabilities, which are expected to be funded as they come due by cash provided by operating activities, and the Term debt, which matures in October 2023. The Company is pursuing either refinancing or renegotiating the term debt prior to the maturity date.

Capital management

The Company manages the capital structure and makes adjustments in light of changes in economic and market conditions and the risk characteristics of the underlying assets. The Company's objective when managing capital is to ensure it has sufficient funds to maintain and develop its operating properties, accelerate debt repayment, develop resource opportunities and meet its commitments. To maintain or adjust the capital structure, the Company may issue new shares, obtain additional debt facilities and/or consider strategic alliances including joint venture partners.

Pieridae manages its capital structure and financing requirements using funds flow from operations, a non-GAAP measure. Funds flow is used to monitor and assess liquidity and the flexibility of the Company's capital structure by providing management and investors with a measure of the cash flows generated by the Company's assets available to meet financial obligations. Funds flow from operations is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

The calculation of funds flow from operations is as follows:

($ 000s)	2022	2021
Cash provided by operating activities	**88,167**	51,117
Settlement of decommissioning obligations	**3,791**	2,537
Changes in non-cash working capital	**66,235**	(38,120)
Development expense	**(4,514)**	4,750
Funds flows from operations	**153,679**	20,284

To date, the Company has funded its share of commitments from existing cash balances, equity raises and various debt facilities. The Company may require additional financing to advance exploration and development activities. Management will explore all options to achieve the appropriate funding levels. Sources of future funds available to the Company are the issuance of additional shares, debt, a partnership agreement, or the sale of an interest in an oil or natural gas properties.

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. This may adversely affect the Company's business and financial position. If financing is obtained by issuing additional equity, control of the Company could be affected.

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 and power consumption is directly subject to fluctuations in underlying 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, NGL's and electricity, could have significant impact on the Company's cash flows and its ability to sustain its operations.

Commodity price volatility may impact the Company's operating cash flows, and its ability to attract the necessary investment to maintain operations. The Company will continue to evaluate a number of options to manage ongoing elevated level of commodity price volatility and risk.

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

The Company had the following fixed price physical commodity sales contracts and power contracts in place at December 31, 2022:

Type of contract	Quantity	Time Period	Contract Price
Fixed Price - Natural Gas Sales	127,267 GJ/d	Jan – Mar 2023	CAD $5.78/GJ
Fixed Price - Natural Gas Sales	45,000 GJ/d	Apr – Sep 2023	CAD $4.49/GJ
Fixed Price - Natural Gas Sales	15,163 GJ/d	Oct – Dec 2023	CAD $4.49/GJ
Fixed Price - Condensate Sales	700 Bbl/d	Jan – Sep 2023	CAD $103.24/BbJ
Fixed Price - Condensate Sales (WTI Basis)	1,000 Bbl/d	Oct 2023– Jun 2024	CAD $97.48/Bbl
Fixed price - Power Purchases	53 MW/h	Jan 2023 – Dec 2023	CAD $71.93/MWh
Fixed price - Power Purchases	53 MW/h	Jan 2024 – Dec 2024	CAD $68.38/MWh
Fixed price - Power Purchases	35 MW/h	Jan 2025 – Dec 2025	CAD $79.71/MWh

The Company had the following financial risk management contracts in place as at December 31, 2022:

Type of contract	Quantity	Time Period	Contract Price
AECO Natural Gas Swap	2,500 GJ/d	Jan – Mar 2023	CAD $5.54/GJ
AECO Natural Gas Swap	2,500 GJ/d	Apr – Jun 2023	CAD $3.94/GJ
C5 Differential (to WTI)	500 Bbl/d	Jan – Sep 2023	CAD -$4.67/Bbl
WTI Swap	500 Bbl/d	Jan – Sep 2023	CAD $107.64/Bbl

As at December 31, 2022 the Company's financial risk management contracts resulted in an unrealized gain of $0.3 million (December 31, 2021 - nil). The fair value of WTI swap and associated C5 differential swap was a loss of $0.2 million and the fair value of the AECO swap was a gain of $0.5 million with a corresponding current asset of $0.5 million and a current liability of $0.3 million.

The following illustrates the effects of movement in commodity prices on net income due to the changes in the fair value of risk management contracts in place at December 31, 2022. The sensitivity is based on a 10% increase and 10% decrease in forward price curves at December 31, 2022 based on management's assessment of reasonably possible changes in prices that could occur in the future. The Company did not have any financial risk management contracts in place at December 31, 2021.

	10% Increase in Commodity Price		10% Decrease in Commodity Price	
($ 000s)	**2022**	**2021**	**2022**	**2021**
Increase (decrease) to net income (loss)				
Crude Oil - WTI (CAD)	(1,463)	-	1,463	-
Natural Gas - AECO (CAD)	(169)	-	169	-

b. Interest rate risk

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

c. Currency risk

Currency risk is the risk that cashflows will fluctuate as a result of changes in foreign currencies and the Canadian dollar. Certain of the Company's cashflows are subject to currency risk. Associated accounts payable, accrued liabilities and commitments are denominated in US dollars, UK pound sterling and Euro, however the impact of currency fluctuations are immaterial. To date, the

Company has not entered into any foreign currency transactions to manage currency risks, thus the sensitivities on 5% movement on Canadian/ US foreign exchange on such contracts are nil.

19. Presentation in Consolidated Statements of Cash Flows

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

($ 000s)	**2022**	**2021**
Changes in non-cash working capital		
Accounts receivable	**(24,877)**	(4,737)
Prepaid expenses and deposits	**(3,070)**	494
Inventories	**(607)**	333
Accounts payable and accrued liabilities	**(27,013)**	43,490
Total change in non-cash working capital	**(55,567)**	39,580
Relating to:		
Operating activities	**(66,235)**	38,120
Investing activities	**10,668**	1,460

20. Related Party Transactions

The Company's related parties include key management personnel, which consists of its executives and directors. None of the transactions with related parties involve special terms or conditions, and no guarantees were given or received. Outstanding balances are settled in cash or shares. Key management personnel compensation includes the following:

($ 000s)	**Year Ended December 31, 2022**	**Year Ended December 31, 2021**
Salaries and employee benefits	**1,926**	2,504
Director's fees	**672**	726
Total short-term benefits	**2,598**	3,230
Share-based compensation	**277**	231
Total key management personnel compensation	**2,875**	3,461

21. Development Expense

Development expense represents activities associated with the development of the Company's proposed facility in Goldboro, Nova Scotia in addition to corporate overhead activities. On July 2, 2021, the Company announced that the Goldboro LNG Project was unable to achieve a positive final investment decision and the project was suspended; no further expenditures are planned toward advancing an LNG project. In light of new information, $4.5 million in development expenses that were recognized in 2021 were reversed resulting in a recovery in 2022.

22. Commitments

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

($ 000s)	**2023**	**2024**	**2025**	**2026**	**Thereafter**	**Total**
Interest on term debt	16,206	-	-	-	-	16,206
Repayment of term debt	217,106	-	-	-	-	217,106
Firm transportation	10,158	5,122	810	184	-	16,274
Total	**243,470**	**5,122**	**810**	**184**	**-**	**249,586**

The Company is also involved in various claims and litigation arising in the normal course of business. While the outcome of these matters is uncertain and there can be no assurance that such matters will be resolved in the Company's favor, the Company does not currently believe that adverse outcomes in any of these pending or threatened proceedings would have a material adverse impact on its financial position or results of operations.