

# Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of Pieridae Energy Limited ("Pieridae", "we", "our" or the "Company") provides a review by management of the financial performance and position of the Company, as well as the trends and external factors which may impact our prospects. This MD&A has been prepared as of August 9, 2023, and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and the accompanying notes for the three and six months ended June 30, 2023 (the "interim financial statements") and the MD&A and audited consolidated financial statements as at and for the year ended December 31, 2022 as well as Pieridae's Annual Information Form ("AIF"). The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), sometimes referred to in this MD&A as Generally Accepted Accounting Principles ("GAAP") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standards 34, Interim Financial Reporting ("IAS 34"). Pieridae's reporting currency is the Canadian dollar. All amounts are presented in Canadian dollars, unless otherwise stated.

When preparing our MD&A, we consider the materiality of information. Information is considered material if (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of our shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. We evaluate materiality with reference to all relevant circumstances, including potential market sensitivity.

Condensate is a natural gas liquid as defined by National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*. Throughout this MD&A, natural gas liquids ("NGLs") comprise all NGLs as defined by NI 51-101 other than condensate, which is disclosed separately. Reference is made to crude oil and natural gas in common units called barrel of oil equivalent ("boe"). A boe is derived by converting six thousand cubic feet ("mcf") of natural gas to one barrel ("bbl") of crude oil (6 mcf:1 bbl). This conversion may be misleading, particularly if used in isolation, since the 6 mcf:1 bbl ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In comparing the value ratio using current crude oil prices relative to natural gas prices, the 6 mcf:1 bbl conversion ratio may be misleading as an indication of value.

We are publicly traded on the TSX Exchange ("TSX") under the symbol PEA.TO. Continuous disclosure materials are available on the Company's website, [www.pieridaeenergy.com](http://www.pieridaeenergy.com), or on SEDAR, [www.sedarplus.com](http://www.sedarplus.com).

## SPECIAL NOTE REGARDING NON-GAAP FINANCIAL MEASURES

This MD&A includes references to financial measures such as net operating income ("NOI"), operating netback or net back, net debt, adjusted operating expense, adjusted working capital and funds flow from operations ("FFO"). The Company feels that these financial measures are important to the understanding of its business activities. These financial measures are not defined by IFRS and therefore are referred to as non-GAAP measures. The non-GAAP measures used by the Company may not be comparable to similar measures presented by other companies. The Company uses these non-GAAP measures to evaluate its performance. The non-GAAP measures should not be considered an alternative to, or more meaningful than, measures determined in accordance with IFRS, as an indication of the Company's performance. The non-GAAP measures are reconciled to their closest GAAP measure. Refer to "non-GAAP measures" contained within this MD&A.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

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

The forward-looking statements are based on current expectations, estimates and projections about the Company and the industry in which the Company operates, which speak only as of the earlier of the date such statements were made or as of the date of the report or document in which they are contained, and are subject to known and unknown risks and uncertainties that could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by

such forward-looking statements. Such risks and uncertainties include, among others: general economic and business conditions which will, among other things, impact demand for and market prices of the Company's products; volatility of and assumptions regarding crude oil, natural gas, and natural gas liquids ("NGL") prices.

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

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

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

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

## DEFINITIONS AND ABBREVIATIONS

<b>Bcf</b>	Billion cubic feet	<b>MMcf</b>	Million cubic feet
<b>Bcm</b>	Billion cubic metres	<b>MMBtu</b>	Million British thermal units
<b>Mcf</b>	Thousand cubic feet	<b>Bbl</b>	Barrel
<b>GJ</b>	Gigajoules	<b>USD</b>	United States Dollars

## PIERIDAE'S OBJECTIVES AND STRATEGY

Pieridae is a Canadian energy company headquartered in Calgary, Alberta. Through several corporate and asset acquisitions the Company has grown into a significant upstream and midstream producer with assets concentrated in the Canadian Foothills, producing conventional natural gas, NGLs, condensate and sulphur.

Management is excited about Pieridae's opportunities and prospects within our asset base in the Canadian Foothills; during the past year Pieridae has strategically refocused on sustaining and growing its upstream exploration and production ("E&P") and midstream business. Our objective is to continue Pieridae's pivot toward growing a sustainable and profitable conventional Foothills oil and natural gas business while continuing to explore opportunities to diversify market access for the products we produce.

Management continues to take a strategic approach to growth and capital allocation to leverage the long-term nature of our low-decline reserve base and supporting infrastructure, and to focus on creating long term shareholder value. Operational discipline, safe, effective, and efficient operations, community and Indigenous partnerships, cost control, and pursuing opportunities to further integrate environment, social and governance ("ESG") considerations, including a carbon management plan, are fundamental to the Company's strategic vision.

## QUARTERLY HIGHLIGHTS

The table below provides a summary of the consolidated financial results for the previous eight quarters:

(\$ 000s unless otherwise noted)	2023		2022				2021	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<b>Production</b>								
Natural gas (mcf/d)	159,427	186,156	179,143	181,030	178,918	187,719	198,596	191,439
Condensate (bbl/d)	2,300	2,657	2,469	2,911	2,864	3,201	2,851	2,555
NGLs (bbl/d)	2,216	2,784	2,389	2,876	3,695	6,003	5,354	4,133
Sulphur (tonne/d)	1,362	1,457	1,348	1,312	1,555	1,625	1,185	1,518
Total production (boe/d)	31,087	36,467	34,715	35,959	36,378	40,491	41,304	38,595
<b>Financial</b>								
Realized natural gas price before physical commodity contracts (\$/mcf)	2.39	3.24	5.08	4.38	7.13	4.66	4.62	3.58
Realized natural gas price after physical commodity contracts (\$/mcf)	3.00	5.08	5.24	3.62	4.67	4.08	3.67	2.70
Benchmark natural gas price (\$/mcf)	2.40	3.25	5.20	4.28	7.22	4.75	4.69	3.59
Realized condensate price before physical commodity contracts (\$/bbl)	84.81	107.22	110.24	103.71	132.60	112.09	91.69	85.25
Realized condensate price after physical commodity contracts (\$/bbl)	91.83	107.36	117.67	105.82	116.61	106.13	69.71	65.33
Benchmark condensate price (\$/bbl)	93.25	107.05	115.24	115.66	132.49	122.62	100.10	70.25
Net income (loss)	4,182	13,639	114,662	(1,573)	22,982	10,549	4,661	(14,846)
Net income (loss) \$ per share, basic	0.03	0.09	0.72	(0.01)	0.15	0.07	0.03	(0.09)
Net income (loss) \$ per share, diluted	0.03	0.08	0.70	(0.01)	0.14	0.07	0.03	(0.09)
Net operating income <sup>(1)</sup>	43,843	49,995	67,711	30,014	55,969	47,295	30,845	17,920
Cashflow provided by operating activities	27,533	41,309	40,134	9,899	34,922	3,212	21,139	6,885
Funds flow from operations <sup>(1)</sup>	35,432	41,613	57,641	17,721	43,462	34,855	12,408	6,780
Total assets	575,849	587,641	615,477	473,642	499,580	552,781	622,540	560,782
Adjusted working capital deficit <sup>(2)</sup>	(6,258)	(22,275)	(11,249)	(46,419)	(28,892)	(34,934)	(61,588)	(71,161)
Net debt <sup>(1)</sup>	(181,670)	(202,180)	(214,503)	(254,489)	(248,967)	(273,201)	(293,169)	(314,184)
Capital expenditures	9,384	20,486	19,037	7,216	9,739	3,534	1,493	9,852
Development expenses (Goldboro LNG project)	-	-	(4,514)	-	-	-	225	783

<sup>(1)</sup> Total production excludes sulphur.

<sup>(2)</sup> Refer to the "Net Operation Income", "Capital Resources" and "non-GAAP measures" sections of this MD&A for reference to non-GAAP measures.

<sup>(3)</sup> Adjusted working capital is a non-GAAP measure and is calculated as accounts payable and accrued liabilities, less cash and cash equivalents, restricted cash, accounts receivable, prepaids and deposits.

## SECOND QUARTER 2023 OPERATIONAL AND FINANCIAL HIGHLIGHTS

Highlights for the second quarter of 2023:

- Successfully completed a debt refinancing resulting in a new credit facility totalling USD \$150 million which materially reduced the Company's cost of capital while providing significant flexibility and liquidity. The existing term debt was retired in advance of its October 2023 maturity.
- Executed an expanded risk management program in accordance with the Company's hedging strategy, which is to mitigate commodity price, interest rate and foreign exchange volatility to protect the cash flow required to fund the Company's maintenance capital requirements and debt service obligations, while allowing the Company to participate in future commodity price upside. As a result of the expansion, Pieridae executed several new senior secured financial commodity cashflow hedge contracts with terms ranging from 5 to 48 months. Cashflow hedges resulted in unrealized gains of \$7.2 million net of tax. Realized gains on financial risk management were \$3.3 million and gains on physical commodity contracts were \$10.3 million for the second quarter. Pieridae was also in compliance with the hedging covenant requirements of the debt refinancing.
- Generated net operating income ("NOI") of \$43.8 million (netback of \$15.51/boe) and funds flow from operations of \$35.4 million.
- Produced 31,087 boe/d, well below Pieridae's production capability, as a result of unplanned maintenance activities at the Caroline and Jumping Pound gas processing facilities, as well as periodic non-operated outages arising from wildfires in Alberta and British Columbia. By mid-July 2023 the Company's production had largely recovered, with a current field estimated production rate of approximately 35,600 boe/d.

## 2023 OUTLOOK

Pieridae's near-term priorities are to continue to strengthen its balance sheet while safely sustaining production, implementing cost reduction initiatives, optimizing infrastructure, and executing non-core asset dispositions in order to maintain profitability during the commodity cycle. Pieridae released its 2023 outlook on December 14, 2022, and revised its net operating income and capital expenditure projections on March 22, 2023.

Forward natural gas and natural gas liquids prices have continued to experience downward pressure since March 2023 through the typically lower priced summer season. Pieridae's robust hedge position will partially mitigate the lower expected prices through the second half of 2023, although not to the same extent as the first half of the year.

Additionally, Pieridae's year-to-date production was lower than expected, and while second half production is anticipated to remain within original guidance range, annual guidance has been revised downward from 37,000-39,000 boe/d to 33,000-34,500 boe/d to reflect the production challenges in the first half of the year. Lower forecast hedge-adjusted pricing and lower production have also put downward pressure on NOI, partially offset by diligent operating cost reduction efforts and a favourable royalty adjustment. NOI guidance has been lowered slightly to reflect management's current projections, from the previous range of \$120 - \$150 million to \$110 - \$130 million.

Following a detailed capital program review during the second quarter, management has decided to bifurcate the previously discussed Waterton maintenance turnaround into two separate phases in order to complete critical maintenance requirements while prudently managing the pace of capital expenditures during a period of lower projected cash flow. The first phase will be initiated on August 12, 2023 requiring a production outage of four to five weeks and capital expenditures of approximately \$11 million. Following the completion of Phase 1, detailed scoping and timing for the remaining work will be finalized and included as Phase 2 in the 2024 maintenance capital budget. As a result of this partial turnaround and other ongoing capital maintenance activities, total 2023 sustaining capital expenditures are anticipated in the range of \$30 - \$40 million, an increase from the previous guidance range of \$15 - \$20 million.

Pieridae's revised 2023 guidance is as follows:

(\$ 000s unless otherwise noted)	2023 Guidance – August		2023 Guidance – March		2023 Guidance – December	
	Low	High	Low	High	Low	High
Production (boe/d)	33,000	34,500	37,000	39,000	37,000	39,000
Net operating income <sup>(1)(2)</sup>	110,000	130,000	120,000	150,000	170,000	200,000
Implied operating netback (\$/boe) <sup>(2)</sup>	9.00	11.00	9.00	11.00	12.00	14.00
Sustaining capital expenditures <sup>(3)</sup>	30,000	40,000	15,000	20,000	50,000	55,000
Development capital expenditures <sup>(4)</sup>	15,000	20,000	15,000	20,000	15,000	20,000

<sup>(1)</sup> Refer to the "Net Operating Income" section of this MD&A for reference to non-GAAP measures.

<sup>(2)</sup> 2023 outlook assumes average 2023 AECO price of \$2.60/GJ and average 2023 WTI price of USD\$74.00/bbl and accounts for hedging contracts as of July 31, 2023.

<sup>(3)</sup> Comprised of facility maintenance and turnaround capital expenditures.

<sup>(4)</sup> Comprised of seismic, development and land capital expenditures.

## NET OPERATING INCOME

(\$ 000s)	Three months ended June 30			Six months ended June 30		
	2023	2022	% Change	2023	2022	% Change
Revenue before physical commodity contracts	61,759	175,251	(65)	156,273	310,223	(50)
Gain (loss) on physical commodity contracts	10,289	(44,165)	123	41,176	(55,749)	174
Third party processing and other income	5,561	7,513	(26)	16,192	13,895	17
Realized gain on risk management contracts	3,301	-	-	3,682	-	-
Revenue	80,910	138,599	(42)	217,323	268,369	(19)
Royalties	16,594	(23,426)	171	1,888	(42,558)	(104)
Operating	(48,982)	(52,963)	(8)	(115,455)	(110,255)	5
Transportation	(4,679)	(6,241)	(25)	(9,918)	(12,292)	(19)
<b>Net Operating Income</b> <sup>(1)</sup>	<b>43,843</b>	<b>55,969</b>	<b>(22)</b>	<b>93,838</b>	<b>103,264</b>	<b>(9)</b>

<sup>(1)</sup> Net operating income is a "non-GAAP measure". Management considers net operating income an important measure to evaluate the Company's operational performance as it demonstrates Pieridae's field level profitability. NOI equals revenue less royalties, plus realized gains (losses) on risk management contracts less operating and transportation expenses.

## OPERATING NETBACK PER BOE

(\$ per boe)	Three months end June 30			Six months ended June 30		
	2023	2022	% Change	2023	2022	% Change
Revenue before physical commodity contracts	21.83	52.94	(59)	25.56	44.61	(43)
Gain (loss) on physical commodity contracts	3.63	(13.34)	127	6.74	(8.02)	184
Third party processing and other income	1.97	2.27	(13)	2.66	2.00	33
Realized gain on risk management contracts	1.17	-	-	0.60	-	-
Revenue	28.60	41.87	(32)	35.56	38.59	(8)
Royalties	5.87	(7.08)	(183)	0.31	(6.12)	(105)
Operating	(17.31)	(16.00)	8	(18.89)	(15.85)	19
Transportation	(1.65)	(1.89)	(13)	(1.62)	(1.77)	(8)
<b>Netback (\$/boe)</b> <sup>(1)</sup>	<b>15.51</b>	<b>16.90</b>	<b>(8)</b>	<b>15.36</b>	<b>14.85</b>	<b>3</b>

<sup>(1)</sup> Netback per boe is a "non-GAAP measure". Management considers operating netback an important measure to evaluate the Company's operational performance as it demonstrates Pieridae's field level profitability relative to current commodity prices. Operating netback equals revenue less royalties, plus realized gains (losses) on risk management contracts less operating and transportation expenses calculated on a per BOE basis.

## NET OPERATING INCOME SENSITIVITY ANALYSIS

	Three months ended June 30				Six months ended June 30			
	2023	% Change	\$ Impact	% Impact	2023	% Change	\$ Impact	% Impact
<b>Business Environment</b> <sup>(1) (2)</sup>								
WTI price (US\$/bbl) <sup>(3)</sup>	73.71	10%	2,292	5%	74.92	10%	4,460	5%
AECO price (\$/mcf)	2.40	10%	2,060	5%	2.82	10%	2,774	3%
Sulphur price (\$/tonne)	114.92	10%	268	1%	142.49	10%	518	1%
US\$/C\$ average exchange rate <sup>(4)</sup>	0.74	10%	2,084	5%	0.74	10%	4,054	4%
<b>Operational</b> <sup>(1) (5) (6)</sup>								
NGL & condensate production (bbl/d)	4,516	10%	3,525	8%	4,977	10%	6,299	7%
Natural gas production (mcf/d)	159,427	10%	2,341	5%	172,717	10%	3,733	4%
Sulphur production (tonne/d)	1,362	10%	344	1%	1,409	10%	643	1%
Royalty burden	-22%	1%	753	2%	-1%	1%	2,011	2%
Operating expense (\$/boe)	17.31	10%	4,898	11%	18.89	10%	11,546	12%

<sup>(1)</sup> Calculations are performed independently and may not be indicative of actual results that would occur when multiple variables change simultaneously.

<sup>(2)</sup> The indicative impact on NOI would only be applicable within a limited range of these amounts as royalty burden is held constant.

<sup>(3)</sup> Includes the impact of WTI price on NGL (C2, C3, C4) and condensate (C5) prices assuming a correlation to US\$WTI.

<sup>(4)</sup> Includes the impact of foreign exchange on NGL and Condensate prices assuming a correlation to US\$WTI.

<sup>(5)</sup> Includes the impact of physical commodity hedges that were in place during the period.

<sup>(6)</sup> Operational assumptions are based upon the results for the three and six months ended June 30, 2023, and the calculated impact NOI would only be applicable within a limited range of these amounts.

## PRODUCTION

	Three months ended June 30			Six months ended June 30		
	2023	2022	% Change	2023	2022	% Change
Natural gas (mcf/d)	159,427	178,918	(11)	172,717	183,293	(6)
Condensate (bbl/d)	2,300	2,864	(20)	2,478	3,032	(18)
NGLs (bbl/d)	2,216	3,695	(40)	2,499	4,842	(48)
Sulphur (tonne/d) <sup>(1)</sup>	1,362	1,555	(12)	1,409	1,590	(11)
<b>Production (boe/d) <sup>(1)</sup></b>	<b>31,087</b>	<b>36,378</b>	<b>(15)</b>	<b>33,763</b>	<b>38,423</b>	<b>(12)</b>

<sup>(1)</sup> Production amounts excludes sulphur.

Second quarter production was down 15% compared to the second quarter of 2022 primarily due to unplanned maintenance outages in 2023 at the Caroline and Jumping Pound gas processing facilities (4,800 boe/d). The quarter was also negatively impacted by restrictions on gas facility capacity and field shut-ins due to wildfires in North and Central Alberta and Northeast British Columbia (1,550 boe/d). These production impacts were partially offset by the addition of 71 days of production from the Company's new Brown Creek well (700 boe/d), better runtime for wells impacted by pipeline repairs in Central Alberta and no third-party plant outages.

Production during the six months ended June 30, 2023, decreased 12% compared to the same period in 2022, also reflecting significant plant downtime at Caroline gas processing facility in both quarters and at Jumping Pound during second quarter of 2023. In addition to the production impacts previously discussed, produced ethane volumes continue to be reinjected into the gas stream resulting in lower liquid volumes in the current year (approximately 1,300 boe/d).

## PRODUCTION BY AREA

The following tables summarize the Company's production by core area for the three months ended June 30, 2023, and 2022:

	Three months ended June 30, 2023				
	Total (boe/d)	Natural Gas (mcf/d)	Condensate (bbl/d)	NGLs (bbl/d)	Sulphur (tonne/d)
Waterton	9,144	39,897	1,356	1,138	601
Jumping Pound	4,581	22,991	302	447	125
Central Alberta Foothills	13,929	76,132	610	630	630
Northern Alberta Foothills	2,979	17,852	3	1	6
Northeast BC	454	2,556	28	-	-
<b>Total</b>	<b>31,087</b>	<b>159,427</b>	<b>2,300</b>	<b>2,216</b>	<b>1,362</b>

	Three months ended June 30, 2022				
	Total (boe/d)	Natural Gas (mcf/d)	Condensate (bbl/d)	NGLs (bbl/d)	Sulphur (tonne/d)
Waterton	9,642	40,385	1,409	1,502	635
Jumping Pound	8,438	40,705	602	1,052	222
Central Alberta Foothills	13,461	69,238	785	1,137	691
Northern Alberta Foothills	3,723	22,246	11	4	7
Northeast BC	1,114	6,344	57	-	-
<b>Total</b>	<b>36,378</b>	<b>178,918</b>	<b>2,864</b>	<b>3,695</b>	<b>1,555</b>

The following tables summarize the Company's production by core area for the six months ended June 30, 2023, and 2022:

	Six months ended June 30, 2023				
	Total (boe/d)	Natural Gas (mcf/d)	Condensate (bbl/d)	NGLs (bbl/d)	Sulphur (tonne/d)
Waterton	9,174	39,019	1,439	1,232	603
Jumping Pound	6,210	30,987	430	615	172
Central Alberta Foothills	14,567	80,110	565	650	629
Northern Alberta Foothills	3,208	19,213	4	2	6
Northeast BC	604	3,389	39	-	-
<b>Total</b>	<b>33,763</b>	<b>172,717</b>	<b>2,478</b>	<b>2,499</b>	<b>1,409</b>

	Six months ended June 30, 2022				
	Total (boe/d)	Natural Gas (mcf/d)	Condensate (bbl/d)	NGLs (bbl/d)	Sulphur (tonne/d)
Waterton	10,582	40,667	1,549	2,255	654
Jumping Pound	8,202	38,449	569	1,225	219
Central Alberta Foothills	14,835	75,745	857	1,354	709
Northern Alberta Foothills	3,742	22,347	9	8	8
Northeast BC	1,062	6,085	48	-	-
<b>Total</b>	<b>38,423</b>	<b>183,293</b>	<b>3,032</b>	<b>4,842</b>	<b>1,590</b>

## BENCHMARK PRICES

	Three months ended June 30			Six months ended June 30		
	2023	2022	% Change	2023	2022	% Change
AECO 5A benchmark price (\$/mcf)	2.40	7.22	(67)	2.82	5.99	(53)
West Texas Intermediate crude oil (USD/bbl)	73.71	108.94	(32)	74.92	101.90	(26)
Condensate benchmark price (\$/bbl)	93.25	132.49	(30)	100.11	127.58	(22)
Sulphur (\$/tonne)	114.92	571.30	(80)	142.49	483.15	(71)
US/Canadian dollar average exchange rate (USD)	0.7447	0.7832	(5)	0.7420	0.7865	(6)

Pieridae currently produces into the TC NGTL system and sells 100% of its natural gas production at AECO. Natural gas prices continued to weaken during the second quarter of 2023, a continuation of the trend experienced since the fall of 2022 due to high storage inventory caused by an unusually mild winter and low global seasonal demand. AECO differentials relative to the Henry Hub / NYMEX benchmark widened during the second quarter as compared to the historically narrow differentials experienced during the first quarter of 2023. The AECO 5A monthly index decreased by 38% from the first quarter and by 67% compared to the strong natural gas prices during the second quarter of 2022.

WTI crude oil price was relatively stable during the second quarter, decreasing by 3% from the first quarter of 2023. WTI price decreased 32% compared to the second quarter of 2022. Condensate prices decreased by 13% compared to the first quarter of 2023 and 30% compared to the second quarter of 2022. The condensate differential to WTI widened during the second quarter as a result of seasonally lower diluent demand. Pieridae primarily sells its produced condensate into the local (Edmonton) market for use as diluent.

Sulphur benchmark prices continued to decline and were down 33% from the first quarter of 2023 and 80% from the record prices experienced in the second quarter of 2022. 2022 was a year of extreme price volatility in the sulphur markets with west coast benchmark prices ranging from \$89/tonne to \$601/tonne within the year. 2023 sulphur price volatility is somewhat lower with year-to-date west coast benchmark prices ranging from a low of \$86/tonne to a high of \$224/tonne. Pieridae sells its sulphur production into a variety of markets including directly to North American fertilizer manufacturers as well as international markets through the Vancouver or Tampa Bay sulphur export facilities.

## REALIZED PRICES

	Three months ended June 30			Six months ended June 30		
	2023	2022	% Change	2023	2022	% Change
Natural gas before physical commodity contracts (\$/mcf)	2.39	7.13	(66)	2.85	5.87	(51)
Natural gas after physical commodity contracts (\$/mcf)	3.00	4.67	(36)	4.12	4.37	(6)
Condensate before physical commodity contracts (\$/bbl)	84.81	132.60	(36)	96.76	121.83	(21)
Condensate after physical commodity contracts (\$/bbl)	91.83	116.61	(21)	100.11	111.11	(10)
NGLs (\$/bbl)	32.09	48.58	(34)	38.65	38.32	1
Sulphur (\$/tonne)	22.78	58.51	(61)	24.99	51.76	(52)

Pieridae's realized prices reflect the mix of spot sales and physical forward sales contracts consistent with the Company's hedging policy. For the six months ended June 30, 2023, volumes sold under physical forward sales contracts represented 47% of production and 54% of revenue (Six months ended June 30, 2022, volumes sold under physical forward sales contracts represented 52% of production and 65% of revenue).

Pieridae is obligated to sell the majority of its sulphur production for CAD \$6.00/tonne under a fixed-price physical sales contract which expires on December 31, 2025. This contract represented 78% of sulphur volumes for both the three and six months ended June 30, 2023, respectively (82% and 81% for the three and six months ended June 30, 2022 respectively). If the fixed-priced sulphur sales contracts were

removed, average realized sulphur prices for the three and six months ended June 30, 2023, would have been \$108.72/tonne and \$105.56/tonne respectively (net of transportation and based on contracted prices that are negotiated annually).

## RISK MANAGEMENT CONTRACTS

The Company continues to execute a commodity risk management program governed by its hedge policy and, as of June 30, 2023, is hedged in accordance with thresholds in Pieridae's senior loan agreement:

- Jul 2023 - May 2025: 75% of forecast Proved Developed Producing ("PDP") natural gas and condensate production, net of annualized royalties.
- Jun 2025 – May 2026: 65% of forecast PDP natural gas and condensate production, net of annualized royalties.
- Jun 2026 – May 2027: 45% of forecast PDP natural gas and condensate production, net of annualized royalties.

Financial risk management contracts are considered derivative financial instruments and are recorded at their fair value, with changes in their fair value and unrealized gains and losses being recognized in net income if hedge accounting is not applied and through other comprehensive income if hedge accounting is applied. Beginning with the quarter ended June 30, 2023, Pieridae classified its AECO natural gas swaps and its WTI crude oil collars and swaps as cash flow hedges and applied hedge accounting accordingly. There was no hedge ineffectiveness identified as of June 30, 2023.

The Company had the following fixed price physical commodity sales contracts and power contracts in place on June 30, 2023:

Type of contract	Quantity	Time Period	Contract Price
Fixed Price - Natural Gas Sales	50,000 GJ/d	Jul 2023 – Oct 2023	CAD \$4.38/GJ
Fixed Price - Natural Gas Sales	5,000 GJ/d	Jul 2023 – Oct 2026	CAD \$3.31/GJ
Fixed Price – AECO/Nymex Differential	7,500 MMbtu/d	Jul 2023 – Oct 2023	USD \$(1.18)/MMbtu
Fixed Price - Power Purchases	52 MW/h	Jul 2023 – Dec 2023	CAD \$71.83/MWh
Fixed Price - Power Purchases	55 MW/h	Jan 2024 – Dec 2024	CAD \$68.39/MWh
Fixed Price - Power Purchases	55 MW/h	Jan 2025 – Dec 2025	CAD \$79.12/MWh
Fixed Price - Power Purchases	45 MW/h	Jan 2026 – Dec 2026	CAD \$75.88/MWh
Fixed Price - Power Purchases	5 MW/h	Jan 2027 – Dec 2027	CAD \$75.10/MWh

The Company had the following financial risk management contracts in place as at June 30, 2023:

Type of contract	Quantity	Time Period	Contract Price
AECO Natural Gas Swap	30,000 GJ/d	Jul 2023 – Oct 2023	CAD \$1.89/GJ
AECO Natural Gas Swap	30,000 GJ/d	Jul 2023 – May 2026	CAD \$3.10/GJ
AECO Natural Gas Swap	50,000 GJ/d	Nov 2023 – May 2026	CAD \$3.30/GJ
AECO Natural Gas Swap	25,000 GJ/d	Nov 2023 – May 2027	CAD \$3.62/GJ
AECO Natural Gas Swap	35,000 GJ/d	Jun 2026 – May 2027	CAD \$3.95/GJ
WTI Crude Oil Swap <sup>(1)</sup>	500 bbl/d	Jul 2023 – Sep 2023	CAD \$107.64/bbl
C5 to WTI Basis Differential Swap <sup>(1)</sup>	500 bbl/d	Jul 2023 – Sep 2023	CAD (\$4.67)/bbl
WTI Crude Oil Collar	1,453 bbl/d	Jul 2023 – Dec 2023	CAD \$80.00 - \$90.75/bbl
WTI Crude Oil Collar	1,405 bbl/d	Jan 2024 – Dec 2024	CAD \$80.00 - \$90.75/bbl
WTI Crude Oil Collar	1,235 bbl/d	Jan 2025 – Dec 2025	CAD \$80.00 - \$90.75/bbl
WTI Crude Oil Collar	918 bbl/d	Jan 2026 – Dec 2026	CAD \$80.00 - \$90.75/bbl
WTI Crude Oil Collar	761 bbl/d	Jan 2027 – Dec 2027	CAD \$80.00 - \$90.75/bbl
WTI Crude Oil Swap	350 bbl/d	Jun 2026	CAD \$82.33/bbl
WTI Crude Oil Swap	750 bbl/d	Jun 2027	CAD \$78.75/bbl

<sup>(1)</sup> Financial risk management contracts where hedge accounting was not applied.



## PETROLEUM AND NATURAL GAS REVENUE

(\$ 000s except per boe)	Three months ended June 30			Six months ended June 30		
	2023	2022	% Change	2023	2022	% Change
Natural gas	43,534	76,084	(43)	128,698	145,027	(11)
Condensate	19,219	30,392	(37)	44,896	60,971	(26)
NGLs	6,472	16,333	(60)	17,481	33,583	(48)
Sulphur	2,823	8,277	(66)	6,374	14,893	(57)
<b>Petroleum and natural gas revenue<sup>(1)</sup></b>	<b>72,048</b>	<b>131,086</b>	<b>(45)</b>	<b>197,449</b>	<b>254,474</b>	<b>(22)</b>
Petroleum and natural gas revenue (\$/boe)	25.47	39.60	(36)	32.31	36.59	(12)
Third party processing and other income	5,561	7,513	(26)	16,192	13,895	17
Realized gain (loss) on risk management contracts	3,301	-	-	3,682	-	-
<b>Revenue</b>	<b>80,910</b>	<b>138,599</b>	<b>(42)</b>	<b>217,323</b>	<b>268,369</b>	<b>19</b>

<sup>(1)</sup> Petroleum and natural gas revenue includes gains and losses on physical commodity contracts.

Pieridae's revenues are derived from the sale of natural gas and NGL production. Fluctuations in the Company's revenue are dependent on the commodity prices the Company receives for its production. Prices are market driven and fluctuate due in part to factors that are not under the Company's control. Petroleum and natural gas revenue from production for the three and six months ended June 30, 2023 decreased 45% and 22% respectively compared to the same periods of 2022, attributable to the lower gas and condensate realized prices and to production decreases as previously discussed.

Third party processing and other income is primarily derived from fees charged to non-owner third parties for processing their production and sulphur volumes through Pieridae's gas processing facilities. Facility outages experienced in the second quarter of 2023 negatively impacted this income stream by 45% compared to the same period of 2022. In addition to third party processing fees, other income during the six months ended June 2023 includes \$4.2 million due to our retention of a non-refundable third-party deposit related to a planned disposition of non-core oil and gas properties in Northeast British Columbia. The deposit was retained following failure by the third party to meet certain conditions required to close the transaction (refer to Note 4 of the interim financial statements).

During the quarter, Pieridae additionally recorded a realized gain on risk management contracts. Pieridae actively mitigates its exposure to commodity price and foreign exchange fluctuations through risk management contracts (refer to Note 12 of the interim financial statements). During the second quarter of 2023, Pieridae recognized a benefit of \$1.8 million by monetizing an existing commodity risk management contract, and a benefit of \$1.5 million on the closure of a foreign exchange risk management contract.

## ROYALTIES

(\$ 000s except per boe)	Three months ended June 30			Six months ended June 30		
	2023	2022	% Change	2023	2022	% Change
Gross royalties	10,772	38,764	(72)	34,827	70,718	(51)
Gas cost allowance	(27,366)	(15,338)	(78)	(36,715)	(28,160)	(30)
Royalties	(16,594)	23,426	(171)	(1,888)	42,558	(104)
Royalties (\$/boe)	(5.87)	7.08	(183)	(0.31)	6.12	(105)
Royalties as percentage of revenue (%)	(23.0)	17.9	(229)	(1.0)	16.7	(106)

For the three and six months ended June 30, 2023, gross royalties decreased by 72% and 51% respectively due to market-driven decrease in reference prices for natural gas and NGLs, and lower production volumes in the current periods. Net royalties were impacted in June 2023 by a one-time favorable adjustment to the 2022 Gas Cost Allowance (GCA) credit which is calculated annually by the Alberta Crown and applied against the current year's crown royalty expense. This credit resulted in a negative net effective royalty rate for the three and six months ended June 30, 2023.

## OPERATING EXPENSE

(\$ 000s except per boe)	Three months ended June 30			Six months ended June 30		
	2023	2022	% Change	2023	2022	% Change
Operating expense	48,982	52,963	(8)	115,455	110,255	5
Operating expense (\$/boe)	17.31	16.00	27	18.89	15.85	19
Adjusted operating expense <sup>(1)</sup>	41,725	38,765	8	98,799	83,677	18
Adjusted operating expense (\$/boe) <sup>(1)</sup>	14.75	11.71	26	16.17	12.03	34

<sup>(1)</sup> Adjusted operating expense is a “non-GAAP measure”. Adjusted operating expense provides an industry-comparable view of operating expenses for our sour gas processing facilities by accounting for all third-party volumes running through these facilities. Adjusted operating expense is calculated as operating expenses, less third-party processing revenue and sulphur revenue.

For the second quarter of 2023 operating expenses decreased by 8% due to a revision to the Company’s Alberta Technology Innovation and Emissions Reduction (“TIER”) compliance cost estimate, reduced power consumption due to the gas plant outages, and lower processing fees at third party facilities where fees are tied to benchmark natural gas prices. These reductions were partly offset by maintenance cost increases attributed to inflationary pressures.

For the six months ended June 30, 2023 operating expenses increased by 5% on a total cost basis, primarily due to increased per-tonne TIER carbon compliance based on published rates to \$65/t CO<sub>2</sub>e, purchase of fuel gas to keep facilities warm through winter outage and increased maintenance costs as previously described.

For the three and six months ended June 30, 2023, operating expenses are comparatively higher on a per boe basis due to lower production volumes in 2023 and the high fixed-cost nature of Pieridae’s gas processing facilities. Management continues to maintain its focus on cost containment and offsetting the impacts of inflation.

A physical hedge program is in place for the majority of Pieridae’s power consumption which substantially mitigates higher power prices; refer to note 12 of the interim financial statements.

Adjusted operating expense reflects management’s view of the net operating costs of our three major sour gas processing facilities which both process third party volumes and are significantly more complex than similar sweet-gas facilities. Adjusted operating expense was higher through the second quarter and six months ended June 30, 2023, reflecting lower third-party volumes processed during the period due to the previously mentioned facilities outages.

The following table summarizes the Company’s operating cost per boe by core area for the three months ended June 30, 2023 and 2022:

(\$ per boe)	Three months ended June 30			Six months ended June 30		
	2023	2022	% Change	2023	2022	% Change
Waterton	16.58	12.47	33	16.14	12.67	27
Jumping Pound	23.30	12.47	87	18.75	15.84	18
Central Alberta Foothills	14.94	21.57	(31)	19.90	18.41	8
Northern Alberta Foothills	16.89	14.12	20	17.40	11.32	54
Northeast BC	47.51	12.16	291	45.76	22.93	100

The following table summarizes the Company’s adjusted operating cost per boe by core area for the three months ended June 30, 2023, and 2022:

(\$ per boe)	Three months ended June 30			Six months ended June 30		
	2023	2022	% Change	2023	2022	% Change
Waterton	15.76	8.53	85	14.81	9.31	59
Jumping Pound	18.87	6.77	179	14.09	8.97	57
Central Alberta Foothills	11.23	16.70	(33)	16.44	15.37	7
Northern Alberta Foothills	16.79	12.98	29	17.24	11.72	47
Northeast BC	47.51	12.16	291	45.76	17.26	165

## TRANSPORTATION EXPENSE

(\$ 000s except per boe)	Three months ended June 30			Six months ended June 30		
	2023	2022	% Change	2023	2022	% Change
Transportation expense	4,679	6,241	(25)	9,918	12,292	(19)
Transportation expense (\$/boe)	1.65	1.89	(13)	1.62	1.77	(8)

Transportation expenses decreased in the three and six months ended June 30, 2023, primarily due to lower fuel costs allocated to Pieridae from the pipeline operator, which are based on the market price of natural gas.

## GENERAL AND ADMINISTRATIVE EXPENSE

(\$ 000s except per boe)	Three months ended June 30			Six months ended June 30		
	2023	2022	% Change	2023	2022	% Change
G&A expense	6,588	7,211	(9)	11,816	14,286	(17)
G&A expense (\$/boe)	2.33	2.18	7	1.93	2.05	(6)

General and administrative (“G&A”) expense for the three and six months ended June 30, 2023 decreased by 9% and 17% respectively primarily due to lower insurance expense allocated to G&A, and continued cost reduction initiatives.

## FINANCE EXPENSE

(\$ 000s)	Three months ended June 30			Six months ended June 30		
	2023	2022	% Change	2023	2022	% Change
Cash portion of interest expense	3,937	4,253	(7)	7,179	8,464	(15)
Non-cash interest paid in kind	1,301	3,647	(64)	3,951	7,331	(46)
Accretion on financing costs	3,589	4,795	(25)	8,360	11,216	(25)
Loss on debt extinguishment	6,859	-	-	6,859	-	-
Accretion of decommissioning obligations	548	186	195	1,062	186	471
Interest on lease liabilities	57	31	84	109	61	79
Other charges	65	4	1525	(78)	98	(180)
<b>Total finance expense</b>	<b>16,356</b>	<b>12,916</b>	<b>27</b>	<b>27,442</b>	<b>27,356</b>	<b>-</b>

Finance expenses in the second quarter of 2023 increased by 27% from the comparative period primarily due to the one-time loss recognized on debt extinguishment of \$6.8 million, reflecting Pieridae’s refinancing and early retirement of its previously outstanding term-debt. Cash and non-cash interest expense both declined compared to the previous periods as a result of continued reduction to Pieridae’s outstanding debt principal.

## DEPLETION AND DEPRECIATION

(\$ 000s)	Three months ended June 30			Six months ended June 30		
	2023	2022	% Change	2023	2022	% Change
Depletion and depreciation	16,218	12,812	27	32,846	27,967	18

During the three and six months ended June 30, 2023, depletion and depreciation expense increased by 27% and 18% respectively compared to the same period in 2022 due to an increase in the depletable asset base, which arose primarily from higher expected future development costs within the Company’s total proved and probable reserve value. Additional depletion was recorded on assets held for sale that were reclassified back into property, plant and equipment at June 30, 2023.

## CAPITAL EXPENDITURES

The following tables summarizes the Company's capital expenditures for the three and six months ended June 30, 2023, and 2022:

(\$ 000s)	Three months ended June 30			Six months ended June 30		
	2023	2022	% Change	2023	2022	% Change
Seismic	200	575	(65)	200	1,700	(88)
Development	4,017	3,247	24	19,819	3,920	406
Land	76	35	117	168	120	40
Plant and facilities	489	167	193	550	1,515	(64)
Turnarounds	4,285	5,575	(23)	6,637	5,674	17
Corporate	317	140	126	2,496	344	626
<b>Capital expenditures</b>	<b>9,384</b>	<b>9,739</b>	<b>(4)</b>	<b>29,870</b>	<b>13,273</b>	<b>125</b>
Abandonment	375	498	(25)	887	1,636	(46)
<b>Total capital expenditures</b>	<b>9,759</b>	<b>10,237</b>	<b>(5)</b>	<b>30,757</b>	<b>14,909</b>	<b>106</b>

Second quarter capital expenditures reflect the Company's ongoing finalization of its development program in Brown Creek (\$2.8 million) along with advancement of well optimization activities in Central and Southern Alberta (\$1.2 million). Turnaround expenditures were significantly higher through the second quarter and reflect condenser repairs completed at both the Jumping Pound and Caroline gas facilities along with preparatory work for the planned outage in Waterton during the third quarter 2023.

Expenditures for the first six months of 2023 reflect the development program in Brown Creek and the aforementioned repairs to the sulphur condensers at both Jumping Pound and Caroline gas facilities.

## LIQUIDITY AND CAPITAL RESOURCES

### Capital Resources

As at June 30, 2023, Pieridae's capital structure was comprised of share capital, adjusted working capital and term debt. The following table summarizes our capital structure on June 30, 2023, and December 31, 2022:

(\$ 000s)	June 30, 2023	December 31, 2022
Adjusted working capital (deficit) <sup>(1)</sup>	(6,258)	(11,249)
Current portion of long-term debt	(9,646)	(203,254)
Long-term debt	(165,766)	-
Net debt <sup>(2)</sup>	(181,670)	(214,502)
Shareholders' equity	139,974	114,758

<sup>(1)</sup> Adjusted working capital is a non-GAAP measure and is calculated as accounts payable and accrued liabilities, less cash and cash equivalents, restricted cash, accounts receivable, prepaids and deposits.

<sup>(2)</sup> Net debt is a "non-GAAP measure". Management considers net debt an important measure as it demonstrates the Company's ability to pay off its debt and take on new debt, if necessary.

### Cash and Cash Equivalents

Pieridae held \$14.4 million in cash and cash equivalents and \$0.7 million of restricted cash as at June 30, 2023. Restricted cash is comprised of security pledged for various letters of credit which are required to be posted with provincial agencies and other companies to facilitate the Company's ongoing operations.

### Guarantee Facility from Export Development Canada ("EDC")

In July 2020, the Company received a \$6 million guarantee facility from EDC which was increased to \$8.0 million in June 2021 and to \$12.0 million on June 30, 2022. The facility was again renewed effective June 2023. This guarantee facility provides for 100% guarantee to the issuing banks of the Company's existing and future letters of credit, of which \$5.9 million was drawn at June 30, 2023 (December 31, 2022 - \$7.2 million).

### Long-Term Debt

On June 13, 2023, the Company completed a debt refinancing. The debt refinancing retired the Company's existing term-debt in advance of its upcoming maturity on October 16, 2023 in exchange for new USD \$150 million (USD \$132 million drawn) and \$20 million (\$20 million drawn) long term debt facilities; refer to Note 7 of the interim financial statements.

With the success of the debt refinancing, Pieridae's balance sheet has been significantly improved and the Company expects to benefit from a lower cost of capital, improved financial flexibility and reduced leverage.

The USD \$150 million long-term debt facility is made up of a USD \$120 million 45-month senior facility and USD \$30 million 51-month subordinated notes which are both held by Pieridae Alberta Production Limited ("PAPL"), a wholly owned subsidiary of the Company.

The \$20 million facility is an 18-month bridge term loan (the "Bridge Term Loan") held in Pieridae and has no direct recourse against the assets or cashflows of PAPL. It is intended that proceeds from the disposition of certain non-core assets of the Company will be sufficient to substantially satisfy the repayment of the Bridge Term Loan; however, to provide increased flexibility PEL has agreed to seek shareholder approval to permit the conversion of the Bridge Term Loan into common shares of PEL. Shareholder approval must be obtained by December 13, 2023. From that time and until the maturity date of the Bridge Term Loan, the conversion right may be exercised. If shareholder approval is not obtained, the Bridge Term Loan will continue to be repayable in cash in accordance with its original terms, and along with the Subordinated Notes, will be subject to an increased interest rate.

The table below summarizes debt obligations as of June 30, 2023 as compared to December 31, 2022:

(\$ 000s)	June 30, 2023	December 31, 2022
Previous term loan	-	203,254
Senior facility		
Revolving loan USD \$25,000 (USD \$16,800 drawn) <sup>(1)</sup>	22,243	-
Amortizing term loan USD \$85,000 (USD \$85,000 drawn) <sup>(1)</sup>	112,540	-
Delayed draw term loan USD \$10,000 (undrawn) <sup>(1)(2)</sup>	-	-
Subordinated notes USD \$30,000 (USD \$30,000 drawn) <sup>(1)</sup>	39,720	-
PAPL total debt <sup>(3)</sup>	174,503	203,254
Bridge term loan \$20,000 (\$20,000 drawn) <sup>(4)</sup>	20,170	-
Pieridae total debt	194,673	203,254

<sup>(1)</sup> Converted to CAD using the month end exchange rate of 1.324.

<sup>(2)</sup> The delayed draw term loan must be drawn between July 1, 2023, and December 31, 2024. Any amount drawn will be combined with the amortizing term loan, together (the "Term Loan").

<sup>(3)</sup> Excludes unamortized deferred financing fees of \$12.1 million and fair values of warrants of \$7.2 million.

<sup>(4)</sup> The bridge term loan includes interest payable in kind of \$0.2 million.

As a result of the Financing, Pieridae's liquidity is significantly improved, with access to a revolving credit facility (67% utilized) and a delayed draw term loan (undrawn). The table below summarizes the available liquidity of the Company as of June 30, 2023 as compared to December 31, 2022:

(\$ 000s)	June 30, 2023	December 31, 2022
Cash and cash equivalents	14,442	22,273
Undrawn delayed draw term loan	13,240	-
Undrawn senior revolver	10,856	-
Total available liquidity	38,538	22,273

## Working Capital and Capital Strategy

The following table presents the composition of Pieridae's working capital position at June 30, 2023, and December 31, 2022:

(\$ 000s)	June 30, 2023	December 31, 2022
Cash and cash equivalents	14,442	22,273
Restricted cash	670	670
Accounts receivable	51,507	74,514
Prepays expenses and deposits	9,444	8,130
<b>Total current assets</b>	<b>76,063</b>	<b>105,587</b>
Accounts payable	12,558	22,649
Accrued liabilities	69,763	94,187
<b>Total current liabilities</b>	<b>82,321</b>	<b>116,836</b>
<b>Adjusted working capital (deficit)</b>	<b>(6,258)</b>	<b>(11,249)</b>

Pieridae's adjusted working capital deficit at June 30, 2023 improved to \$6.3 million compared to \$11.2 million at December 31, 2022, driven by lower accounts payable and accrued liabilities. This reduction in adjusted working capital deficit was partially offset by lower accrued revenue due to weaker commodity prices during the first half of 2023.

Management monitors working capital on a continuous basis with a focus on strengthening Pieridae’s balance sheet through sustaining production, and rigorous cost control across its operations and administration. Pieridae’s capital strategy is aligned with its business strategy and is focused on ensuring the Company has sufficient liquidity to fund operations and mitigate reserves decline. Pieridae’s principal sources of liquidity are the undrawn balance on its senior secured revolving loan (USD \$8.2 million), the undrawn balance on its senior secured delayed draw term loan (USD \$10 million), the remaining portion of the EDC guarantee facility (\$6.1 million), additional debt and equity offerings.

## SHARE CAPITAL, WARRANTS AND STOCK OPTIONS OUTSTANDING

	August 9, 2023	June 30, 2023	December 31, 2022
Share capital	158,985,336	158,979,336	158,963,336
Stock options	5,247,979	5,265,979	5,860,369
Stock options – weighted average exercise price (\$/share)	\$0.79	\$0.78	\$1.21
Warrants	5,000,000	5,000,000	5,000,000
Warrants – weighted average exercise price (\$/warrant)	\$0.70	\$0.70	\$0.70
Warrants <sup>(1)</sup>	18,596,322	18,596,322	-
Warrants <sup>(1)</sup> – weighted average exercise price (\$/warrant)	\$0.49	\$0.49	-

<sup>(1)</sup> These warrants were issued on June 13, 2023 with the Subordinated Notes as a part of the debt refinancing.

## COMMITMENTS, PROVISIONS AND CONTINGENCIES

The Company has entered into several financial obligations during the normal course of business. As at June 30, 2023, these obligations, and the expected timing of their settlement, are detailed below:

(\$ 000s)	2023	2024	2025	2026	Thereafter	Total
Interest on long-term debt	11,970	25,406	17,502	16,124	5,135	76,137
Firm transportation	5,845	11,415	3,600	267	-	21,127
<b>Total</b>	<b>17,815</b>	<b>36,821</b>	<b>21,102</b>	<b>16,391</b>	<b>5,135</b>	<b>97,264</b>

### Provisions and Contingencies

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 the outcome of adverse decisions in any of these pending or threatened proceedings related to these and other matters or any amount which it may be required to pay by reason thereof would have a material adverse impact on its financial position or results of operations.

### Off Balance Sheet Transactions

The Company does not have any financial arrangements that are excluded from the interim financial statements, nor are any such arrangements outstanding as of the date at this MD&A.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITMENT

Pieridae is in compliance with all environmental laws and regulations as of the date of this MD&A. Pieridae’s Liability Management Rating is within both the British Columbia Energy Regulator’s (“BCER”), formerly known as British Columbia Oil and Gas Commission’s and the Alberta Energy Regulator’s (“AER”) requirements after accounting for a \$1.8 million deposit in place with the BCER. Pieridae’s liability rating in Alberta is calculated by the AER based on the licenses which are in Pieridae’s name.

Pieridae continues to advance our ESG practices as outlined in our third annual ESG Report released in conjunction with this MD&A. This report provides details on the Company’s approach to sustainability, greenhouse gas emissions management and to continued Indigenous and community partnerships in the areas where Pieridae operates.

The Company considers the impact of the evolving worldwide demand for carbon-based energy and global advancement of alternative energy sources in its business strategy. Emissions and other regulations impacting climate and climate related matters are constantly evolving. In Pieridae’s ESG Report, the Company reported various ESG metrics using three international frameworks: the Sustainability Accounting Standards Board (“SASB”), the Global Reporting Initiative (“GRI”) and the Task Force on Climate-Related Financial Disclosure (“TCFD”).

Pieridae’s ESG focus first assess the Company’s starting point with respect to governance, greenhouse gas emissions and social policies, noting the material areas of focus. As we build on our strategic plan, we seek to evolve the business and consider energy transition and associated business opportunities. Please refer to the Company’s website for this ESG report.

## RISK FACTORS

The Company monitors and complies with current government regulations that affect its activities, although operations may be adversely affected by changes in government policy, regulations, or taxation. In addition, Pieridae maintains a level of liability, and property and business interruption insurance which is believed to be adequate for the Company's size and activities but is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims. Risk to Pieridae's business and operations include, but are not limited to:

Risks Related to Pieridae's Business and Industry
Adverse Economic Conditions
Price, Volatility and Marketing of Oil, Gas and NGLs
Access to Capital
Liquidity
Operational Matters and Hazards
Labour Relations
Development and Production
Regulatory Permits, Licenses and Approvals
Political Uncertainty and Geo-Political Risk
Skilled Workforce
Facilities Throughput and Utilization
Pipeline Systems, Rail, Co-ownership of Assets, and Operational Dependence
Information Technology Systems and Cyber-Security
Inflation and Cost Management
Hedging Activities
Climate Change
Climate Change - Physical Risks
Climate Change - Transition Risks
Climate Change Regulations and Carbon Pricing
Variations in Foreign Exchange and Interest Rates
Royalty Regimes
Project Execution
Environmental
Third Party Credit Risk
Technological Change
Competition
Conflicts of Interest
Indigenous Land and Rights Claims
Reserve Estimates
Litigation
Insurance Coverage
Breach of Confidentiality
Reputational
Risks Related to Pieridae's Common Shares
Volatility
Return on Investment
Dilution

Refer to the Company's Annual Information Form for the year ended December 31, 2022, for fulsome discussion of these risks. See also "Forward Looking Statements" in this MDA.

## SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The timely preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. 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 use of significant judgments and estimates made by management in the preparation of the interim financial statements are discussed in note 2 of the consolidated financial statements for the year ended December 31, 2022.

## CONTROL ENVIRONMENT

### Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Pieridae is required to comply with National Instrument 52-109 “Certification of Disclosure in Issuers’ Annual and Interim Filings”. The certification of interim filings for the period ended June 30, 2023, requires that the Company disclose in the interim MD&A any changes in disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR) that occurred during the period that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting. No such changes were made to the Company’s DC&P and ICFR during the period ended June 30, 2023.

### NEW ACCOUNTING POLICIES

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

### NON-GAAP MEASURES

Management has identified certain industry benchmarks such as net operating income, operating netback, adjusted operating expense, adjusted working capital (refer to footnotes within tables of this MD&A for further information) and funds flow from operations to analyze financial and operating performance. These benchmarks are commonly used in the oil and gas industry; however, they do not have any standardized meanings prescribed by IFRS. Therefore, they may not be comparable with the calculation of similar measures for other entities.

### Funds Flow from Operations

Management considers funds flow from operations an important measure to evaluate the Company’s cash flow as it demonstrates Pieridae’s field level operational cash flow. Funds flow from operations is calculated as cash provided by operating activities, excluding settlement of decommissioning obligations and changes in non-cash working capital. Expenditures on decommissioning obligations are excluded as it is managed through the capital budgeting process.

(\$ 000s)	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Cash provided by operating activities	27,533	34,922	64,642	38,134
Settlement of decommissioning obligations	375	498	887	1,636
Changes in non-cash working capital	7,524	8,042	7,316	38,547
<b>Funds flow from operations</b>	<b>35,432</b>	<b>43,462</b>	<b>72,845</b>	<b>78,317</b>