

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides a review by management of the financial position and consolidated results of Pieridae Energy Limited ("Pieridae", "we", "our" or the "Company") for the three months ended March 31, 2021 and 2020, as well as information about our future prospects. This MD&A has been prepared as of May 12, 2021 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and the accompanying notes for the three months ended March 31, 2021 (the "interim financial statements") and the MD&A and audited consolidated financial statements as at and for the year ended December 31, 2020 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 Standard 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.

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, or on SEDAR, www.sedar.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, adjusted funds flow from operations ("AFFO") and project investment. 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 on pages 18 and 19 of 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 2021 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 (including as a result of demand and supply effects resulting from the COVID-19 virus pandemic and the actions of OPEC and non-OPEC countries) 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.sedar.com), and at Pieridae's website (www.pieridaeenergy.com). Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and Pieridae assumes no obligation to update or review them to reflect new events or circumstances except as required by applicable securities laws.

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

DEFINITIONS AND ABBREVIATIONS

| | | | |
|------------|----------------------|--------------|-------------------------------|
| Bcf | Billion cubic feet | Mmcf | Million cubic feet |
| Bcm | Billion cubic metres | MMBtu | Million British thermal units |
| GJ | Gigajoules | USD | United States Dollars |

PIERIDAE'S OBJECTIVES AND STRATEGY

Pieridae is focused on becoming the first Canadian owned liquefied natural gas (“LNG”) producer that integrates (a) upstream activities consisting primarily of the acquisition and development of natural gas resource properties situated primarily in Alberta, the extraction of natural gas and other commodities from those properties and the initial processing of the natural gas in or near the field (the “Upstream Segment”) and (b) midstream activities consisting primarily on the delivery of natural gas by pipeline to the site of the proposed Goldboro LNG Facility (as described below) where it is further processed and liquefied to produce LNG for sale to customers for export to international markets and to specific markets in North America (the “LNG Segment” and together with the Upstream Segment, the “Goldboro LNG Project”).

The Company’s fundamental strategy is to acquire under-valued natural gas reserves (primarily in Alberta) which can be developed for the purpose of supplying natural gas to the proposed Goldboro LNG Facility (the “Goldboro LNG Facility” or the “Facility”), to construct the Facility and develop the natural gas reserves with low cost project financing (which is supported to a substantial degree by government guarantees) and to operate the Facility to produce high-valued LNG for sale in international markets. This strategy encompasses a “reuse, revitalize, repurpose” mandate aligned to the Company’s environmental, social and governance (“ESG”) values and goals to make the best use of existing local and national infrastructure and industrial footprints.

The Company intends to construct its Goldboro LNG Facility near the community of Goldboro situated in the municipality of the district of Guysborough on the North Eastern coast of Nova Scotia. The Facility will be constructed in phases and will include (a) two trains (“Train One” and “Train Two”, respectively), each with the capacity to produce approximately 5.2 million tonnes of LNG annually, (b) a power plant which will generate the electricity required to operate the Facility, (c) two LNG storage tanks and (d) marine structures and a jetty which will be equipped to accommodate concurrently two LNG vessels, each with a cargo capacity of up to 250,000 m³ of LNG.

The Company takes a long-term approach to growth and investments in order to mirror the long-term nature of the infrastructure, and to focus on creating long-term shareholder value. Operational discipline, safe, effective and efficient operations, community outreach, and cost control are fundamental to the Company. By consistently managing costs and continuing to integrate ESG considerations into our business plan, the Company believes it will achieve its long-term objectives. Opportunities to further integrate ESG considerations into our corporate strategy are being sought, and a plan is in place to ensure ESG risks and opportunities are addressed throughout the project lifecycle. Strategic, accretive acquisitions are a key component of the Company’s strategy. The Company has selectively acquired properties generating future cash flows and aligning with its long-term objective. The Company may also selectively purchase other resource owners’ gas or provide LNG processing services to the extent there is spare capacity at the Facility.

QUARTERLY HIGHLIGHTS

Pieridae reports business results in two segments: Upstream and LNG. The tables below provide a summary of the consolidated financial results for the past eight quarters:

| (\$ 000s unless otherwise noted) | 2021 | | 2020 | | 2019 | | | |
|---|----------|----------|----------|----------|----------|----------|----------|----------|
| | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| Production | | | | | | | | |
| Natural gas (mcf/day) | 215,179 | 212,220 | 184,080 | 208,689 | 199,234 | 204,262 | 86,884 | 90,942 |
| Condensate (bbl/day) | 3,158 | 3,259 | 2,807 | 3,166 | 2,850 | 2,840 | 121 | 131 |
| NGLs (bbl/day) | 4,975 | 6,171 | 4,722 | 5,843 | 5,156 | 5,253 | 55 | 80 |
| Sulphur (ton/day) | 1,713 | 1,829 | 2,232 | 1,970 | 1,906 | 938 | 269 | 204 |
| Total production (boe/d) | 43,997 | 44,800 | 38,209 | 43,791 | 41,211 | 42,137 | 14,657 | 15,368 |
| | | | | | | | | |
| Financial | | | | | | | | |
| Net loss | (19,547) | (45,968) | (29,845) | (13,396) | (11,484) | (25,873) | (13,178) | (19,530) |
| Net loss per share, basic and diluted | (0.12) | (0.29) | (0.19) | (0.09) | (0.07) | (0.18) | (0.15) | (0.23) |
| Net operating income (loss) ⁽¹⁾ | 20,876 | 12,829 | (646) | 19,301 | 19,239 | 24,470 | (2,699) | (1,928) |
| Cashflow provided by (used in) operating activities | 11,000 | 1,037 | (4,541) | (2,013) | 6,426 | (17,748) | (238) | (16,702) |
| Adjusted funds flow from operations ⁽¹⁾ | 14,877 | 8,535 | (6,779) | 12,466 | 12,644 | 14,448 | (7,665) | (6,517) |
| Total assets | 557,696 | 612,651 | 583,942 | 588,415 | 609,437 | 602,474 | 364,095 | 366,067 |
| Working capital (deficit) surplus | (28,314) | (19,615) | (9,164) | 15,109 | 15,596 | 19,105 | (88,430) | (77,892) |
| Capital expenditures | 7,797 | 8,926 | 6,033 | 264 | 2,020 | 165,764 | 1,914 | 917 |
| Development expenses | 8,604 | 8,682 | 2,472 | 4,129 | 3,459 | 805 | 504 | 7,841 |

⁽¹⁾ Refer to the “Non-GAAP measures” section of this MD&A.

FIRST QUARTER 2021 OPERATIONAL AND FINANCIAL HIGHLIGHTS

Strong Production and Continued Safe Operations of Pieridae's Assets

Pieridae continues to proactively respond to the challenges associated with the global COVID-19 pandemic and remains committed to ensuring the health and safety of all its employees and contractors in the field and in our corporate office, as well as to the safe and reliable operation of our assets.

Pieridae's assets maintained strong production in the first quarter of 2021, averaging production of 43,997 boe/day, a 2% decrease from the prior quarter, and a 7% increase from the comparative quarter in 2020; resilient results when considering that minimal capital was deployed toward growing production during the last 12 months. Commodity prices also continued to strengthen, Pieridae's realized natural gas price was \$2.63/mcf in the first quarter vs an AECO benchmark of \$3.16/mcf. While below benchmark as a result of our hedge portfolio, realized prices in the first quarter were 22% higher than the fourth quarter and 17% higher than the comparative quarter in 2020.

In the first quarter of 2021, Pieridae generated cashflow from operating activities of \$11.0 million and adjusted funds flow from operations ("AFFO") was \$14.9 million, an increase of \$0.9 million or 7% compared to the same period in 2020. Higher per-boe operating costs and royalties offset the strength in revenues. Additionally, net income was impacted by Pieridae's continued investment in the Goldboro LNG Project, expenditures from which must be expensed until the Company reaches a successful final investment decision ("FID").

The Company continues to have a strong hedging program in place to insulate itself from volatile commodity prices, which has proven successful at providing a degree of price certainty and revenue stability during these uncertain and challenging times. Pieridae's senior secured lender Third Eye Capital Corporation ("TEC") has temporarily amended their requirement to have 60% of production hedged on an 18-month rolling average boe basis in order to allow the Company to take advantage of strengthening crude and natural gas markets. At March 31, 2021, 139,500 GJ/d of fixed price physical sales contracts of natural gas were in place at a weighted-average price of \$2.41/GJ, and 1,700 bbl/day of 2021 condensate production was hedged at a weighted average price of \$55.59/bbl.

Management's Response to the COVID-19 Pandemic

Pieridae remains committed to the health and safety of all personnel and to the safety and continuity of operations. In accordance with government guidelines to limit the risk of the outbreak, the Company has implemented measures such as self-quarantine policies, travel restrictions, enhanced sanitation measures and social distancing requirements. Office staff have successfully worked remotely while activity in our field operations has been reduced to restrict access to only essential personnel and prevent unnecessary travel. As a result of the ongoing vigilance by our staff and continued updates to work-safe protocols, Pieridae has not suffered any significant loss of productivity related to COVID-19 during quarter.

Pieridae Hires New Chief Operating Officer

In April 2021, Pieridae announced it has hired a new Chief Operating Officer, Darcy Reding. Mr. Reding is a professional engineer with more than 30 years of progressive technical and leadership experience in small and mid-sized private and public upstream oil and gas companies. He brings senior-level experience running complex sour gas assets, has a proven record of building resource base and economically bringing on new reserves. He has proven success in creating and executing corporate and ESG strategies while developing and leading high-performing, multi-disciplinary teams consistently outperforming targets and delivering stakeholder value.

Pieridae Announces Issuance of Warrants

On March 31, 2021, Pieridae issued 5,000,000 common share purchase warrants ("warrants") to Erikson National Energy Inc. Each warrant shall be exercisable to purchase one fully paid and non-assessable common share in the capital of Pieridae at an exercise price equal to CAD\$0.70 per common share. The expiration date of the warrants is March 31, 2026. As part of the Credit Agreement Pieridae entered into with TEC on October 16, 2019 where the Company secured a loan facility of \$206.0 million, Pieridae is subject to a series of covenants. Associated with this was also the amendment whereby the covenant requiring the Company to achieve a minimum market capitalization threshold of \$200 million commencing June 30, 2021 was removed.

UPSTREAM SEGMENT

The upstream segment is primarily comprised of the activities of Pieridae's wholly owned subsidiary Pieridae Alberta Production Ltd, which owns Pieridae's petroleum and natural gas production operations and properties in Western Canada. Upstream is currently the only segment generating operating revenues.

Production

| | | | Three months ended March 31, | |
|-----------------------------------|--|--|---------------------------------|---------------|
| | | | 2021 | 2020 |
| Natural gas (mcf/day) | | | 215,179 | 199,234 |
| Condensate (bbl/day) | | | 3,158 | 2,850 |
| NGLs (bbl/day) | | | 4,975 | 5,156 |
| Sulphur (ton/day) | | | 1,713 | 1,906 |
| Total production (boe/day) | | | 43,997 | 41,211 |

Production in the first quarter of 2021 was 43,997 boe/d, an increase of 2,786 boe/day or 7% compared to the same quarter in 2020. The increase was primarily due to reduced unplanned outages from cold weather in the current quarter and improved throughput at the Waterton gas processing facility as a result of the straddle plant installed in the third quarter of 2020. Also contributing to increased volumes was the impact of minor uplift projects coupled with the successful acquisition of additional minor working interests in existing production executed in the fourth quarter of 2020. Ethane reinjection at two of Pieridae's facilities during the quarter resulted in a minor reduction in NGL volumes, partially offset by corresponding higher gas volumes.

Benchmark Prices

| | | | Three months ended March 31, | |
|---|--|--|---------------------------------|--------|
| | | | 2021 | 2020 |
| AECO benchmark price (CAD/mcf) | | | 3.16 | 1.94 |
| Condensate benchmark price USD/bbl) | | | 59.05 | 46.83 |
| NYMEX benchmark price (USD/MMBtu) | | | 2.72 | 1.89 |
| WCS heavy differential from WTI (USD/bbl) | | | 45.88 | 25.26 |
| Dated Brent benchmark price (USD/bbl) | | | 61.32 | 51.05 |
| NBP UK natural gas benchmark price (USD/MMBtu) | | | 6.77 | 3.22 |
| US/Canadian dollar average exchange rate (USD) | | | 0.7899 | 0.7443 |
| US/Canadian dollar period-end exchange rate (USD) | | | 0.7952 | 0.7049 |

Realized Prices

| | | | Three months ended March 31, | |
|----------------------|--|--|---------------------------------|-------|
| | | | 2021 | 2020 |
| Natural gas (\$/mcf) | | | 2.63 | 2.25 |
| Condensate (\$/bbl) | | | 58.40 | 67.74 |
| NGLs (\$/bbl) | | | 25.22 | 12.36 |
| Sulphur (\$/ton) | | | 20.32 | 3.67 |

Petroleum and Natural Gas Revenue

| | | | Three months ended | |
|---|--|--|--------------------|---------------|
| | | | March 31, | |
| <i>(\$ 000s except per boe)</i> | | | 2021 | 2020 |
| Natural gas | | | 50,839 | 40,750 |
| Condensate | | | 16,600 | 17,566 |
| NGLs | | | 11,293 | 5,798 |
| Sulphur | | | 3,133 | 637 |
| Petroleum and natural gas revenue | | | 81,865 | 64,751 |
| Petroleum and natural gas revenue (\$/boe) | | | 20.67 | 17.27 |
| Other income | | | 1,035 | 649 |
| Third party processing | | | 4,669 | 6,802 |
| Realized gain (loss) on risk management contracts | | | - | 4,485 |
| Total revenue | | | 87,569 | 76,687 |

Petroleum and natural gas revenue in the first quarter of 2021 was \$81.9 million, an increase of \$17.1 million or 26% compared to the same quarter in 2020. The increase was primarily due to additional production resulting from a higher reliability, and an increase in the realized price for natural gas and NGLs, partially offset by a corresponding decrease in the realized price of condensate.

Third party processing revenue is derived from fees charged to third party for processing their production and sulphur volumes through Pieridae's three sour gas processing facilities acquired as part of the South Foothills Asset acquisition. This income adds significantly to the economic benefits realized from these facilities by offsetting operating costs, which are highly fixed in nature. Third party processing income was \$4.7 million, a decrease of 31% compared to the same quarter in 2020 due to lower throughput volumes from third parties, partially as a result of a temporary outage at the Pieridae-operated Shantz sulphur processing facility which restricted throughput capacity at the Caroline gas plant. Shantz returned to normal operation subsequent to March 31, 2021.

For the three months ended March 31, 2021, the Company did not recognize any realized gains on risk management contracts, compared to a realized gain of \$4.5 million in the comparative period of 2020 arising from the monetization of certain commodity forward contracts.

Royalties

| | | | Three months ended | |
|---------------------------------|--|--|--------------------|-------|
| | | | March 31, | |
| <i>(\$ 000s except per boe)</i> | | | 2021 | 2020 |
| Royalties | | | 3,822 | 2,630 |
| Royalties (\$/boe) | | | 0.97 | 0.70 |

Royalties in the first quarter of 2021 were \$3.8 million (\$0.97/boe), an increase of \$1.2 million or 45% compared to the same quarter in 2020 due to overall increase in production levels, higher realized prices, and the increase in condensate and liquids as a percentage of total production which on average attract higher royalty rates than natural gas.

Operating Expense

| | | | Three months ended | |
|--|--|--|--------------------|--------|
| | | | March 31, | |
| <i>(\$ 000s except per boe)</i> | | | 2021 | 2020 |
| Operating expense | | | 58,220 | 50,982 |
| Operating expense (\$/boe) | | | 14.70 | 13.59 |
| Adjusted operating expense ⁽¹⁾ | | | 50,418 | 43,543 |
| Adjusted operating expense (\$/boe) ⁽¹⁾ | | | 12.73 | 11.61 |

⁽¹⁾ Refer to the "Non-GAAP measures" section of this MD&A.

Operating expense in the first quarter of 2021 was \$58.2 million (\$14.70/boe), an increase of \$7.2 million or 14% increase compared to the same quarter in 2020. The increase was due primarily to higher overall production levels, in addition to higher power costs in the quarter,

an increase in per-boe third party processing fees for the portion of the Company's production which does not flow through its own processing facilities and increases in the per-tonne carbon tax charged through Alberta's Technology Innovation and Emissions Reduction ("TIER") regulation.

On an adjusted operating expenses per boe basis, operating costs were \$50.4 million (\$12.73)/boe in the first quarter of compared to \$43.5 million (\$11.61/boe) for the comparative period in 2020. This adjusted basis is a non-GAAP measure, refer to "Non-GAAP Measures" in this MD&A, and is intended to reflect normalized operating expense by deducting third-party revenue and sulphur production revenue from operating costs, as both offset additional incurred costs toward generating those additional revenue which is not reflected in per-boe comparatives.

As a result of third-party processing fees earned from these facilities, revenues generated on a per boe basis increased together with operating expenses per boe. These concurrent increases contributed to the increase in operating netback from \$5.14/boe to \$5.27/boe for the three months ended March 31, 2021.

Transportation Expense

| | | | Three months ended March 31, | |
|---------------------------------|--|--|---------------------------------|-------|
| | | | 2021 | 2020 |
| <i>(\$ 000s except per boe)</i> | | | | |
| Transportation expense | | | 4,651 | 3,836 |
| Transportation expense (\$/boe) | | | 1.17 | 1.02 |

Transportation expense in the first quarter of 2021 was \$4.7 million (\$1.17/boe), an increase of \$0.8 million or 21% compared to the same quarter in 2020. The increase was mainly driven by higher production volumes, the increase in Pieridae's firm service capacity on the Nova Gas Transmission Ltd. ("NGTL") System, and a higher cost for fuel gas on that system.

General and Administrative Expense

| | | | Three months ended March 31, | |
|---------------------------------|--|--|---------------------------------|-------|
| | | | 2021 | 2020 |
| <i>(\$ 000s except per boe)</i> | | | | |
| G&A expense - Upstream | | | 4,495 | 3,190 |
| G&A expense - LNG | | | 1,441 | 1,821 |
| G&A expense (\$/boe) - Upstream | | | 1.14 | 0.83 |
| G&A expense (\$/boe) - LNG | | | 0.36 | 0.51 |

Upstream G&A expense in the first of 2021 was \$4.5 million (\$1.14/boe), an increase of \$1.3 million or 41% compared to the same quarter in 2020 as the comparative period had the benefit of \$1.6 million of operating overhead recoveries. Currently, operating overhead recoveries are recorded in operating expense; this policy change commenced in the fourth quarter of 2020. After adjusting for this, G&A decreased by \$0.2 million due to lower benefits costs partially offset by higher insurance expense.

LNG G&A expense in the fourth quarter of 2021 was \$1.4 million (\$0.36/boe), a decrease of \$0.4 million or 21% compared to the same quarter in 2020 due to higher fees incurred in 2020. LNG G&A is composed entirely of corporate G&A as LNG associated G&A has been classified as development expense.

Finance Expense

| | | | Three months ended March 31, | |
|--|--|--|---------------------------------|---------------|
| | | | 2021 | 2020 |
| <i>(\$ 000s)</i> | | | | |
| Interest expense | | | 7,942 | 7,839 |
| Accretion of financing costs | | | 5,526 | 3,488 |
| Interest income | | | (5) | (32) |
| Accretion of decommissioning obligations | | | - | 211 |
| Interest on lease liabilities | | | 45 | 40 |
| Total finance expense | | | 13,508 | 11,546 |

Finance expense in the first quarter of 2021 was \$13.5 million, an increase of \$2.0 million or 17% compared to the same quarter in 2020. The increase was due the increase in accretion of financing costs as a result of increase in principle balance and the Company electing to have the interest payable in kind accruing to the principal outstanding. Refer to Note 7 of the interim financial statements for additional information on the Credit Agreement.

Depletion and Depreciation

| (\$ 000s) | | | Three months ended March 31, | |
|----------------------------|--|--|---------------------------------|-------|
| | | | 2021 | 2020 |
| Depletion and depreciation | | | 12,313 | 9,334 |

Depletion and depreciation in the first quarter of 2021 was \$12.3 million, an increase of \$3.0 million or 32% compared to the same quarter in 2020. The increase was due to an increase in the depletable base from higher additions and future development costs, as well as from increases in production.

Share-based Compensation

| (\$ 000s) | | | Three months ended March 31, | |
|-------------------------------------|--|--|---------------------------------|------|
| | | | 2021 | 2020 |
| Share-based compensation - Upstream | | | 120 | 72 |
| Share-based compensation - LNG | | | 34 | 103 |

Upstream share-based compensation in the first quarter of 2021 was \$0.1 million which was relatively consistent to \$0.1 million for the same quarter in 2020. LNG share-based compensation in the first quarter of 2021 was \$0.03 million which was lower than \$0.1 million for the same quarter in 2020 due to a slightly lower percentage allocated to LNG based on employee allocation.

LNG SEGMENT

Project Background

The LNG segment contains all activities associated with the development of the Company's proposed Facility in Goldboro, Nova Scotia in addition to the majority of Pieridae's corporate overhead activities.

The Goldboro LNG site is near the community of Goldboro, Nova Scotia. The site was selected to make use of existing infrastructure and is aligned with the Company's goal to minimize capital exposure by reusing existing, underutilized midstream infrastructure. The site is close to a decommissioned sour gas processing facility which gathered gas from numerous offshore reservoirs. This plant processed gas from the offshore Scotia shelf at the Sable Island project and tied into an existing sales pipeline (Maritimes and Northeast Pipeline ("M&NP")) which is conveniently located next to the site, and which will be modified to deliver gas to the Goldboro LNG Facility.

The Goldboro LNG Facility has progressed to the open book estimate ("OBE") stage and KBR was previously engaged to review the previously completed Front-End Engineering Design ("FEED") study and provide a fixed price contract to construct the gas liquefaction facility. In July 2020 Pieridae received written notice from KBR regarding the firm's exit from fixed price energy projects in order to refocus on its government services business. As a result, on September 29, 2020 Pieridae announced that it had signed a services agreement with respected global engineering firm Bechtel related to Pieridae's Two-Train Goldboro LNG Facility. Some of the key deliverables of the Bechtel services agreement are:

- Initiating a detailed review of the scope and design of the Goldboro LNG Facility and developing a comprehensive EPCC execution plan by March 31, 2021. This was completed on time and the parties are currently in final EPCC contract negotiations
- Delivering a final lump sum, turnkey EPCC contract price proposal by May 31, 2021 and
- Conducting a meaningful engagement with the Nova Scotia Mi'kmaq First Nations including their participation in the construction of a large-scale work camp at the LNG site

Pieridae has retained sole responsibility to contract the site preparation, marine civil works, and worker camp. These projects will be financed concurrently with a positive FID decision, and project execution will commence thereafter.

Under the FEED study, Air Products and Chemicals, Inc. developed a plan to design and deliver a two-train (each 5.2 MMTPA) facility. A two-train construction project is contemplated to span approximately 56 months. Much of the construction contemplates assembling modules built in offshore yards while employing approximately 3,500 local workers during the peak construction phase. These employees will be housed at a temporary camp, which will be built on or nearby the existing decommissioned Sable Island sour gas plant site. Site preparation, site drainage, highway reconstruction, marine facilities, are amongst some of the major projects that must be assembled in tandem with, or prior to, the LNG liquefaction facility construction.

Integrated LNG Business Model

The acquisition of the South Foothills Assets further solidifies Pieridae’s position as a fully integrated LNG enterprise holding key permits and approvals. It also greatly expands its portfolio of natural gas reserves, and its ability to generate sufficient natural gas to supply the Facility. With the completion of the South Foothills Asset acquisition, the Company estimates that it has enough resource capacity, to fill Train One of the proposed Facility at Goldboro. The Company plans to continue to add to these resources and reserves as markets and finances permit. A 20-year, take-or-pay contract with Uniper ensures that there will be a long-term, stable offtake for half of the planned capacity of the Facility.

Financing (UFG)

On April 25, 2013, Pieridae received written confirmation of eligibility in principle for up to US \$3.0 billion of untied loan guarantee by the German Federal Government, provided that, among other things, at least 1.5 MMTPA of the 5.2 MMTPA LNG produced from Train One will be delivered to the German domestic gas market. The eligibility in principal for the loan guarantee is expected to result in a lower cost of capital for Pieridae and enhance the leverage which can be achieved. This should represent a significant advantage over its competitors and translate into a cost of capital lower than an integrated LNG company without such guarantees.

On October 29, 2018, the proposed financing of upstream activities within the Goldboro LNG received a written confirmation of eligibility in principle for up to US \$1.5 billion of untied loan guarantees by the German Federal Government. This confirmation marked an important milestone in advancing the integrated Goldboro LNG Project towards FID. This eligibility in principal for up to US \$1.5 billion German government loan guarantee in relation to the proposed financing of conventional upstream natural gas development is in addition to the eligibility in principle for up to US \$3.0 billion by the German government loan guarantees for the proposed financing of the construction of Train One of the Goldboro LNG Facility and all associated facilities.

Stranded Supply

Part of Pieridae’s value chain strategy is to acquire stranded and economically constrained natural gas reserves and move them to world markets, capitalizing on higher global market prices. The Company has executed on this strategy in each of the past two years. In December 2018, the Company acquired Ikkuma and in October 2019, acquired the South Foothills Assets. The advancement of the Goldboro LNG Project is one advantage unique to Pieridae, and it could help facilitate additional acquisitions for the Company.

Transport Capacity

The gas supply for the Goldboro LNG Facility will be delivered via existing pipelines to the M&NP, located directly alongside the project site. Western Canadian production would move through TC Energy’s Canadian Mainline ("Canadian Mainline"). This represents an opportunity for TC Energy, as their Canadian Mainline is currently substantially underutilized. There are some sections of the subsidiary lines which will require upgrading to meet Pieridae’s capacity requirements, and engineering work is ongoing to refine the adjustments required.

Key Milestones

The following is a discussion of the key milestones for the Goldboro LNG Project:

| Milestone | Status |
|--|---|
| Secure sales contracts for 9.6 MMTPA (the design capacity of the two trains). | <ul style="list-style-type: none"> • Pieridae has an agreement with Uniper which contemplates the sale, on a "take or pay" basis, of 5.2 MMTPA of LNG for a term of 20 years commencing at the start of commercial deliveries of LNG. • Negotiations are under way for additional sales agreements. |

| | |
|--|--|
| <p>Secure supply of approximately 1.4 billion cubic feet of natural gas, and the related infrastructure improvements required to supply the 9.6 MMTPA of LNG to the proposed Goldboro LNG Facility.</p> | <ul style="list-style-type: none"> • In 2019, Pieridae added 1,077 million cubic feet of total proved plus probable natural gas reserves through its acquisition of the South Foothills Assets. • The upstream reserves, including approximately 500 potential drilling locations identified to date, in various stages of de-risking/technical due diligence, will provide sufficient productive capacity to fill Train One at Goldboro. • In December 2018 Pieridae added 671 million cubic feet of total proved plus probable natural gas reserves through the Ikkuma acquisition. • Confirmation of eligibility in principle for up to US \$1.5 billion of untied loan guarantees by the German Federal Government under its UFK program to support upstream development. • Pieridae is acquiring and reprocessing a significant amount of 3D seismic information on its growing reserve base. This will be used to formulate a comprehensive drilling plan that will ultimately grow production to the levels required to fill Train One. • Pieridae continues to seek additional gas properties through acquisitions or processing agreements, for which negotiations are ongoing. |
| <p>Complete engineering and design required for Facility construction.</p> | <ul style="list-style-type: none"> • Project site acquired. • Beginning of the land preparation was completed in early 2018. • Preliminary FEED has been completed. • As a result of a depressed market environment in early 2020 and COVID-19 impacts, Pieridae negotiated an extension with Uniper and TEC to June 30, 2021 for the deadline to make a positive FID. • Bechtel is progressing on the OBE and associated work for the primary EPCC contract. Work continues, and a cost estimate and associated EPCC contract is pending. • Work is also continuing on site preparation and planning. Detailed engineering work is being finalized on water intake, the wharf and jetty, and stormwater drainage and treatment options in addition to detailed planning of the road relocation, work camp and site terracing |
| <p>Secure transportation agreements to deliver natural gas to the Goldboro LNG Facility.</p> | <ul style="list-style-type: none"> • Memorandums of understanding have been completed with owners of the respective pipelines for long-term capacity. • The Company is eligible to request, at any time, an open season process to finalize these agreements. |
| <p>Obtain all permits and authorizations required to proceed with construction.</p> | <ul style="list-style-type: none"> • The Company has received all the major permits for the Project, including: <ul style="list-style-type: none"> ○ Environmental Assessment Approval ○ National Energy Board LNG Export License ○ National Energy Board Import License ○ US DOE LNG FTA Export Permit ○ US DOE NFTA Export Permit ○ Goldboro Construction Permit |
| <p>Obtain agreement from organized labour and local indigenous groups to mitigate the risk of disruption during construction.</p> | <ul style="list-style-type: none"> • Project special needs collective agreements (the "Collective Agreement") have been negotiated with 15 of the relevant trade unions in Nova Scotia, of which 13 have signed and ratified the Collective Agreement. • The Labour Board (Nova Scotia) issued order LB-1322 and order LB-1323 declaring that the Collective Agreement is a project agreement and that it is effective commencing July 27, 2017. • On February 4, 2019, Pieridae signed a Benefits Agreement with The Assembly of Nova Scotia Mi'kmaq Chiefs. The agreement means the Mi'kmaq will benefit economically as the Goldboro LNG Facility is developed, built and begins operating. • On September 30, 2020 Pieridae signed a Letter of Award selecting Black Diamond and the 13 Nova Scotia Mi'kmaq communities to exclusively negotiate the contract to build the \$720 million workforce lodge and amenities during the four-year construction phase of the Facility |
| <p>Secure the required funding.</p> | <ul style="list-style-type: none"> • The confirmation of eligibility in principle on April 25, 2013, that the project financing to be secured for constructing the first train of Goldboro will qualify for a US \$3.0 billion loan guarantee from the German Federal Government. • On October 29, 2018, the proposed financing of upstream activities within the Goldboro LNG Project received a written confirmation of eligibility in principle for up to US \$1.5 billion of untied loan guarantee by the German Federal Government. |

More information on the above noted contracts and regulatory efforts can be found in the Company's 2020 Annual Information Form ("AIF") which can be found on www.sedar.com.

Extensions of Key Deadlines

Targeted FID date for the Goldboro LNG Project is June 30, 2021. To that end, on May 5, 2020, Pieridae announced extensions of the key deadlines under its 20-year agreement with German energy company Uniper. These include expected commercial deliveries of gas to Uniper to start between August 31, 2025 and February 28, 2026, and the extension to June 30, 2021 of the deadline to make a positive FID for the Company's proposed Goldboro LNG Project. The 20-year agreement with Uniper is for the liquefied natural gas produced at Train One or 5.2 MMTA.

The completion of the FEED study and comprehensive EPCC execution plan will allow us to complete our final due diligence and proceed with project financing. Concurrently, we are working with several firms on the planning and pre-construction work for six priority areas outside of Bechtel's EPCC scope:

- Site roadwork
- Water pipeline construction
- Water Treatment plant construction
- Terracing of the site
- Building the work camp
- Building the wharf and jetty

Once financing is in place, the Company anticipates some of this work would begin immediately.

Development Expense

| (\$ 000s) | | | Three months ended March 31, | |
|---------------------|------|------|---------------------------------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| Development expense | | | 8,604 | 4,749 |

Development expense in the first quarter of 2021 was \$8.6 million, an increase of \$3.9 million or 81% compared to the same quarter in 2020. The expenditure in 2021 is a result of continued development of the Goldboro project, including collaborating with Bechtel toward the award of a fixed price, lump sum turn-key EPCC contract.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

Pieridae held \$13.3 million in cash and cash equivalents and restricted cash of \$2.2 million as at March 31, 2021. Restricted cash is comprised of security pledged for various letters of credit which are required to be posted with provincial agencies and other companies in order to facilitate the Company's ongoing operations.

Guarantee Facility from Export Development Canada ("EDC")

In July 2020, the Company received a \$6.0 million guarantee facility from Export Development Canada which provides for 100% guarantee to the issuing banks of the Company's existing and future letters of credit, of which \$6.0 million was drawn at March 31, 2021.

Loans and Term Debt

On October 16, 2019, the Company entered into a fully drawn senior secured non-revolving term Credit Facility for \$206.0 million. This Credit Facility bears interest at a fixed rate of 12.0% per annum from the date of issue, accrued daily and payable quarterly in cash, plus an additional 3.0% per annum, which is payable quarterly either in cash or, at the option of the Company and subject to the lender's approval, in kind by way of accruing to the principal outstanding. The Credit Facility is repayable in full on October 16, 2023 and a deferred fee of \$50.0 million is due on October 16, 2021; however, the Company has discretion to repay the principal in whole or in part any time prior to this date upon 90 days written notice to the lender, without penalty. Refer to Note 7 of the interim financial statements for additional information on the Credit Facility. As at March 31, 2021 the Company was in compliance with, or had obtained the required waivers for, all covenants of the Credit Facility.

Working Capital and Capital Structure

Pieridae's working capital deficit increased from \$19.6 million at December 31, 2020 to \$28.3 million at March 31, 2021 primarily as a result of increases in accounts payable and accrued liabilities. Working capital was pressured as a result of net losses experienced during the period, which arose from a combination of higher operating expenses, continued investments in Goldboro development expenses, and a reduction in third-party processing fees, partially offset by higher revenues.

While working capital is anticipated to trend higher over the next 12 months, Pieridae is actively pursuing opportunities to strengthen its balance sheet and increase resiliency in the immediate term, in addition to sourcing additional funding to continue growing its upstream asset base, fund the TEC deferred fee payable due in October 2021, and proceed with the construction of the proposed Goldboro LNG Facility. Although there is no guarantee that these efforts will be successful, management believes the Company presents a compelling opportunity to potential lenders and investors due to the status of approvals for the Facility, the eligibility for untied loan guarantees from the German Federal Government, and the strong potential returns on investment from the Goldboro LNG Facility. The 2019 acquisition of the South Foothills assets further strengthens the investment thesis for Pieridae.

Pieridae's capital strategy is aligned with its business strategy and is focused on ensuring the Company has sufficient liquidity to fund operations and project development. Externally, Pieridae's principal sources of liquidity are the Credit Agreement, EDC LC backstop facility, and additional debt and/or equity offerings.

Capital Resources

Pieridae's capital structure was comprised of share capital, working capital and term debt, less cash and cash equivalents. The following table summarizes our capital structure on March 31, 2021 and December 31, 2020:

| (\$ 000s) | March 31, 2021 | December 31, 2020 |
|---------------------------|----------------|-------------------|
| Cash and cash equivalents | 13,316 | 11,069 |
| Less: term debt | (224,871) | (219,555) |
| Net debt | (211,555) | (208,486) |
| Shareholders' equity | (13,303) | 4,384 |

Sources and Uses of Cash Flows

| (\$ 000s) | Three months ended March 31, | |
|--|---------------------------------|---------|
| | 2021 | 2020 |
| Cash flows related to operating activities | 11,000 | 6,426 |
| Cash flows related to investing activities | (7,851) | (2,020) |
| Cash flows related to financing activities | (1,259) | (106) |

Operating cash flows in the first quarter of 2021 was \$11.0 million, an increase of \$4.6 million or 71% compared to the same quarter in 2020. The increase was due to operational results during the quarter, including expenditures on decommissioning obligations, offset by changes in non-cash working capital.

Investing cash outflows in the first quarter of 2021 was \$7.9 million, an increase of \$5.8 million or 289% compared to the same quarter in 2020 due an increase in capital additions that occurred in the quarter.

Financing cash outflows in the first quarter of 2021 was \$1.3 million, an increase of \$1.2 million compared to the same quarter in 2020. During the current period there were payments of lease obligations, fees associated with the term debt and restricted cash movements.

SHARE CAPITAL, STOCK OPTIONS OUTSTANDING AND WARRANTS

As at March 31, 2021 and May 12, 2021 the Company had 157,641,871 common shares outstanding and 8,288,916 (December 31, 2020 – 8,322,072) stock options were outstanding with a weighted average exercise price of \$2.63/share.

On March 31, 2021, the Company issued 5,000,000 common share purchase warrants at an exercise price equal to \$0.70 per common share warrant. The Black-Scholes pricing model was used to calculate the fair value of \$1.3 million for the warrants.

COMMITMENTS, PROVISIONS AND CONTINGENCIES

The Company has entered into several financial obligations during the normal course of business. As at March 31, 2021 these obligations, and the expected timing of their settlement, are detailed below:

| (\$ 000s) | 2021 | 2022 | 2023 | 2024 | Thereafter | Total |
|-----------------------|---------------|---------------|---------------|--------------|--------------|----------------|
| Interest on term debt | 73,631 | 31,364 | 24,834 | - | - | 129,829 |
| Firm transportation | 9,130 | 8,451 | 2,764 | 1,016 | 1,171 | 22,532 |
| Total | 82,761 | 39,815 | 27,598 | 1,016 | 1,171 | 152,361 |

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 proceeding 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.

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, 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 the Oil and Gas Industry |
|---|
| Weakness in the Oil and Gas Industry |
| Prices, Markets and Marketing of Crude Oil and Natural Gas |
| Reserve Decline, Exploration, Development and Production Risk |
| Reserve Estimates |
| Liability Management |
| Royalty Regimes |
| Alternatives to and Changing Demand for Petroleum Products |
| Hydraulic Fracturing |
| Other Risks Inherent to Pieridae's Business |
| Additional Financing |
| Liquidity |
| Access to Capital |
| Epidemics or Pandemics |
| Environmental Incidents |
| Climate Change |
| Chronic Climate Change Risks |
| Acute Climate Change Risks |
| Climate Change Regulations |
| Permits, Licenses and Approvals |
| Insurable Risk |
| Co-ownership of Assets and Operational Dependence |
| Growth Management |
| Third Party Credit Risk |
| Political, Geo-Political and Public Perception Risk |
| Impact of Future Financings on Market Price |

| |
|--|
| Competition |
| Availability and Cost of Material and Equipment |
| Title to Production Assets and Reserves |
| Estimation of Abandonment and Reclamation Costs |
| Possible Failure to Realize Anticipated Benefits of Acquisitions |
| Project Risk |
| Conflicts of Interest |
| Litigation |
| Regulatory |
| Variations in Foreign Exchange and Interest Rates |
| Hedging |
| Tax Horizon |
| Changes in Risk Profile |
| Reliance on Key Personnel |
| Cost of New Technologies |
| Internal Controls |
| Breach of Confidentiality |
| Information Technology Systems and Cyber-Security |
| Reputation Risk |
| Estimates and Assumptions |
| Forward-Looking Statements and Information May Prove Inaccurate |
| Risks Related to Pieridae's Common Shares |
| Volatility |
| Dilution |
| Return on Investment |
| Dividends |

Refer to the Company's Annual Information Form for the year ended December 31, 2020 for fulsome discussion of these risks.

The current challenging economic climate due to the COVID-19 pandemic appears to be normalizing gradually, and significant recovery in commodity prices has been experienced during late 2020 and into the first quarter of 2021. However, the COVID-19 pandemic may still have significant adverse impacts to the Company, including but not limited to:

- Material declines in revenue and cash flows due to future reducing commodity prices
- Material decline in future revenues may result in potential impairment on non-financial assets
- Increase in the risk of non-performance by our customers and partners, resulting in a higher risk of default

While Pieridae believes the COVID-19 pandemic to be temporary, the situation is dynamic and the future economic impact of COVID-19 on the results of operations and financial condition cannot be reasonably estimated at this time. Pieridae will continue to monitor the impact of COVID-19 on an ongoing basis and make revisions as determined necessary by management. Such revisions are recognized in the period in which the estimates are revised and may impact future periods as well.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITMENT

Pieridae embraces the notion of ethical responsibility and the value that belief brings to what we strive to accomplish each and every day. The latest lexicon companies use to bring this notion to life is ESG: Environmental, Social and Governance. ESG is colouring almost every business decision a company now makes.

In parallel, ESG practices such as understanding risks, reducing waste, using resources effectively and ensuring compliance will help Pieridae uncover cost and operational efficiencies. Understanding ESG factors that are material to our business and to key stakeholders is a core ESG practice which is key to identifying and integrating ESG into the business and strategy. In this sense, embracing sustainability is twofold: supporting the resilience of the business, while enabling positive social and environmental impacts. Additionally, ESG is fundamental to Pieridae’s ability to create long term shareholder value. It starts with the tone at the top; creating a business environment where our Board, senior leadership, and employees are empowered and aligned toward the Company’s targets. Pieridae recognizes the importance of building and maintaining our relationships with the communities in which we operate and have aligned our ESG goals and framework toward fostering those relationships.

ESG is weaved into the pillars of our business: communication, connection, leadership, shared value and a focus on results. These are supported on a foundation we call “One Pieridae”. Together, this foundation and five pillars hold up our integrated business and environment, social, and governance strategy.

Our overriding goal is to protect people’s health and the environment.

In 2020, Pieridae undertook to formalize and centralize all its various ESG activities and is working to establish an umbrella ESG policy. To that end, in late 2020 the Corporation partnered with a global leader in ESG strategy development within the energy sector to facilitate and guide the Corporation towards formulating and implementing our ESG strategy. Their strong knowledge of key stakeholders including Indigenous Peoples, investors, government and others is important in developing our ESG program as we pursue FID and financing of our Goldboro LNG Facility. Pieridae targets an inaugural Pieridae ESG Report issuance in the second quarter of 2021.

Specifically, our 2021 goals, against which a portion of management compensation is measured, contain specific and measurable ESG targets. The table below reflects a number of areas that Pieridae is focused on as part of its ESG program:

| Key Sustainability Topic/Risk | Management Goal, Process, Controls and Measurement | Progress |
|--|---|---|
| Environmental | | |
| <p>Climate and air emissions</p> <p>Pieridae manages climate change and air emissions by focusing on lowering risk and complying with all environmental regulatory standards to align with our Energy Management Plan (“EMP”). Our EMP focuses on ensuring carbon-related risks and opportunities are evaluated as we set our goals and refine our business plan. This is achieved, in part, by including the cost of carbon in the early stages of planning for new capital projects and educating the business on the long-term impacts of carbon taxation on Pieridae’s business.</p> <p>Methane (CH4) is a primary GHG which has particular focus as it is considered “fugitive”. Additionally, Pieridae operates sour gas wells, infrastructure and processing facilities.</p> <p>Pieridae monitors and reports ambient air objectives for H2S and SO2 in compliance with regulations.</p> | <ul style="list-style-type: none"> • Management is committed to establishing a baseline and targeting reduction in the emission of methane (“CH4”) from its facilities through increased monitoring, process improvements, and equipment upgrades. • In 2020, Pieridae formalized its corporate Fugitive Emissions Management Plan (“FEMP”) and Methane Reduction Retrofit Compliance Plan (“MRRCP”). • Management is also committed to: <ul style="list-style-type: none"> ○ Maintaining a focus on achieving asset level targets ○ Implementing projects to lower our GHG emissions ○ Secure Government grants and funding to help achieve our goals ○ Supporting fair carbon taxation • Pieridae is committed to ensuring its operations will minimize impact to the air quality near its facilities and operates continuous air monitoring stations at its large gas plants. Pieridae manages air quality objectives at its gas processing facilities by means of continuous and passive monitoring stations in compliance with regulations. | <p>Neutral</p> <ul style="list-style-type: none"> • Since 2018, a total of 58 pneumatic pumps have been replaced, and the program has produced approximately 18,418 carbon offset credits (tonnes of CO2 equivalent). • Pieridae will continue this program and we anticipate tripling this reduction over several years. • Pieridae undertakes a comprehensive air monitoring program as per EPEA and other regulatory requirements. |

| Key Sustainability Topic/Risk | Management Goal, Process, Controls and Measurement | Progress |
|--|---|--|
| <p>Water usage reduction</p> <p>Pieridae needs fresh water to operate our gas complexes, other assets, and for future development. However we strive to use this resource sparingly and effectively; Pieridae follows all water management regulations and focuses on innovative solutions to responsibly reuse, reduce and recycle as much water as is economically feasible. And where possible, we reduce the amount of fresh water we use beyond what is required by regulations to ensure this important resource is used responsibly and sustainably.</p> <p>The company evaluates risk, including reliability of supply, technical feasibility, net potential environmental effects, economics, and regulatory and stakeholder concerns. Plans are developed to manage and lower any risk.</p> | <ul style="list-style-type: none"> Reduction in future water use through conventional (non-hydraulic stimulation) drilling in the Foothills. The production of non-hydraulic fractured gas may allow us to certify our sales under a number of “green-gas” programs which may allow us to obtain a price premium over market prices. Water usage at our gas processing facilities is licenced and approved under the <i>Water Act</i>. Pieridae will continue to monitor and report all water use in compliance with regulations and reduce where possible. To this end, the Company is committed to establishing a baseline in 2021 and targeting reduction in water use in future years. | <p>Neutral to Positive</p> <ul style="list-style-type: none"> Developing a conventional drilling plan which vastly reduces the water required when compared to our peers who often conduct hydraulic fracturing. Pieridae signed an evergreen contract with Shell to address site-specific ground pollution at the two largest and oldest plants in the current asset portfolio. Shell and Pieridae are committed to ensuring that the site is free of contaminants. |
| Social | | |
| <p>Indigenous Peoples Engagement</p> <p>Pieridae has a philosophy of respectful engagement with Indigenous Peoples across Canada, including the Nova Scotia Mi’kmaq First Nation and Treaty 7 Nations in Alberta.</p> <p>There is risk that Indigenous Peoples impacted by our activities do not feel they are benefitting from the Goldboro LNG Project nor Alberta gas reserves development & partnerships.</p> | <ul style="list-style-type: none"> Pieridae maintains ongoing, direct Treaty 7 engagement to discuss potential partnerships. Coordination with the Mi’kmaq First Nations on long-term Goldboro site management plans. Developing an Indigenous People Principles document which will be adhered to. We will look at holding annual meetings to discuss this forward-looking approach and also listen to concerns and ideas as we work to grow our business. The Chiefs and First Nations businesses want a chance to participate on a level playing field | <p>Positive</p> <ul style="list-style-type: none"> Positive, initial partnership discussions with Stoney Nakoda Nation. Signing of an MOU to explore developing sustainable energy projects in collaboration with the 4 Nations Building on the ratified Mi’kmaq Benefits Agreement, on September 30, 2020 signed a Letter of Award selecting Black Diamond and the 13 Nova Scotia Mi’kmaq communities to exclusively negotiate the contract to build a \$720 million workforce lodge and amenities construction of the Facility |
| <p>Stakeholder Engagement</p> <p>Pieridae is working with landowners’ concerns through asset transfer process/post AER decision. We are continuing to strengthen positive and trusting relationships with landowners through ongoing engagement.</p> | <ul style="list-style-type: none"> Ongoing, annual development of Pieridae Engagement Plan (matrix & SWOT). Commitment to following AER asset transfer approval conditions, develop tracking mechanism as part of the consultation record. Pieridae has a clear legacy policy that highlights how to achieve financial support. Community liaison officers (“CLO”) live & work in local communities, constantly building relationships & Pieridae brand. | <p>Neutral</p> <ul style="list-style-type: none"> Answered asset transfer SOCs thoroughly. Direct, timely landowner & stakeholder engagement. Formal Engagement Plan to be completed in 2020. Legacy financial policy continues to build community goodwill. <p>Local CLO community presence has demonstrated value mitigating current & future issues.</p> |

| Key Sustainability Topic/Risk | Management Goal, Process, Controls and Measurement | Progress |
|---|--|---|
| <p>Workforce Health and Safety</p> <p>Risk of injuries, fatalities and other safety concerns due to inadequate controls, processes and training, including currently heightened risk to workers due to the ongoing pandemic.</p> | <ul style="list-style-type: none"> • We strengthen our commitment through our rigorous Operations Management System and demonstrate it by achieving safe, reliable operations and an injury free workplace. • Pieridae tracks and reports total recordable injury frequency (TRIF) and lost-time injury frequency (LTIF). Focus is to improve proactive behaviors and reporting to maintain a low injury frequency. • LTI = 0 in 2020, and in Q1 2021. • TRIF target for 2021 is <1.0 (actual TRIF of 0.72 in 2019, 0.34 in 2020 and 0.29 in Q1 2021). • HS&E targets are tied to bonus structure. • HS&E statistics are communicated company-wide on a monthly basis to preserve a good safety culture and transparency. • Dedicated HS&E team in the field working directly with front-line workers and supervisors. | <p>Positive</p> <ul style="list-style-type: none"> • Integration of safety systems; process framework, and controls is well underway. • Integration activity will result in an effective Safety Management & Loss framework for employees and contractors. • Continued learning from incidents shared with entire company through safety hub and safety alerts. • Training & competency management will remain a focus. |
| Governance | | |
| <p>Board and Executive Diversity</p> <p>Pieridae recognizes diversity begins at the top. Risk of non-optimal management and Board decision making from lack of diversity of opinions, experiences and perspectives.</p> | <ul style="list-style-type: none"> • Pieridae's Board of Directors is committed to increasing the diversity of the Board and Executives of Pieridae. • Pieridae conducted its first-ever diversity and equity survey in order to understand its workforce and their concerns. We will use the results of this survey to establish a baseline and set meaningful targets for growth and improvement in 2021. | <p>Neutral to Positive</p> <ul style="list-style-type: none"> • Nominations to the Board of Directors suggest increasing diversity. • Increasing disclosure of diversity in the Company's 2019 and 2020 Management Information Circular. • Evolving Human Resources and recruitment policies and procedures. • On May 26, 2020, Pieridae elected Ms. Kiren Singh as its newest Board member. Ms. Singh has 30 years of experience and previously served as CFO, VP Risk Management and Treasurer in the energy sector. |
| <p>Critical Incident Management</p> <p>The release of hydrocarbons or other hazardous substances as a result of accidents could have significant ESG consequences.</p> | <ul style="list-style-type: none"> • Pieridae has a comprehensive corporate emergency response plan (ERP) with site-specific ERPs and an emergency response assistance program (ERAP) in place. • Participates in the Alberta Government Wildfire Management Plan. • Ongoing emergency response training held in the field at each of the assets. Competency to ICS and number of exercises conducted are measured. | <p>Positive</p> <ul style="list-style-type: none"> • Practices and procedures and training processes are in place to effectively handle emergencies and minimize the risk of negatively impacting the environment, people and communities in which it operates. • An established emergency management program promotes prompt and effective response to emergencies. |

Pieridae recognizes that operating our business sustainably requires transparency with our stakeholders about our ESG performance and overall performance. These goals are intended to support this performance, and we commit to updating our stakeholders regularly.

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, 2020.

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 March 31, 2021 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 March 31, 2021.

CHANGES IN ACCOUNTING POLICIES

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

OUTLOOK AND GUIDANCE

2021 Guidance

Below is a summary of the Company’s 2021 annual guidance, which remains unchanged from the previously disclosed figures:

| <i>(\$ 000s unless otherwise noted)</i> | 2021 Guidance |
|---|--------------------------|
| Total production (boe/d) | 40,000 - 45,000 |
| Net operating income ⁽¹⁾ | 100,000 - 130,000 |
| Adjusted flow of funds from operations ⁽¹⁾ | 80,000 - 110,000 |
| Capital expenditures | 45,000 - 55,000 |
| Goldboro capital expenditures post-FID ⁽²⁾ | 250,000 – 350,000 |
| Development expense ⁽³⁾ | 15,000 - 20,000 |
| Commodity hedging ⁽⁴⁾ | 55% - 65% |
| Corporate and upstream G&A (\$/boe) ⁽³⁾ | 1.10 - 1.30 |
| Adjusted operating expense (\$/boe) ⁽¹⁾ | 9.50 – 10.50 |

⁽¹⁾ Refer to Non-GAAP measures

⁽²⁾ Assumes FID date of June 30, 2021

⁽³⁾ Reflects the reallocation of \$6.2 million of LNG G&A from G&A to development expense

⁽⁴⁾ Commodity hedging of net production on an 18-month rolling boe/day basis.

NON-GAAP MEASURES

Management has identified certain industry benchmarks such as net operating income, operating netback, adjusted operating expense and adjusted 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.

Net Operating Income

Net operating income equals total revenue including realized gains and losses on commodity risk management contracts less royalties, operating expenses and transportation expenses.

| (\$ 000s) | | | Three months ended March 31, | |
|------------------------------|--|--|---------------------------------|---------------|
| | | | 2021 | 2020 |
| Total revenue ⁽¹⁾ | | | 87,569 | 76,687 |
| Royalties | | | (3,822) | (2,630) |
| Operating expense | | | (58,220) | (50,982) |
| Transportation expense | | | (4,651) | (3,836) |
| Net operating income | | | 20,876 | 19,239 |

⁽¹⁾ Excludes unrealized gains or losses from risk management contracts.

Operating Netback

The operating netback equals revenue including realized gains and losses on commodity risk management contracts less royalties, operating expenses and transportation expenses calculated on a per BOE basis. Management considers net operating income and operating netback important measures to evaluate the Company's operational performance as it demonstrates Pieridae's field level profitability relative to current commodity prices.

| (\$ per boe) | | | Three months ended March 31, | |
|-----------------------------------|--|--|---------------------------------|-------------|
| | | | 2021 | 2020 |
| Total revenue | | | 22.11 | 20.45 |
| Royalties | | | (0.97) | (0.70) |
| Operating expense | | | (14.70) | (13.59) |
| Transportation expense | | | (1.17) | (1.02) |
| Operating netback (\$/boe) | | | 5.27 | 5.14 |

Adjusted Operating Expense

Adjusted operating expense is intended to provide an industry-comparable view of operating expenses for our sour gas processing facilities. Management considers comparability to mean consideration for all volumes running through these facilities, not only Pieridae-owned volumes, and some factor to normalize the increased expense of running sulphur recovery units at these facilities. Adjusted operating expense is calculated as operating expenses, less third-party processing revenue and sulphur revenue.

| (\$ 000s except per boe) | | | Three months ended March 31, | |
|--|--|--|---------------------------------|---------------|
| | | | 2021 | 2020 |
| Operating expense | | | 58,220 | 50,982 |
| Third party processing revenue | | | (4,669) | (6,802) |
| Sulphur revenue | | | (3,133) | (637) |
| Adjusted operating expense | | | 50,418 | 43,543 |
| Adjusted operating expense (\$/boe) | | | 12.73 | 11.61 |

Adjusted Funds Flow from Operations

Pieridae defines adjusted funds flow from operations as its net loss, less financial income and expense, where financial income and expense excludes accretion, less depletion and depreciation. Development expenses are also added back to better focus the metric on the Company's upstream operational performance.

| (\$ 000s) | | | Three months ended March 31, | |
|--|--|--|---------------------------------|---------------|
| | | | 2021 | 2020 |
| Net loss | | | (19,547) | (11,484) |
| Development expense | | | 8,604 | 4,749 |
| Finance expense | | | 13,508 | 11,335 |
| Depletion and depreciation | | | 12,313 | 9,334 |
| Adjusted funds flow from operations | | | 14,878 | 13,934 |

