

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 and nine months ended September 30, 2021 and 2020, as well as information about our future prospects. This MD&A has been prepared as of November 10, 2021 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and the accompanying notes for the three and nine months ended September 30, 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 adjusted operating expenses. 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 13 and 14 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 STRATEGIC UPDATE

Since 2011, Pieridae has been 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 (the “Goldboro LNG Facility” or the “Facility”) 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”).

On July 2, 2021, the Company publicly announced that after many years of effort and progress toward realizing its strategy of becoming an integrated LNG entity, it has not been able to meet all of the key conditions necessary to make a final investment decision (“FID”) on the Goldboro LNG Project in the scope and configuration previously contemplated.

Additionally, on July 26, 2021, the Company announced the initiation of a formal strategic review process under the supervision of a special committee of the Board of Directors, and in collaboration with a leading financial advisory firm. This process will identify, examine and consider a range of strategic alternatives for Pieridae. Such strategic alternatives may include, but are not limited to, a corporate sale, merger, a sale of a material portion of Pieridae’s assets or other transactions, or a combination thereof. The Company has taken a long-term approach to growth and investments in order to mirror the long-term nature of its 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, in addition to seeking opportunities to further integrate environmental, social and governance (“ESG”) considerations into our corporate strategy. The intention of this strategic review process is to protect and enhance this shareholder value.

QUARTERLY HIGHLIGHTS

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

(\$ 000s unless otherwise noted)	2021				2020			2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Production								
Natural gas (mcf/day)	191,439	194,232	215,179	212,220	184,080	208,689	199,234	204,262
Condensate (bbl/day)	2,555	2,950	3,158	3,259	2,807	3,166	2,850	2,840
NGLs (bbl/day)	4,133	3,083	4,975	6,171	4,722	5,843	5,156	5,253
Sulphur (ton/day)	1,518	1,710	1,713	1,829	2,232	1,970	1,906	938
Total production (boe/d)	38,595	38,404	43,997	44,800	38,209	43,791	41,211	42,137
Financial								
Net loss	(14,846)	(10,058)	(19,547)	(45,968)	(29,845)	(13,396)	(11,484)	(25,873)
Net loss per share, basic and diluted	(0.09)	(0.06)	(0.12)	(0.29)	(0.19)	(0.09)	(0.07)	(0.18)
Net operating income (loss) ⁽¹⁾	17,920	14,444	20,876	12,829	(646)	19,301	19,239	24,470
Cashflow provided by (used in)								
operating activities	6,885	12,093	11,000	1,037	(4,541)	(2,013)	6,426	(17,748)
Adjusted funds flow from operations ⁽¹⁾	10,981	8,516	14,877	8,535	(6,779)	12,466	12,644	14,448
Total assets	560,782	575,690	557,696	612,651	583,942	588,415	609,437	602,474
Working capital (deficit) surplus	(52,534)	(47,862)	(28,314)	(19,615)	(9,164)	15,109	15,596	19,105
Capital expenditures	9,852	17,959	5,614	8,926	6,033	264	2,020	165,764
Development expenses	783	(4,862)	8,604	8,682	2,472	4,129	3,459	805

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

THIRD QUARTER 2021 OPERATIONAL AND FINANCIAL HIGHLIGHTS

Continued Safe Operation of Pieridae’s Assets, Completion of Second Major Facility Turnaround

Pieridae’s assets produced an average of 38,595 boe/day during the third quarter, a 1% increase from the prior quarter, and a 1% increase from the comparative quarter in 2020. During the quarter, a scheduled major turnaround of the Company’s Caroline Gas Complex (“Caroline”) was successfully completed; the second major turnaround conducted on our midstream assets in 2021. Although the Caroline facility was off-line for most of September, the majority of Pieridae’s production normally processed through Caroline was redirected to a

third-party facility for the duration of the turnaround. In addition, scheduled third party pipeline maintenance required the Company's Waterton Gas Plant ("Waterton") to be down for eight days, during which certain maintenance projects were successfully completed.

Continued success with field optimization activities, combined with ongoing asset consolidation activities, have allowed the Company to cost effectively mitigate natural declines.

Pieridae's realized natural gas price was \$2.70/mcf in the third quarter vs an AECO benchmark of \$3.59/mcf. While below benchmark as a result of our fixed-price forward sales hedge portfolio, realized prices for natural gas were 4% higher as compared to the second quarter of 2021 and 58% higher than the comparative quarter in 2020.

Since May 2020, Pieridae's senior secured lender Third Eye Capital Corporation ("TEC") has waived the requirement (specified in the senior term loan agreement) to hedge 60% of production on an 18-month rolling basis in order to allow the Company to benefit from strengthening crude and natural gas markets. At September 30, 2021, 65,231 GJ/d of fixed price physical sales contracts of natural gas were in place to March 2023 at a weighted-average price of \$2.59/GJ, and 1,500 bbl/day of condensate fixed price physical sales contracts were in place to December 2021 at a weighted average price of \$54.95/bbl. This hedge portfolio protects approximately 30% of forecast production for an 18 month period.

In the third quarter of 2021, Pieridae generated cashflow from operating activities of \$6.9 million and AFFO of \$11.0 million, an increase of \$17.8 million or 262% as compared to the same period in 2020, due primarily to the strength in revenues from higher commodity prices partially offset by higher royalties and lower third party processing income.

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		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Natural gas (mcf/day)	191,439	184,080	200,196	197,286
Condensate (bbl/day)	2,555	2,807	2,885	2,940
NGLs (bbl/day)	4,133	4,722	4,061	5,500
Sulphur (ton/day)	1,518	2,232	1,646	1,938
Total production (boe/day)	38,595	38,209	40,312	41,060

Production in the third quarter of 2021 was 38,595 boe/d, an increase of 386 boe/day or 1% compared to the same quarter in 2020. The increase was primarily due to higher production from properties in the Northern area partially offset by scheduled downtime at Caroline and Waterton. Additionally, as a result of market fundamentals, ethane was reinjected into the natural gas sales stream at two of Pieridae's gas processing facilities resulting in a 2% increase in natural gas heat content but negatively impacting production by 760 boe/day and 1,187 boe/day on a net basis for the three and nine months ended September 30, 2021. Pieridae is compensated for the price differential when selling ethane versus reinjecting it resulting in no material impact to revenue; however production volume, and resulting per boe figures are negatively impacted.

On a year-to-date basis, production was 40,312 boe/d, a decrease of 748 boe/day or 2% compared to the same period in 2020 primarily due to downtime from the scheduled turnaround at the Jumping Pound Complex ("jumping Pound") in the second quarter of 2021 and periods of ethane reinjection at Jumping Pound and Waterton, partially offset incremental volumes from Pieridae's fall 2020 acquisition of working interest ownership in Waterton.

Benchmark Prices

<i>(three and nine-month averages)</i>	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
AECO benchmark price (CAD/mcf)	3.59	2.14	3.28	1.99
Condensate benchmark price (USD/bbl)	70.25	38.40	64.90	36.09
NYMEX benchmark price (USD/MMBtu)	4.35	2.12	3.37	2.81
WCS heavy differential from WTI (USD/bbl)	(14.34)	12.48	(13.38)	7.70
Dated Brent benchmark price (USD/bbl)	73.19	43.88	68.28	42.40
NBP UK natural gas benchmark price (USD/MMBtu)	16.99	2.56	10.87	2.87
US/Canadian dollar average exchange rate (USD)	0.7937	0.7507	0.7992	0.7385
US/Canadian dollar period-end exchange rate (USD)	0.7849	0.7497	0.7849	0.7497

Realized Prices

<i>(three and nine-month averages)</i>	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Natural gas (\$/mcf)	2.70	1.70	2.64	1.94
Condensate (\$/bbl)	65.33	44.67	61.04	50.40
NGLs (\$/bbl)	26.74	14.10	25.08	12.05
Sulphur (\$/ton)	28.38	9.25	22.34	7.89

Petroleum and Natural Gas Revenue

<i>(\$ 000s except per boe)</i>	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Natural gas	47,601	28,787	144,278	105,058
Condensate	15,356	11,535	48,083	40,606
NGLs	10,169	6,125	27,805	17,291
Sulphur	3,963	1,900	10,041	4,404
Petroleum and natural gas revenue	77,089	48,347	230,207	167,359
Average sales volume (boe/day)	38,595	38,209	40,312	41,060
Petroleum and natural gas revenue (\$/boe)	21.71	13.75	20.92	14.88
Other income	599	1,386	2,921	2,669
Third party processing	3,633	6,009	12,279	19,737

Petroleum and natural gas revenue in the third quarter of 2021 was \$77.1 million, an increase of \$28.7 million or 59% compared to the same quarter in 2020. On a year-to-date basis, petroleum and natural gas revenue was \$230.2 million, an increase of \$62.8 million or 38% compared to the same period in 2020. The year-to-date increase was primarily due to significant increases in year-to-date realized prices for natural gas (36% increase), condensate (21% increase) and NGLs (combined 108% increase), as production was relatively consistent period over period.

Third party processing revenue is derived from fees charged to third parties for processing their production and sulphur volumes through Pieridae's three sour gas processing facilities. 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 in the third quarter of 2021 was \$3.6 million, a decrease of \$2.4 million or 40% compared to the same quarter in 2020. On a year-to-date basis third party processing revenue was \$12.3 million, a decrease of \$7.5 million or 38% compared to the same period in 2020. These decreases are due to lower throughput volumes from third parties as a result of shut-ins of certain third-party owned production assets during the year, the Jumping Pound and Caroline turnarounds which temporarily reduced third-party throughput in the second and third quarter of 2021, as well as Pieridae's fall 2020 acquisition of working interest ownership in Waterton which lowered third party processing revenue while increasing Pieridae's own production volumes and revenue.

For the three and nine months ended September 30, 2021, the Company did not realize gains on risk management contracts, compared to a realized gain of nil and \$12.7 million respectively in the comparative period of 2020 arising from the monetization of certain commodity forward contracts.

Royalties

(\$ 000s except per boe)	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Royalties	6,024	1,195	13,718	5,207
Royalties (\$/boe)	1.70	0.34	1.25	0.46

Royalties in the third quarter of 2021 were \$6.0 million (\$1.70/boe), an increase of \$4.8 million or 404% compared to the same quarter in 2020. On a year-to-date basis, royalties were \$13.7 million (\$1.25/boe), an increase of 8.5 million or 163% compared to the same period in 2020. The increase in royalties for the three and nine months ended September 30, 2021 was primarily due to higher prices for natural gas, condensate and NGLs which correspondingly attract higher royalty rates. Furthermore, the gas cost allowance deduction was lower which resulted in higher crown royalties at Caroline, Jumping Pound and Central Foothills of \$2.6 million and \$7.2 million respectively for the quarter and year-to-date period of 2021.

Operating Expense

(\$ 000s except per boe)	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Operating expense	52,679	51,543	164,769	147,947
Operating expense (\$/boe)	14.84	14.66	14.97	13.15
Adjusted operating expense ⁽¹⁾	45,083	43,634	142,449	123,806
Adjusted operating expense (\$/boe) ⁽¹⁾	12.70	12.41	12.94	11.00

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

Operating expense in the third quarter of 2021 was \$52.7 million (\$14.84/boe), an increase of \$1.1 million or 2% compared to the same quarter in 2020. Operating expenses during the quarter were impacted by higher Alberta carbon taxes flowing through processing fees charged by third parties, offset by cost containment initiatives in maintenance, chemicals and contract services. On a year-to-date basis, operating expense was \$164.8 million (\$14.97/boe), an increase of \$16.8 million or 11% compared to the same period in 2020 primarily due to higher power prices and processing fees, both of which are strongly correlated to natural gas pricing, in addition to planned facility maintenance activities.

Adjusted operating expense for the third quarter of 2021 was \$45.1 million (\$12.70/boe), an increase of \$1.4 million or 3% compared to the same quarter in 2020. Adjusted operating expenses on a year-to-date basis were \$142.5 million (\$12.94/boe), an increase of \$18.6 million or 15% compared to the same quarter 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 sales from operating costs, as both offset costs incurred to generate those additional revenue which is not reflected in per-boe comparatives.

Transportation Expense

(\$ 000s except per boe)	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Transportation expense	4,698	3,650	13,680	11,425
Transportation expense (\$/boe)	1.17	1.04	1.24	1.02

Transportation expense in the third quarter of 2021 was \$4.7 million (\$1.17/boe), an increase of \$1.0 million or 29% compared to the same quarter in 2020. On a year-to-date basis, transportation expense was \$13.7 million (\$1.24/boe), an increase of \$2.3 million or 20% compared to the same period in 2020. These respective increases were mainly driven by the increase in Pieridae’s firm service capacity on the Nova Gas Transmission Ltd. (“NGTL”) System, and higher cost for fuel gas on that system.

General and Administrative Expense

(\$ 000s except per boe)	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
G&A expense – Upstream	4,827	1,424	13,037	6,980
G&A expense – Corporate and LNG	1,923	4,431	5,325	11,562
G&A expense (\$/boe) – Upstream	1.36	0.41	1.18	0.62
G&A expense (\$/boe) – Corporate and LNG	0.54	1.26	0.48	1.03

Upstream segment G&A expense in the third quarter of 2021 was \$4.8 million (\$1.36/boe), an increase of \$3.4 million or 239% compared to the same quarter in 2020. On a year-to-date basis, Upstream G&A expense was \$13.0 million (\$1.18/boe), an increase of \$6.1 million or 87% compared to the same period in 2020. The comparative period had the benefit of operating overhead recoveries however, this was subsequently recorded in operating expense; this policy change commenced in the fourth quarter of 2020. After adjusting for this, Upstream G&A for the three and nine months ended September 30, 2021 would be \$3.5 million and \$8.8 million respectively which is slightly higher than the comparative periods due to higher allocations from the Corporate and LNG segment to the Upstream segment to reflect employee time allocations subsequent to July 1, 2021.

Corporate and LNG segment G&A expense in the third quarter of 2021 was \$1.9 million (\$0.54/boe), a decrease of \$2.5 million or 57% compared to the same quarter in 2020. On a year-to-date basis Corporate and LNG G&A expense was \$5.3 million (\$0.48/boe), a decrease of \$6.2 million or 54%. This decrease was due to lower salary and benefits expense reflecting staffing changes completed in the third quarter. LNG associated G&A expenses were classified as development expense up to June 30, 2021.

Finance Expense

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

Finance expense in the third quarter of 2021 was \$14.4 million, an increase of \$2.7 million or 23% compared to the same quarter in 2020. On a year-to-date basis, finance expense was \$41.8 million, an increase of \$6.8 million or 19% compared to the same period in 2020. The respective increases were due to accretion of financing costs as the Company elected to pay a portion of the interest in kind. Refer to Note 7 of the interim financial statements for additional information.

Depletion and Depreciation

(\$ 000s)	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Depletion and depreciation	10,634	9,057	32,466	28,561

Depletion and depreciation expense in the third quarter of 2021 was \$10.6 million, an increase of \$1.6 million or 17% compared to the same quarter in 2020. On a year-to-date basis, depletion and depreciation expense was \$32.5 million an increase of \$3.9 million or 14% compared to the same period in 2021. The respective increases were due to capital additions added to the depletion base resulting in a higher depletion rate.

Share-based Compensation

(\$ 000s)	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Share-based compensation – Upstream	127	45	286	168
Share-based compensation – LNG	75	65	200	260

Upstream share-based compensation in the third quarter of 2021 and 2020 were both \$0.1 million. On a year-to-date basis, Upstream share-based compensation was \$0.3 million compared to \$0.2 million for the comparative period due to options granted to employees during the quarter and associated expense incurred for the period. LNG share-based compensation in the third quarter of 2021 and 2020 were both \$0.1 million. On a year-to-date basis, LNG share-based compensation was \$0.2 million compared to \$0.3 million for the same period in 2020 due to a slightly lower options outstanding as a result of expiries.

LNG SEGMENT

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.

Prior to the July 2, 2021 announcement that the Goldboro LNG Project was unable to achieve FID, the Company had progressed the Project through the open book estimate ("OBE") and near finalized negotiation of an engineering, procurement, construction and commissioning ("EPC") execution plan and a final lump sum, EPC contract price proposal. Following the July 2, 2021 announcement, all associated strategic vendors and consultants have been suspended, and ongoing activity is focused on exploring strategic alternatives for LNG development at the Goldboro site.

As previously disclosed, a condition of the Uniper contract is that the Company achieve a favourable FID by June 30, 2021, after which time Uniper has the right to terminate the contract. As of the date of this MD&A, Uniper has not provided this notice of termination.

Development Expense

(\$ 000s)	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Development expense	783	2,472	4,525	11,350

Development expense in the third quarter of 2021 was a \$0.8 million, a decrease of \$1.7 million or 68% compared to the same quarter in 2020 due to reduced spending as a result of suspending the Goldboro LNG Project. On a year-to-date basis, development expense was \$4.5 million, a decrease of \$6.8 million or 60% compared to the same period in 2020 due to the reversal of a \$7.5 million amount payable to a third-party engineering and construction company in the second quarter following the Company's announced evaluation of strategic alternatives for the Goldboro LNG Project. This expense reversal was partially offset by additional development expenses incurred on the Goldboro project during the year.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

Pieridae held \$11.1 million in cash and cash equivalents and restricted cash of \$2.2 million as at September 30, 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 was increased to \$8.0 million in June 2021. This guarantee facility provides for 100% guarantee to the issuing banks of the Company's existing and future letter of credit of which \$7.7 million was drawn at September 30, 2021 (December 31, 2020 – \$4.9 million).

Loans and Term Debt

On October 16, 2019, the Company entered into a fully drawn senior secured non-revolving term loan facility (the “Credit Agreement”) for \$206.0 million. This Credit Agreement 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 (extended per below to January 1 2022); 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.

On September 30, 2021, following discussions with the senior lender, the Credit Agreement was amended in order to delay payment of the \$50.0 million deferred fee to January 1, 2022. Refer to Note 7 of the interim financial statements for additional information on the Credit Facility.

At September 30, 2021, the Company was in compliance with, or had obtained the required waivers for, all covenants of the Credit Agreement.

Working Capital Deficit and Capital Structure

Pieridae’s working capital deficit increased from \$19.6 million at December 31, 2020 to \$52.5 million at September 30, 2021 primarily as a result of increases in accounts payable and accrued liabilities. During 2021, net working capital was reduced by net operating losses from a combination of higher operating expenses, costs associated with Goldboro development and a reduction in third-party processing revenues, partially offset by higher commodity revenue.

While Pieridae’s working capital deficiency is anticipated to improve over the next three to six months, the Company is actively pursuing strategic alternatives to enhance shareholder value and strengthen its balance sheet, and to fund the \$50 million deferred fee which is now payable in January 2022. As previously discussed, these strategic alternatives could include, but are not limited to, a corporate sale or merger, a sale of a material portion of Pieridae’s assets or other transactions or a combination thereof. Although there is no guarantee these efforts will be successful, or, if successful, that the alternatives identified will be on terms acceptable to the Company, management believes the Company, both through its Western Canadian upstream and midstream asset base and the Goldboro LNG project opportunities, presents a compelling opportunity to potential lenders and investors. The inability of the Company to identify a strategic alternative that will allow the Company to access sufficient capital for its operations could have a material adverse effect on the Company’s financial condition, results of operations or prospects.

These factors impact the Company’s ability to secure further financing and indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. Refer to Note 2 of the interim financial statements for additional information.

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 is comprised of share capital, working capital and term debt, less cash and cash equivalents. The following table summarizes our capital structure on September 30, 2021 and December 31, 2020:

(\$ 000s)	September 30, 2021	December 31, 2020
Cash and cash equivalents	11,111	11,069
Less: term debt	(243,023)	(219,555)
Net debt	(231,912)	(208,486)
Shareholders’ equity	(37,929)	4,384

Sources and Uses of Cash Flows

(\$ 000s)	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Cash flows related to operating activities	6,885	(4,541)	29,978	(128)
Cash flows related to investing activities	(4,271)	(1,395)	(27,293)	(3,679)
Cash flows related to financing activities	(1,038)	17,032	(2,946)	14,994

Operating cash flows in the third quarter of 2021 were \$6.9 million, an increase of \$11.4 million or 252% compared to the same quarter in 2020. On a year-to-date basis, operating cash flows were \$30.0 million, an increase of \$30.1 million compared to the same period in 2020. The respective increases were due to increases in revenues from stronger commodity prices, changes in non-cash working capital partially offset by expenditures on decommissioning obligations and other amounts payable. Pieridae remains focused on directing its available funds toward the safe and reliable operations of our Upstream assets, including successful completion of regulatory-driven maintenance capital activities at the Jumping Pound and Caroline gas processing facilities.

Investing cash outflows in the third quarter of 2021 were \$4.3 million, an increase of \$2.9 million compared to the same quarter in 2020. On a year-to-date basis, investing cash outflows were \$27.3 million, an increase of \$23.6 million when compared to the same period in 2020. The respective increases were a result of costs incurred related to the planned Jumping Pound and Caroline facility turnarounds and other capital additions.

Financing cash outflows in the third quarter of 2021 were \$1.0 million, a decrease of \$18.0 million compared to the same quarter in 2020. On a year-to-date basis, financing cash outflows were \$2.9 million, a decrease of \$18.0 million compared to the same period 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 September 30, 2021 and November 10, 2021, the Company had 157,641,871 common shares outstanding and 7,996,244 (December 31, 2020 – 8,322,072) stock options were outstanding with a weighted average exercise price of \$1.25/share. On August 8, 2021, the Company issued 1,993,590 stock options pursuant to its share-based compensation program at an exercise price of \$0.29/share.

On March 31, 2021, the Company issued 5,000,000 common share purchase warrants to the Company's senior secured lender 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 September 30, 2021 these obligations, and the expected timing of their settlement, are detailed below:

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

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.

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.

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 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.

In June 2021, Pieridae released its inaugural ESG Report. Toward developing this inaugural report, the Company formalized a solid ESG foundation, including the formation of a new Board committee to oversee ESG and governance, establishing a senior management framework to bring ESG strategy and reporting to the next level, and completing a current state assessment and strategic roadmap, all enveloped in an ESG vision statement that will help guide the Company’s ESG efforts. Refer to the Company’s website for this inaugural ESG report.

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 September 30, 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 September 30, 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 updated to reflect management's latest forecast. Pieridae is anticipated to end 2021 near the top end of its guidance range for production and NOI on anticipated stronger commodity prices and a substantially lower net hedge position in the fourth quarter of the year:

<i>(\$ 000s unless otherwise noted)</i>	2021 Guidance
Total production (boe/d)	40,000 – 42,500
Net operating income ⁽¹⁾	85,000 – 100,000
Capital expenditures	35,000 – 45,000
Operating expense (\$/boe)	14.50 – 15.00
Adjusted operating expense (\$/boe) ⁽¹⁾	12.50 – 13.00

⁽¹⁾ Refer to Non-GAAP Measures

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.

<i>(\$ 000s except per boe)</i>	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Revenue ⁽¹⁾	81,321	55,742	245,407	202,473
Royalties	(6,024)	(1,195)	(13,718)	(5,207)
Operating expense	(52,679)	(51,543)	(164,769)	(147,947)
Transportation expense	(4,698)	(3,650)	(13,680)	(11,425)
Net operating income (loss)	17,920	(646)	53,240	37,894

⁽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.

<i>(\$ per boe)</i>	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Revenue	22.90	15.86	22.30	18.00
Royalties	(1.70)	(0.34)	(1.25)	(0.46)
Operating expense	(14.84)	(14.66)	(14.97)	(13.15)
Transportation expense	(1.32)	(1.04)	(1.24)	(1.02)
Operating netback (\$/boe)	5.04	(0.18)	4.84	3.37

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		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Operating expense	52,679	51,543	164,769	147,947
Third party processing revenue	(3,633)	(6,009)	(12,279)	(19,737)
Sulphur revenue	(3,963)	(1,900)	(10,041)	(4,404)
Adjusted operating expense	45,083	43,634	142,449	123,806
Adjusted operating expense (\$/boe)	12.70	12.41	12.94	11.00

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		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Net loss	(14,846)	(29,845)	(44,451)	(54,725)
Depletion and depreciation	10,634	9,057	32,466	28,561
Finance expense	14,410	11,537	41,835	34,435
Development expense	783	2,472	4,525	10,060
Adjusted funds flow from operations	10,981	(6,779)	34,375	18,331