MANAGEMENT'S REPORT

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

Management maintains appropriate systems of internal control. Policies and procedures are designed to provide reasonable assurance that transactions are appropriately authorized and recorded, assets are safeguarded from loss or unauthorized use and financial records are properly maintained to provide reliable information for preparation of financial statements.
The Board of Directors (the "Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board exercises this responsibility through the Audit Committee of the Board, which is comprised entirely of independent directors. The Audit Committee meets with management and the independent auditors to satisfy itself that management responsibilities are properly discharged and to review the consolidated financial statements before they are presented to the Board for approval. The consolidated financial statements have been approved by the Board on the recommendation of the Audit Committee.

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

(signed)
Alfred Sorensen
Chief Executive Officer

(signed)
Robert Dargewitcz
Chief Financial Officer

Calgary, Alberta, Canada
March 24, 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Pieridae Energy Limited

Opinion

We have audited the consolidated financial statements of Pieridae Energy Limited (the Company), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment	
• As at December 31, 2020, the carrying value of PP&E was $514,727 thousand. For the year ended December 31, 2020 an impairment charge of $16,876 thousand was recorded for the Northern cash generating unit and no impairment was recorded for the Central cash generating unit. Refer to Note 3 of the consolidated financial statements for a description of the Company's impairment of non-financial assets accounting policy. Refer to Note 8 of the consolidated financial statements for the Company's PP&E disclosures. Impairment is determined by estimating a cash generating unit's respective recoverable amount. The recoverable amount of the cash generating unit was based on expected after-tax future net cash flows from the production of proved and probable reserve volumes using forward commodity prices and costs, discounted using market-based rates. Proved and probable reserves were determined by the Company's	• To test the Company's estimated recoverable amount, we performed the following procedures, among others: ○ Evaluated management's experts' competence, capability and objectivity as well as obtained an understanding of the work they performed. The appropriateness of their work as audit evidence was evaluated by considering the relevance and reasonableness of the methods and inputs ○ Involved our internal valuation specialists to assess the methodology applied and the various inputs utilized in determining the discount rate by referencing current industry, economic, and comparable company information, as well as company and cash-flow specific risk premiums

independent petroleum engineers (management's experts).

- Auditing the Company's estimated recoverable amount was complex due to the subjective nature of the various management inputs and assumptions and the significant effect changes in these could have on the recoverable amount. Additionally, the evaluation of this estimate required specialized skills and knowledge. The primary inputs noted in the impairment models were the discount rate and after-tax future net cash flows from the production of proved plus probable reserve volumes.

  - Compared forecast benchmark commodity price estimates of oil, natural gas, and NGLs against historically realized prices and to other third-party price forecasts
  - Assessed forecasted production, royalty, operating cost, and capital cost data by comparing it to historical performance of the Company
  - Evaluated the adequacy of the property, plant & equipment note disclosure included in Note 8 of the accompanying financial statements in relation to this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Ernst & Young LLP

Calgary, Canada
March 24, 2021

PIERIDAE ENERGY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In thousands of Canadian dollars		December 31, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents	(Note 7)	**11,069**	9,567
Restricted cash	(Note 7)	**1,995**	19,152
Accounts receivable	(Note 19)	**44,900**	40,810
Prepaid expenses and deposits		**5,364**	3,535
Inventories		**23,882**	23,535
		87,210	96,599
Security deposits		**790**	600
Interests in associates	(Note 24)	**3,698**	3,710
Property, plant and equipment	(Note 8)	**514,727**	495,048
Exploration and evaluation assets	(Note 9)	**3,255**	1,077
Right-of-use assets	(Note 10)	**2,971**	5,440
Total assets		**612,651**	602,474
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	(Note 19)	**98,845**	73,573
Current portion of decommissioning obligations	(Note 13)	**4,434**	-
Current portion of lease liabilities	(Note 11)	**2,032**	2,701
Other amounts payable		**1,514**	1,220
		106,825	77,494
Other amounts payable	(Note 21)	**14,898**	8,364
Term debt	(Note 12)	**219,555**	202,913
Decommissioning obligations	(Note 13)	**266,006**	206,520
Lease liabilities	(Note 11)	**983**	2,868
Total liabilities		**608,267**	498,159
Shareholder's equity			
Share capital	(Note 14)	**274,322**	274,799
Contributed surplus		**12,374**	10,458
Warrants		**-**	933
Accumulated other comprehensive income		**2,619**	2,363
Deficit		**(284,668)**	(184,076)
Equity attributable to equity holders of the company		**4,647**	104,477
Non-controlling interests		**(263)**	(162)
Total shareholders' equity		**4,384**	104,315
Total liabilities and shareholders' equity		**612,651**	602,474

Related party transactions (Note 22)

Commitments (Note 23)

See accompanying notes to the consolidated financial statements

Approved on behalf of the Board of Directors

(signed) Charles Boulanger

Chair of the Audit Committee and Director

PIERIDAE ENERGY

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

In thousands of Canadian dollars, except per share amounts		**2020**	2019
Revenue			
Petroleum and natural gas	(Note 15)	**238,079**	104,910
Royalties		**(9,609)**	(3,755)
		228,470	101,155
Other income		**3,157**	2,665
Third party processing		**25,538**	6,831
		257,165	110,651
Realized gain (loss) on risk management contracts	(Note 19)	**12,708**	(657)
Unrealized loss on risk management contracts		**(162)**	(44)
		269,711	109,950
Expenses			
Operating		**203,432**	77,036
Transportation		**15,718**	7,957
General and administrative		**22,489**	19,924
Development		**18,742**	9,150
Finance	(Note 17)	**48,768**	16,424
Depletion and depreciation	(Note 8)	**44,013**	21,986
Impairment of property, plant and equipment	(Note 8)	**16,876**	-
Impairment of exploration and evaluation assets	(Note 9)	**-**	27,590
Share-based compensation	(Note 16)	**983**	1,498
Foreign exchange gain (loss)		**(629)**	36
Share of net loss of associates	(Note 24)	**12**	12
Gain on asset disposition		**-**	(80)
		370,404	181,533
Net loss before income taxes		**(100,693)**	(71,583)
Deferred income tax recovery	(Note 18)	-	-
Net loss		**(100,693)**	(71,583)
Other comprehensive income, net of income tax			
Foreign currency translation gain		**256**	1,123
Total comprehensive loss		**(100,437)**	(70,460)
Net loss attributable to			
Equity holders of the Company		**(100,592)**	(71,573)
Non-controlling interests		**(101)**	(10)
Net loss per share attributable to equity holders of the Company	(Note 14)		
Basic and diluted		**(0.64)**	(0.73)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

In thousands of Canadian dollars		Share Capital	Contributed Surplus	Warrants	Deficit	Accumulated Other Comprehensive Income	Total Equity Attributable to Equity Holders	Non-Controlling Interests	Total Equity
As at December 31, 2018		193,270	8,960	933	(112,503)	1,240	91,900	(152)	91,748
Share-based compensation		149	1,498	-	-	-	1,647	-	1,647
Common shares and warrants issued on private placement		21,382	-	-	-	-	21,382	-	21,382
Share issue costs		(865)	-	-	-	-	(865)	-	(865)
Common shares issued on Shell Acquisition		63,169	-	-	-	-	63,169	-	63,169
Issue costs		(2,306)	-	-	-	-	(2,306)	-	(2,306)
Net loss attributable to equity holders of the Company		-	-	-	(71,573)	1,123	(70,450)	(10)	(70,460)
As at December 31, 2019	(Note 14)	274,799	10,458	933	(184,076)	2,363	104,477	(162)	104,315
As at December 31, 2019		274,799	10,458	933	(184,076)	2,363	104,477	(162)	104,315
Share-based compensation		64	983	-	-	-	1,047	-	1,047
Common shares adjustment on Shell Acquisition		(541)	-	-	-	-	(541)	-	(541)
Expiry of warrants		-	933	(933)	-	-	-	-	-
Net loss attributable to equity holders of the Company		-	-	-	(100,592)	256	(100,336)	(101)	(100,437)
As at December 31, 2020	(Note 14)	**274,322**	**12,374**	**0**	**(284,668)**	**2,619**	**4,647**	**(263)**	**4,384**

PIERIDAE ENERGY

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars		**2020**	2019
Operating activities			
Net loss		**(100,693)**	(71,583)
Unrealized loss on risk management contracts		**162**	44
Depletion and depreciation	(Note 8)	**44,013**	21,986
Impairment of property, plant and equipment	(Note 8)	**16,876**	-
Impairment of exploration and evaluation assets	(Note 9)	**-**	27,590
Accretion of financing costs	(Note 12,17)	**15,085**	2,912
Interest expense	(Note 12)	**1,557**	
Accretion of decomissioning obligations	(Note 13)	**840**	2,959
Amortization of deferred lease inducements		**-**	(21)
Share-based compensation		**983**	1,498
Loss on settlement of term loan		**-**	416
Gain on asset disposition		**-**	(80)
Unrealized loss (gain) on foreign exchange		**106**	36
Share of net loss of associates	(Note 24)	**12**	12
Non cash sales		**1,832**	-
Other amounts payable	(Note 21)	**6,534**	-
Settlement of decomissioning obligations	(Note 13)	**(2,173)**	(1,458)
Changes in non-cash working capital	(Note 20)	**15,775**	(36,083)
Cash provided by (used in) operating activities		**909**	(51,772)
Investing activities			
Additions to property, plant and equipment	(Note 8)	**(15,065)**	(2,048)
Addition of Shell assets	(Note 5)	**-**	(166,122)
Additions to exploration and evaluation assets	(Note 9)	**(2,178)**	(1,077)
Proceeds from asset disposition		**(51)**	80
Changes in non-cash working capital	(Note 20)	**3,625**	-
Cash used in investing activities		**(13,669)**	(169,167)
Financing activities			
Issuance of share capital, net of costs	(Note 14)	**64**	81,031
Restricted cash		**16,967**	(9,526)
Payment of closing fee	(Note 12)	**-**	(6,000)
Increase in term debt	(Note 8)	**-**	216,000
Repayment of bank debt		**-**	(60,003)
Payments on lease obligations		**(2,780)**	(1,077)
Cash provided by financing activities		**14,251**	220,425
Increase (decrease) in cash and cash equivalents		**1,491**	(514)
Cash and cash equivalents, beginning of year		**9,567**	9,112
Effect of foreign exchange on cash		**11**	969
Cash and cash equivalents, end of year		**11,069**	9,567
Cash paid:			
Interest paid in cash		**29,362**	65
Income taxes		-	194

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

Many of the Company's oil and natural gas activities involve jointly owned assets. The consolidated financial statements reflect only the Company's proportionate interest in such activities and are comprised of the Company and its subsidiaries. Significant subsidiaries include Pieridae Alberta Production Ltd. (formerly Ikkuma Resources Corp.), Pieridae Energy (Canada) Ltd., and Goldboro LNG Limited Partnership.

During 2014, the Company, Pieridae Energy (Canada) Ltd. and Uniper Global Commodities S.E. ("Uniper") entered into an agreement, whereby Uniper acquired a 1.0% ownership interest in Goldboro LNG LP and Pieridae Energy (Canada) Ltd. As at December 31, 2020 the ownership interest of Uniper was 0.8% (December 31, 2019 - 0.8%).

2. Basis of presentation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on March 24, 2021.

Basis of measurement

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

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars. The functional currency of the Company and its subsidiaries is Canadian dollars. All financial information reported in thousands, except per share amounts or where otherwise noted.

Management judgements and estimation uncertainty

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

The coronavirus disease 2019 ("COVID-19") outbreak was declared a pandemic by the World Health Organization in March 2020. The spread of COVID-19 has led to disruption in the global economy. The impact of the pandemic on the company's future operations and financial performance is unknown and will be dependent on: the duration of the pandemic, the impact of the pandemic on economic growth, commodity prices and capital markets and government responses and restrictions. The Company has incorporated the anticipated impacts of COVID-19 on its estimates and judgements in preparation of the consolidated financial statements but the inherent risks and uncertainties resulting from the pandemic may result in material changes to the judgements, estimates and assumption in future periods as additional information becomes available.

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

i. Identification of cash generating units

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

ii. Impairment of petroleum and natural gas assets

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

iii. Exploration and evaluation assets

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

iv. Lease arrangements

The Company applies judgement when reviewing each of its contractual arrangements to determine whether an arrangement contains a lease. The carrying amounts of the right-of-use assets, lease obligations, and the resulting interest and depreciation expense are based on the implicit interest rate within the lease arrangement or, if this information is unavailable, the incremental borrowing rate. Incremental borrowing rates are based on judgments including economic environment, term, and the underlying risk inherent to the asset.

v. Debt instruments

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

vi. Assessment of going concern

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

vii. Reserves

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

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

viii. Business combinations

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

ix. Decommissioning obligations

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

x. Share-based payments

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

xi. Financial derivatives

Financial derivatives are measured at fair value on each reporting date. The Company uses quoted commodity prices at period end to determine the fair value of outstanding financial derivatives. Changes in market pricing between period end and settlement of the derivative contracts could result in a change to the estimated valuation of the instrument.

xii. Deferred taxes

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

3. Accounting Policies

a. Consolidation

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

b. Business combinations

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

c. Inventories

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

d. Financial instruments

i. Non-derivative financial instruments

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

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

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

ii. Derivative financial instruments

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

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

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

iii. Share capital

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

e. Property, plant and equipment

i. Recognition and measurement

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

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

The technical feasibility and commercial viability of extracting a mineral resource in an exploration area is generally considered to be determinable when economical quantities of proved and probable reserves have been discovered. A review of each exploration area is carried out at each reporting date to ascertain whether reserves have been discovered. Upon determination of commercial proved and probable reserves, associated exploration costs are transferred from exploration and evaluation to property, plant and equipment as reported on the Consolidated Statements of Financial Position. Exploration and evaluation assets are reviewed for impairment prior to any such transfer. Assets classified as E&E are not subject to depletion and depreciation until they are classified to property, plant and equipment.

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

Development and production costs
Items of property, plant and equipment, which include oil and gas development and production costs, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Property, plant and equipment include land and lease acquisition costs, geological and geophysical costs, costs of drilling and equipping productive wells, costs for production and processing facilities, decommissioning costs, and other directly attributable administrative costs. Property, plant and equipment are accumulated in cost centers based on CGU's for impairment testing. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components). Gains and losses on disposal of property, plant and equipment, property swaps and farm-outs, are determined by comparing the proceeds or fair value of the asset received or given up with the carrying amount of property, plant and equipment and are recognized in profit or loss.

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

ii. Depletion and depreciation

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

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

f. Impairment

i. Financial assets

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

ii. Non-financial assets

The carrying amounts of the Company's non-financial assets, other than exploration and evaluation and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. Exploration and evaluation assets are assessed for impairment when they are reclassified to property, plant and equipment, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

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

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

g. Provisions

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Provisions are not recognized for future operating losses.

i. Decommissioning obligations

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

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

h. Revenue recognition

Revenue from the sale of petroleum and natural gas is measured based on the consideration specified in contracts with customers. The Company recognizes revenue when it transfers control of the product to the buyer. This is generally at the time the customer obtains legal title to the product and when it is physically transferred to the custody transfer point accepted by the customer, often terminals, pipelines or other transportation methods.

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

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

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

i. Foreign currency transactions

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

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

j. Share-based compensation

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

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

k. Finance income and expenses

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

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

l. Income tax

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

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

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

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

m. Per share information

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

n. Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. On issuance the premium received on the flow-through shares, being the difference in price over a common share with no tax attributes, is recognized on the consolidated statements of financial position. As expenditures are incurred, the deferred taxes associated with the renounced tax deductions are recognized through profit and loss along with a pro-rata portion of the deferred premium.

o. Joint arrangements

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

p. Determination of fair value

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

i. Property, plant and equipment and intangible exploration assets

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

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

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

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

iii. Derivatives

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

iv. Share options

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

v. Measurement

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

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

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

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

Refer to Note 19 of the consolidated financial statements, which provides fair value measurement information for financial assets and liabilities.

q. Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease obligation, and corresponding lease asset, are recognized at the commencement of the lease. The present value of the lease obligation is based on the future lease payments and is discounted using the Company's incremental borrowing rate when the rate implicit in the lease is not readily available. The Company uses a single discount rate for a portfolio of leases with similar characteristics. The lease asset is recognized at the amount of the lease obligation, adjusted for lease incentives received and initial direct costs, on commencement of the lease. Depreciation is recognized on the lease asset over the shorter of the estimated useful life of the asset or the lease term. Lease payments are allocated between the liability and interest expense. Interest expense is recognized on the lease obligations using the effective interest rate method and payments are applied against the lease obligation.

4. New Accounting Policies and Standards

Business combinations

Effective January 1, 2020, the Company adopted the amendment to IFRS 3 Business Combinations. This amendment narrowed and clarified that in order to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. This permits a simplified assessment to determine whether an acquired set of activities can be recognized as an asset acquisition, rather than a business combination. During the year ended December 31, 2020, the Company did not have any acquisitions requiring the application of this amendment.

Government grants

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. When the conditions of a grant relate to income or expense, it is recognized in profit or loss in the period in which the expenditures are incurred or income is earned. When the conditions of a grant relate to an underlying asset, it is recognized as a reduction to the carrying amount of the related asset and amortized into income on a systematic basis over the expected useful life of the underlying asset through depletion and depreciation. For the year ended December 31, 2020, the Company recognized $3.4 million related to the CEWS program which reduced operating expenses by $2.5 million and general and administrative expenses by $0.9 million respectively.

New accounting standards and amendments not yet adopted

There are currently no not-yet-effective IFRS or IFRIC interpretations that are expected to have a material impact on the Company.

5. Business Combinations

The Company did not have any business combinations during the year ended December 31, 2020.

Effective October 16, 2019 Pieridae closed its acquisition of all of Shell Canada Energy's ("Shell") midstream and upstream assets in the southern Alberta Foothills (the "Shell Assets") for total consideration of $190.0 million (the "Acquisition") in accordance with the terms of the amended and restated purchase and sale agreement dated October 7, 2019 (the "PSA"). Pieridae paid to Shell $165.0 million in cash and satisfied the balance of the purchase price through the issuance to Shell of 15.2 million common shares of the Company having an aggregate value of $15.0 million determined in accordance with the PSA. Pieridae funded the Acquisition through the issuance of term debt (refer to Note 12 of the consolidated financial statements) and $63.2 million of equity including the $15.0 million of shares issued to Shell. The acquisition was accounted for as a business combination whereby the net assets acquired, and liabilities assumed were recorded at fair value at the acquisition date. The fair value of petroleum and natural gas properties acquired was determined using estimates of proved reserves as evaluated by an independent reserve evaluator. An adjustment of $0.5 million was recorded in 2020 to update the value of shares issued related to the southern Alberta Foothills assets acquired.

The total consideration paid, and the fair value estimate of assets and liabilities acquired and assumed, are set forth in the table below:

($ 000s)	
Consideration	
Cash	175,000
Common shares issued	15,000
Total consideration	190,000
Fair value of net assets acquired	
Materials inventory	23,878
Petroleum and natural gas properties	281,689
Decommissioning obligations	(115,567)
Net assets acquired	190,000

6. Segmented Financial Information

The Company's reportable segments are determined based on the nature of the underlying operations, and the operations of the separate subsidiaries involved in these activities. A summary of the Company's business segments are as follows:

The upstream segment is comprised predominantly by the petroleum and natural gas production operations and properties. It also includes the Company's upstream operations in Eastern Canada, and certain corporate overhead activities associated with these operations. Upstream is currently the only segment generating operating revenues.

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

Segmented Information

		Upstream		LNG		Consolidated	
In thousands of Canadian dollars	**Classification**	**2020**	2019	**2020**	2019	**2020**	2019
Revenue							
Petroleum and natural gas	14	**238,079**	104,910	-	-	**238,079**	104,910
Royalties	16	**(9,609)**	(3,755)	-	-	**(9,609)**	(3,755)
		228,470	101,155	-	-	**228,470**	101,155
Other income	15	**3,157**	2,665	-	-	**3,157**	2,665
Third party processing	17	**25,538**	6,831	-	-	**25,538**	6,831
		257,165	110,651	-	-	**257,165**	110,651
Realized gain (loss) on risk manangement contracts	18	**12,708**	(657)	-	-	**12,708**	(657)
Unrealized (loss) gain on risk manangement contracts	23	**(162)**	(44)	-	-	**(162)**	(44)
		269,711	109,950	-	-	**269,711**	109,950
Expenses							
Operating	40	**203,432**	77,036	-	-	**203,432**	77,036
Transportation	41	**15,718**	7,957	-	-	**15,718**	7,957
General and administrative	35	**13,122**	6,452	**9,367**	13,472	**22,489**	19,924
Development		-	-	**18,742**	9,150	**18,742**	9,150
Finance	45	**48,768**	16,424	-	-	**48,768**	16,424
Depletion and depreciation	31	**43,439**	21,503	**574**	483	**44,013**	21,986
Impairment of property, plant and equipment	71	**16,876**		-	-	**16,876**	-
Impairment of exploration and evaluation assets	70	-	27,590	-	-	-	27,590
Share-based compensation	19	**389**	456	**594**	1,042	**983**	1,498
Foreign exchange gain (loss)	89	**(629)**	26	-	10	**(629)**	36
Share of net loss of associates	83	**12**	12	-	-	**12**	12
Gain on asset disposition		-	(80)	-	-	-	(80)
		341,127	157,376	**29,277**	24,157	**370,404**	181,533
Net loss before taxes		(71,416)	(47,426)	(29,277)	(24,157)	(100,693)	(71,583)
Deferred income tax recovery		-	-	-	-	-	-
Net loss		(71,416)	(47,426)	(29,277)	(24,157)	(100,693)	(71,583)

As at	**December 31, 2020**	**December 31, 2019**
Upstream assets	**598,200**	590,213
LNG assets	**14,451**	12,261
Total consolidated assets	**612,651**	602,474

Upstream assets include materials inventory acquired as part of the Acquisition on October 16, 2019 (refer to Note 5 of the consolidated financial statements). As at December 31, 2020, the Company held $23.9 million (December 31, 2019 - $23.5 million) of materials inventory.

7. Cash and Cash Equivalents

At December 31, 2020, cash and cash equivalents was $11.1 million (December 31, 2019 - $9.6 million) and restricted cash was $2.0 million (December 31, 2019 - $19.2 million). Cash was restricted as security for outstanding letters of credit with regulators.

8. Property, Plant and Equipment

($ 000s)		
Cost	**2020**	**2019**
Balance, January 1	**516,575**	302,351
Additions	**13,269**	1,319
Change in decommissioning obligations (Note 13)	**65,253**	(68,784)
Business acquisition [1] (Note 5)	**(541)**	281,689
Balance, December 31	**594,556**	516,575

Accumulated Depletion and Depreciation	**2020**	**2019**
Balance, January 1	**21,527**	748
Depletion and depreciation	**41,426**	20,779
Impairment	**16,876**	-
Balance, December 31	**79,829**	21,527

Net Book Value	**2020**	**2019**
Balance, January 1	**495,048**	301,603
Balance, December 31	**514,727**	495,048

[1] Adjustment to shares issued on Shell acquisition. Refer to Note 5.

At December 31, 2020 future development costs of Pieridae's proved and probable reserves of $226.0 million (December 31, 2019 - $125.6 million) were included in the depletion calculation. At December 31, 2020, the Company assessed for indicators of impairment on its upstream CGUs and determined that an impairment indicator existed on the Company's Northern and Central CGUs due to declines in reserves and forecasted commodity prices. The fair value less cost of disposal method was used to determine the recoverable amounts of these two CGUs and was classified as Level 3 fair value measurements as certain key assumption were not based on observable market data but rather Management's best estimates. An impairment test was performed and an impairment of $16.9 million was recognized on the Company's Northern CGU as the estimated recoverable amount exceeded its carrying value. No impairment was recognized on the Company's Central CGU. At December 31, 2019, no indicators of impairment were identified.

Key assumptions in the determination of future cash flows from reserves include natural gas, condensate and NGL prices, costs to develop and operate, and the discount rate. The discount rate applied was 11% based on the characteristic of the CGUs and other economic and operating factors. Inflation was estimated at approximately 2%. The recoverable amounts of the CGUs were calculated based on discounted after-tax cash flows of proved and probable reserves using forward prices and costs estimates at December 31, 2020.

The table below summaries the forecasted prices used in determining the recoverable amounts:

	AECO ($CAD/Mcf)	**Edmonton Ethane ($CAD/Mcf)**	**Edmonton Propane ($CAD/Bbl)**	**Edmonton Butane ($CAD/Bbl)**	**Edmonton Condensate ($CAD/Bbl)**
2021	2.75	8.51	18.30	25.76	57.75
2022	2.70	8.35	23.49	33.27	63.10
2023	2.65	8.16	26.11	40.49	67.58
2024	2.69	8.28	26.94	41.80	69.74
2025	2.74	8.45	27.50	42.66	71.15
2026	2.81	8.62	28.07	43.55	72.58
2027	2.86	8.79	28.64	44.44	74.04
2028	2.91	8.98	29.23	45.36	75.52
Escalate	2% per year	2% per year	2% per year	2% per year	2% per year

The following table demonstrates the sensitivity of the estimated recoverable amount from reasonably possible changes in key assumptions inherent in the estimate:

($ 000s)	**Increase in discount rate of 1%**	**Decrease in discount rate of 1%**
Northern CGU (decrease) increase	(3,974)	4,379
Central CGU (decrease) increase	(16,915)	18,714

9. Exploration and Evaluation Assets

($ 000s)	**2020**	**2019**
Balance, January 1	**1,077**	27,573
Additions	**2,178**	1,077
Change in decommissioning obligations	-	17
Impairment	-	(27,590)
Balance, December 31	**3,255**	1,077

E&E assets consist of the Company's undeveloped land, seismic and exploration projects, which are pending the determination of technical feasibility and commercial viability. At December 31, 2020, no impairment indicators were identified related to the Company's E&E assets. As a result of this assessment, impairment tests were not performed.

During 2019 the Company recorded an impairment charge of $27.6 million as management evaluated the Company's prospects in Quebec compared to other opportunities available to the Company and concluded that renewing certain petroleum licenses in Quebec was not in the best interests of the Company. Consequently, only licenses for properties which held the most promise and likelihood of exploratory success were renewed, the remainder were relinquished.

10. Right-Of-Use Assets

The Company enters into arrangements to secure access to assets necessary for operating the business. Leased right-of-use ("ROU") assets include office, vehicles and equipment. The following table details the cost and accumulated depreciation of the Company's ROU assets as at December 31, 2020:

($ 000s) **Cost**	**2020**	**2019**
Balance, January 1	**6,581**	910
Additions	**357**	5,824
Disposals	**(224)**	(153)
Balance, December 31	**6,714**	6,581

Accumulated Depreciation	**2020**	**2019**
Balance, January 1	**1,141**	-
Depreciation	**2,746**	**1,207**
Disposals	**(144)**	**(66)**
Balance, December 31	**3,743**	**1,141**

Net Book Value	**2020**	**2019**
Balance, January 1	**5,440**	910
Balance, December 31	**2,971**	5,440

At December 31, 2020, the Company determined that no impairment indicators existed on the right-of-use asset, therefore no impairment tests were performed.

11. Lease Liabilities

The following table summarizes the movement in the Company's lease liabilities for the year ended December 31, 2020 and 2019:

($ 000s)	**2020**	2019
Balance, January 1	**5,569**	2,685
Additions	**226**	3,962
Interest expense	**155**	95
Lease payments	**(2,935)**	(1,173)
Balance, December 31	**3,015**	5,569

The undiscounted cash flows relating to the lease liabilities included in the statement of financial position are as follows:

($ 000s)	**2021**	**2022**	**2023**	**2024**	**Thereafter**	**Total**
Lease payments including principal and interest	2,189	723	113	97	102	3,224

12. Term Debt

($ 000s)	**December 31, 2020**	**December 31, 2019**
Balance, January 1	**202,913**	206,000
Accretion of financing costs	**15,085**	2,601
Interest paid in kind	**1,557**	-
Unamortized transaction costs	**-**	(5,688)
Balance, December 31	**219,555**	202,913

In July 2020, the Company received a $6 million guarantee facility from Export Development Canada which provides for 100% guarantee to the issuing banks of the Company's existing and future letter of credit of which $4.9 million was drawn at December 31, 2020.

In October 2019 the Company entered into a $206.0 million senior secured fully drawn non-revolving term loan facility (the "Credit Agreement"). The Credit Agreement bears interest at a fixed rate of 12.0% per annum from the date of issue, accrued daily and payable quarterly in cash. Additional interest of 3.0% per annum is payable quarterly in cash or, at the option of the Company and subject to the lender's approval, payable in kind ("PIK") by way of accruing to the principal outstanding. The Credit Agreement is repayable in full on October 16, 2023 however the Company may repay the principal in whole or in part any time prior to October 16, 2023 upon 90 days written notice to the agent, without penalty. The Company incurred $6.0 million of closing costs on closing of the Credit Facility, which were accounted for as transaction costs and netted against the value of the loan to be amortized over 48 months. The Company is accreting the $50.0 million value as a deferred charged over 48 months and recognizing these amounts as a finance expense.

Pieridae is subject to the following financial covenants and certain other obligations. During and subsequent to the year ended December 31, 2020, the Company executed certain amendments to the Credit Agreement in order to allow for temporary amendments or waivers of certain covenants, as described below. Under the terms of the amended Credit Agreement:

(i) a minimum adjusted monthly working capital ratio of 1:1, which was waived and temporarily reduced below 1:1 for the periods between December 2020 and July 2021. The amended working capital ratio covenant is calculated on an adjusted basis for 2021 to, among other things, normalize for the impact of planned gas processing facility turnarounds.

(ii) a minimum market capitalization threshold of $200 million commencing June 30, 2021, removed by way of amendment subsequent to December 31, 2020.

(iii) mandatory repayments of 50% of the Company's excess cash on a quarterly basis as calculated using a prescriptive formula

(iv) Minimum annual net operating income ("NOI") of $70 million, amended for 2020 to $55 million as adjusted for the $14.3 million arbitration settlement amount (refer to Note 21 of these consolidated financial statements). NOI is a non-GAAP measure calculated as petroleum and natural gas revenue less royalties, plus other income, third party processing and realized gains and losses on risk management contracts, less operating and transportation expenses.

(v) Minimum of 60% of production on an 18-month rolling average must be hedged, waived for the periods from March 2020 to March, 2021 and amended subsequent to December 31, 2020 to 38% by the end of March 2021, and 49% by the end of April to the end of September 2021.

(vi) unless the Company exercises a purchase right, but not an obligation, to acquire certain petroleum and natural gas properties from the lender for a purchase price of $45.0 million in cash on or before October 16, 2021, the Company will pay a deferred fee in the amount of $50.0 million to the agent. Pieridae is currently providing for the eventual payment of the deferred fee. In subsequent reporting periods, if Pieridae instead determines to exercise the purchase right, an adjustment to the financial liability would be required and would be recognized immediately in profit or loss.

As at December 31, 2020 the Company was in compliance with, or had received waivers from the lender for all covenants, and no prepayment was required.

The Company elected to PIK the 3.0% interest in the fourth quarter of 2020, resulting in $1.6 million (December 31, 2019 – nil) addition to the principal outstanding at December 31, 2020. The effective interest rate on the Company's term debt for the year ended December 31, 2020 was 21.8% (December 31, 2019 – 22.73%).

On June 26, 2019, the Company announced that it had closed a non-brokered private placement of a secured convertible debenture of the Company for aggregate gross proceeds of $10.0 million. These funds were used to pay a $10.0 million deposit toward the acquisition of the Shell Assets (refer to Note 5 of these consolidated financial statements). The common shares of the Company issuable upon conversion of the convertible debenture were issued immediately after the Acquisition was completed. The conversion price of the common shares was $0.86 per common share. The convertible debenture bore interest at 9.5% per annum.

13. Decommissioning Obligations

($ 000s)	**2020**	2019
Balance, January 1	**206,520**	158,236
Additions	**2,674**	-
Obligations acquired (Note 5)	**-**	115,567
Change in estimates	**(1,823)**	(68,784)
Change in discount rate	**64,402**	-
Settlement of obligations	**(2,173)**	(1,458)
Accretion	**840**	2,959
Balance, December 31	**270,440**	206,520
Expected to be incurred within one year	**4,434**	-
Expected to be incurred beyond one year	**266,006**	206,520

The Company's decommissioning obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total undiscounted amount of cash flows required to settle its decommissioning obligations is approximately $237.7 million (December 31, 2019 - $239.7 million).

The Company used an observable, market-based and inflation adjusted risk-free real rate of return to estimate the present value of the decommissioning obligation. At December 31, 2020, the Company used a risk-free discount rate of -0.28% (December 31, 2019 – 0.41%). The use of the risk-free real rate of return resulted in a change in estimate of $64.4 million being added to the cost of the related asset in property, plant and equipment and exploration and evaluation assets.

14. Share Capital

Authorized

The Company has an unlimited number of common shares with the holders of common shares entitled to one vote per share and an unlimited number of preferred shares issuable in series, with rights and privileges to be designated by the Board of Directors at the time of issuance. There were no preferred shares outstanding at December 31, 2020 or 2019.

Issued and Outstanding Common Shares

		2020		**2019**
($ 000s except share amount)	**Common shares**	**Amount**	**Common shares**	**Amount**
Balance, January 1	**157,561,174**	**274,799**	74,516,594	193,270
Shares issues on stock option exercise	**-**	**-**	44,115	-
Shares issued in private placement	**-**	**-**	12,108,139	21,382
Shares issued on Shell acquisition (Note 5)	**-**	**(541)**	70,745,781	63,169
Share-based compensation	**80,697**	**-**	146,455	149
Share issue costs (net of tax)	**-**	**64**	-	(3,171)
Balance, December 31	**157,641,871**	**274,322**	157,561,174	274,799

Per Share Amounts

	2020	2019
Weighted average common shares	**158,065,608**	98,622,426
Dilutive effect of options	**-**	-
Weighted average common shares, diluted	**158,065,608**	98,622,426
Net loss per share – basic and diluted	**$(0.64)**	$(0.73)

The calculation of basic earnings per share for the year ended December 31, 2020 was based on a net loss of $100.7 million (December 31, 2019 – net loss $71.6 million).

15. Petroleum and Natural Gas Sales

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

($ 000s)	2020	2019
Natural gas	**147,300**	77,425
Condensate	**56,639**	17,331
NGLs	**25,870**	5,843
Sulphur	**8,270**	4,311
Total petroleum and natural gas revenues	**238,079**	104,910

The Company also generated gas processing revenue of $25.5 million (December 31, 2019 - $6.8 million) for fees charged to third parties for processing through facilities in which Pieridae has an ownership interest. This revenue is classified as third-party processing on the consolidated statement of loss and comprehensive loss.

16. Share Based Payments

Pursuant to Stock Option Plan Number Two, the Board of Directors may grant options to directors, officers, employees and other service providers. The aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 8,412,199 as at the time of granting. Stock options expire not more than five years from the date of grant, or earlier if the individual ceases to be associated with the Company. All share-based compensation will be settled in equity.

The changes in options outstanding and the related weighted average exercise prices for the years ended December 31, 2020 and 2019 were as follows:

	Options	Weighted Average Exercise Price ($)
Balance, January 1, 2019	2,653,394	4.85
Granted	4,264,341	0.90
Exercised	(44,115)	0.00
Forfeited	(481,548)	1.93
Balance, December 31, 2019	**6,392,072**	2.47
Granted	**2,200,100**	0.86
Forfeited	**(212,603)**	4.00
Expired	**(57,497)**	4.08
Balance, December 31, 2020	**8,322,072**	1.99

The following table summarizes stock options outstanding and exercisable at December 31, 2020:

	Stock Options Outstanding			Stock Options Exercisable		
Range of Exercise Price ($)	**Number of Outstanding Stock Options**	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price ($)**	**Number of Exercisable Stock Options**	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price ($)**
0.89 - 2.52	6,131,122	3.99	0.90	2,916,992	3.88	0.93
2.53 – 4.08	882,300	0.44	4.08	882,300	0.44	4.08
4.09 – 5.67	1,308,650	1.62	5.67	1,135,650	1.55	5.67
Total	**8,322,072**	**3.24**	**1.99**	**4,934,942**	**2.73**	2.58

The following table discusses the assumptions used in the Black-Scholes option-pricing model to calculate the $0.67 per share and $0.46 per share fair value of the stock options granted during December 31, 2020 and 2019, respectively:

	2020	**2019**
Risk-free interest rate	**0.38%**	1.51%
Option life (years)	**5.0**	5.0
Volatility	**86.17%**	66.50%
Forfeiture rate	**11.80%**	10.00%

17. Finance Expense

($ 000s)	**2020**	**2019**
Interest expense	**31,008**	12,210
Accretion of financing costs	**16,842**	2,913
Interest income	**(76)**	(1,753)
Accretion of decommissioning obligations (Note 13)	**840**	2,959
Interest on lease liabilities	**155**	95
Total finance expense	**48,768**	16,424

18. Deferred Tax

The income tax expense in the financial statements differs from the result which would have been obtained by applying the combined federal and provincial income tax rates to the Company's loss before taxes. This difference results from the following items:

($ 000s)	**2020**	**2019**
Loss before taxes	**(100,693)**	(71,583)
Combined federal and provincial income tax rate	**24.28%**	26.56%
Computed income tax benefit	**(24,448)**	(19,011)
Tax effects of		
Non-deductible share-based compensation	**242**	398
Change in unrecognized deferred tax assets	**24,351**	7,866
Change in tax rates	**(145)**	10,747
Total tax expense (recovery)	**-**	-

($ 000s)	2020	2019
Non-capital losses	**78,353**	54,329
Decommissioning obligations	**63,255**	47,871
Other	**4,981**	2,647
Deferred tax assets	**146,589**	104,847
Property, plant and equipment	**(57,627)**	(36,140)
Other	**-**	(716)
Deferred tax liabilities	**(57,627)**	(36,856)
Net deferred tax asset not recognized	**(88,962)**	(67,991)
Net deferred tax assets	**-**	-

Deferred income tax assets are recognized for tax loss and tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. A deferred tax asset in the amount of $89.0 million (December 31, 2019 - $68.0 million) has not been recognized as management does not find it probable that the benefit will be realized. Included in this tax basis are estimated non-capital loss carry forwards that expire in the years 2026 through 2040.

19. Financial Instruments and Risk Management

The carrying value and fair value of the Company's financial instruments carried on the consolidated statements of financial position are provided below:

		2020		2019
($ 000s)	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets at Amortized Cost				
Accounts receivable	**44,900**	**44,900**	40,810	40,810
Financial Liabilities at FVTPL				
Fair value of risk management contracts	**-**	**-**	45	45
Financial Liabilities at Amortized Cost				
Accounts payable and accrued liabilities	**98,845**	**98,845**	73,573	73,573
Other amounts payable	**14,898**	**14,898**	8,364	8,364
Lease liabilities	**3,015**	**3,015**	5,569	5,569
Term debt	**219,555**	**219,555**	202,913	202,913

The Company has exposure to counterparty credit risk, liquidity risk and market risk. Pieridae recognizes that effective management of these risks is a critical success factor in managing organization and shareholder value. Risk management strategies, policies and limits ensure risks and exposures are aligned to the Company’s business strategy and risk tolerance. The Board of Directors is responsible for providing risk management oversight and oversees how management assesses and monitors risk. The following analysis provides an assessment of those risks as at December 31, 2020.

Counterparty credit risk

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

Substantially all of the Company’s petroleum and natural gas production is marketed under standard industry terms. Sales from petroleum and natural gas marketers are normally collected on the 25th day of the month following sale. The Company’s policy to mitigate credit risk associated with these balances is to establish marketing relationships with creditworthy purchasers. The Company historically has not experienced any material collection issues with its petroleum and natural gas marketers. Receivables from partners in jointly owned assets are typically collected within one to three months of the bill being issued to the partner. The Company attempts to mitigate the risk from receivables from partners in jointly owned assets by obtaining partner approval of significant capital expenditures prior to the expenditure. However, the receivables are from participants in the petroleum and natural gas sector, and collection of the outstanding balances can be impacted by industry factors such as commodity price fluctuations, limited capital availability and unsuccessful drilling programs. The Company does not typically obtain collateral from petroleum and natural gas marketers or partners in jointly owned assets; however, the Company can cash call for major projects and does have the ability, in most cases, to withhold production from these partners in the event of non-payment.

The carrying amount of accounts receivable represents the maximum credit exposure. As at December 31, 2020 and 2019, the Company's accounts receivables consisted of:

($ 000s)	**2020**	**2019**
Petroleum and natural gas marketers	**26,968**	27,243
Partners in jointly owned assets	**16,232**	11,714
Other (primarily government entities)	**1,700**	1,853
Total	**44,900**	40,810

As at December 31, 2020 and 2019, the Company's accounts receivables were aged as follows:

($ 000s)	**2020**	**2019**
Current (less than 90 days)	**36,454**	35,564
Past due (more than 90 days)	**8,446**	5,246
Total	**44,900**	40,810

The Company has assessed the past due receivables and determined that no provision is required as at December 31, 2020.

Liquidity and funding risk

Liquidity and funding risk is the risk that the Company may be unable to obtain sufficient cash or its equivalent in a timely and cost-effective manner in order to meet its commitments as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements as they become due. The Company manages its liquidity risk by forecasting cash flows over a 12-month rolling time period to identify capital requirements. These requirements are then addressed through management of Pieridae's capital structure, being its share capital and debt facilities, and makes adjustments to it based on the funds available to the Company in order to support future business opportunities.

The timing of cash outflows relating to financial liabilities as at December 31, 2020 is outlined in the table below:

($ 000s)	**2021**	**2022**	**2023**	**2024**	**Thereafter**	**Total**
Accounts payable and accrued liabilities	98,845	-	-	-	-	98,845
Other amounts payable	1,514	11,799	3,099	-	-	16,412
Term debt	50,000	-	207,557	-	-	257,557
Lease liabilities	2,189	723	113	97	102	3,224
Total	**152,548**	**12,522**	**210,769**	**97**	**102**	376,038

Capital management

The Company manages the capital structure and makes adjustments in light of changes in economic and market conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, obtain additional debt facilities and/or consider strategic alliances including joint venture partners. Pieridae manages its capital structure and financing requirements using non-GAAP measures, including net operating income, and the ratio of debt to adjusted flow of funds from operations. The metrics are used to measure Pieridae's financial leverage. To date, the Company has funded its share of commitments from existing cash balances, equity raises and various debt facilities.

The level of the Company's indebtedness that may occur from time to time could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise. Financing by way of a partnership or sale of an interest may reduce the interest held by the Company in the properties in respect of which the financing is obtained. There can be no assurance that such financing will be available to the Company. Furthermore, even if such financing is successfully secured, there can be no assurance it will be obtained on terms favourable to the Company or provide the Company with sufficient funds to meet its objectives. This may adversely affect the Company's business and financial position. If financing is obtained by issuing additional equity, control of the Company could be affected.

The Company may require additional financing to support operations, to advance expansion of its upstream operations and will require significant additional financing to ultimately fund the construction of its proposed Goldboro LNG facility. Management will explore all options to achieve the appropriate funding levels. A source of future funds available to the Company is the issuance of additional shares. The Company's operations may also be financed in whole or in part with debt, a partnership agreement or a sale of an interest in an oil or natural gas property. Debt financing may increase the Company's debt levels above industry standards. Depending on future development and exploration plans, the Company may require additional equity and/or debt financing that may not be available, or available on favourable terms.

Market risk

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

a. Commodity price risk

The Company's petroleum and natural gas production is directly subject to fluctuations in commodity prices. Fluctuations in commodity prices, both absolute and associated with changes in the Canadian to U.S. dollar exchange rate, and specifically the prices for natural gas, condensate and NGL's, could have significant impact on the Company's cash flows and its ability to sustain its operations. The impact from COVID-19 lowered realized prices for natural gas liquids and condensate during 2020. The Company was able to mitigate some of this decline through the monetization of hedge positions in the first six months of the year. Although markets recovered significantly from the systemic shocks experienced during the initial stages of the COVID-19 pandemic, the possibility of significant commodity price volatility continue to exist.

Such an exposure may impact the Company's operating cash flows, and its ability to attract the necessary investment to maintain operations and ultimately fund construction of its Goldboro LNG project. As the Company advances toward a final investment decision for the LNG project, it will evaluate a number of options to manage commodity price risk.

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

The Company had the following fixed price physical commodity sales contracts in place at December 31, 2020.

Type of contract	Quantity	Time Period	Contract Price
Fixed Price - Natural Gas	164,500 GJ/d	January 2021	CAD $2.31/GJ
Fixed Price - Natural Gas	140,000 GJ/d	February 2021	CAD $2.31/GJ
Fixed Price - Natural Gas	155,000 GJ/d	March 2021	CAD $2.31/GJ
Fixed Price - Natural Gas	105,000 GJ/d	April – October 2021	CAD $2.33/GJ
Fixed Price - Natural Gas	10,000 GJ/d	November – March 2022	CAD $2.49/GJ
Fixed Price - Condensate	2,000 Bbl/d	January 2021	CAD $56.83/Bbl
Fixed Price - Condensate	2,000 Bbl/d	February – June 2021	CAD $56.55/Bbl
Fixed Price - Condensate	1,500 Bbl/d	July – December 2021	CAD $54.98/Bbl

The Company monetized additional commodity derivative contracts for realized gains of $12.7 million for the year ended December 31, 2020 (December 31, 2019 – loss of $0.7 million). The Company did not enter into any financial risk management contracts in 2020 thus the sensitivities on commodity price movement of 10% on such contracts are nil (December 31, 2019 – nil).

b. Interest rate risk

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

c. Currency risk

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

Business risks and uncertainties

The Company is subject to a number of business risks. These outlined in greater detail in our Management Discussion & Analysis and Annual Information Form for the years ended December 31, 2020 and 2019.

20. Presentation in Consolidated Statements of Cash Flows

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

($ 000s)	**2020**	**2019**
Changes in non-cash working capital		
Accounts receivable	**(4,126)**	(24,623)
Prepaid expenses and deposits	**(1,829)**	(1,285)
Inventories	**(347)**	(23,535)
Accounts payable and accrued liabilities	**25,272**	13,360
Other amounts payable	**430**	-
Total change in non-cash working capital	**19,400**	(36,083)
Relating to:		
Operating activities	**15,775**	(36,083)
Investing activities	**3,625**	-

21. Other Amounts Payable

Other amounts payable is comprised of balances owing to third parties that extend beyond one year. In April 2020, the Company entered into an arbitration agreement with a third party to resolve an on-going commercial dispute. The matter was settled in November 2020 and resulted in the recognition of a total liability of $14.4 million, of which $7.2 million was recognized as long term and $4.2 million was classified as current in accounts payable and accrued liabilities at December 31, 2020. During the second and third quarter of 2020, a provision was recognized to reflect the Company's best estimate of the most probable outcome at the time. This provision differed materially from the final result of the settlement.

The remaining balance is comprised of an amount payable to a third-party engineering and construction company, contingent upon the execution with that counterparty of an engineering, procurement, construction and commissioning ("EPCC") contract. Management will not be awarding an EPCC contract to this specific counterparty, however the liability cannot be reversed until an EPCC contract is awarded.

22. Related Party Transactions

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

($ 000s)	**Year Ended December 31, 2020**	**Year Ended December 31, 2019**
Salaries and employee benefits	**2,266**	2,107
Director's fees	**433**	286
Total short -term benefits	**2,699**	2,393
Share-based compensation	**607**	1,005
Total key management personnel compensation	**3,306**	3,398

23. Commitments

($ 000s)	**2021**	**2022**	**2023**	**2024**	**Thereafter**	**Total**
Interest on term debt	81,133	31,134	24,651	-	-	136,918
Firm transportation	8,827	5,282	1,598	928	1,115	17,750
Total	**89,960**	**36,416**	**26,249**	**928**	**1,115**	**154,668**

24. Interest in Associates

On March 4, 2013, the Company established Pieridae Production LP and Pieridae Production GP. Pieridae Production LP was formed to develop gas resources in New Brunswick, Nova Scotia and the Northeast US. As at December 31, 2020 the Company's ownership interest is 20% (December 31, 2019 -20%). Under the terms of the Partnership agreement, the Company is entitled to contribute an additional $14.1 million to the partnership, prior to any further funding being made by the other partner and increasing its ownership in Pieridae Production LP to 50%. The Company's interest in Pieridae Production LP and Pieridae Production GP are accounted for using the equity method in the consolidated financial statements.

($ 000s)	**2020**	**2019**
Balance, January 1	**3,710**	3,722
Share in net loss of associates	**(12)**	(12)
Balance, December 31	**3,698**	3,710