

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of Pieridae Energy Limited ("Consolidated Financial Statements") and all other information contained elsewhere in this 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. Consolidated 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 Consolidated 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 Consolidated 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 and Risk Committee of the Board, which is comprised entirely of independent directors. The Audit and Risk 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 and Risk 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)
Darcy Reding
Chief Executive Officer

(signed)
Adam Gray
Chief Financial Officer

March 19, 2025

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, 2024 and 2023, and the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

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, 2024 and 2023, 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 the 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 Consolidated Financial Statements* section of our report, including in relation to this matter. 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 matter 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
The impact of estimated oil and gas reserves on PP&E and deferred income tax recognition As described in notes 3(f), 3(g), 3(n), 7 and 18 to the consolidated financial statements, the Company uses proven and probable petroleum and natural gas and reserves in the calculation of depletion expense for its net carrying value of property, plant and equipment ("PP&E"), to estimate the recoverable amount of the Company's cash generating units if indicators of impairment or impairment reversal are identified, and to evaluate the recoverability of net deferred income tax assets based on forecast taxable profit. The Company had \$378.7 million of PP&E and \$83.6 million recognized related to its net deferred income tax asset as at December 31, 2024.	Our approach to addressing the matter included the following procedures: - Tested how management determined reserves, which included the following: - The competence, capabilities and objectivity of management's expert was evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's expert, tests of data used by management's expert and an evaluation of their findings.

Depletion and depreciation expense was \$59.6 million for the year ended December 31, 2024.

The Company's petroleum and natural gas reserves were evaluated by independent petroleum engineers (management's expert). Key assumptions developed by management used to determine reserves include forward price estimates, expected future rates of production, future production costs and the timing and amount of future development expenditures.

We considered this a key audit matter due to the judgments by management, including the use of management's expert, and a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the key assumptions.

- Evaluated the reasonableness of key assumptions used, including expected future rates of production, future production costs and the timing and amount of future development expenditures by considering current and past performance of the Company and whether these assumptions were consistent with evidence obtained in other areas of the audit, as applicable.
- Evaluated the reasonableness of forward price estimates by comparing those forecasts with third party industry forecasts.

- We recalculated depletion and depreciation expense.
- We recalculated the net deferred income tax asset recognized; this involved the use of our tax specialists who assisted in evaluating the application of relevant tax laws and regulations.
- We assessed the reasonability of the recoverability of the net deferred income tax asset by evaluating the methodology applied and the inputs utilized by management, including those obtained directly from the oil, natural gas and natural gas liquids reserves estimate. We evaluated the adequacy of the applicable disclosures in the consolidated financial statements in respect of these matters.

Other Information

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

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian

generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

Chartered Professional Accountants

Calgary, Canada
March 19, 2025

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>In thousands of Canadian dollars</i>		December 31, 2024	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents	(Note 6)	8,576	18,333
Restricted cash	(Note 6)	188	670
Accounts receivable	(Note 19)	50,166	61,523
Prepaid expenses and other		7,123	9,578
Inventories		3,772	3,656
Risk management contracts	(Note 19)	44,161	49,344
		113,986	143,104
Risk management contracts	(Note 19)	23,545	15,071
Property, plant, and equipment	(Note 7)	378,727	400,991
Exploration and evaluation assets	(Note 8)	8,073	8,025
Right-of-use assets	(Note 9)	4,450	3,428
Deferred income tax asset	(Note 18)	83,642	67,922
Total assets		612,423	638,541
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	(Note 19)	95,830	121,934
Current portion of decommissioning obligations	(Note 13)	6,965	4,965
Current portion of lease liabilities	(Note 10)	1,689	2,035
Warrant liability	(Note 12)	2,773	4,192
Current portion of long-term debt	(Note 11)	9,885	30,748
		117,142	163,874
Other amounts payable	(Note 19)	727	401
Decommissioning obligations	(Note 13)	165,189	156,916
Lease liabilities	(Note 10)	3,035	1,476
Long-term debt	(Note 11)	157,902	141,468
Total liabilities		443,995	464,135
Shareholders' equity			
Share capital	(Note 14)	306,306	275,942
Contributed surplus		13,635	13,191
Warrants	(Note 14)	1,349	1,349
Accumulated other comprehensive income	(Note 19)	55,163	53,044
Deficit		(208,025)	(168,779)
Equity attributable to equity holders of the Company		168,428	174,747
Non-controlling interests		-	(341)
Total shareholders' equity		168,428	174,406
Total liabilities and shareholders' equity		612,423	638,541

Commitments (Note 22)

See accompanying notes to the Consolidated Financial Statements.

Approved on behalf of the Board of Directors

Kiren Singh

Chair of the Audit and Risk Committee and Director

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

<i>In thousands of Canadian dollars, except per share amounts</i>		For the year ended December 31,	
		2024	2023
Revenue			
Petroleum and natural gas	(Note 15)	201,918	342,425
Royalties	(Note 15)	(21,671)	(9,368)
		180,247	333,057
Processing, marketing revenue	(Note 15)	20,188	30,044
Other revenue	(Note 15)	666	5,042
		201,101	368,143
Realized gain on risk management contracts	(Note 19)	67,219	6,137
Unrealized gain (loss) on risk management contracts	(Note 19)	520	(251)
		268,840	374,029
Expenses			
Operating		185,747	224,304
Transportation		17,965	19,047
General and administrative		23,438	23,351
Finance	(Note 17)	32,586	44,156
Depletion and depreciation	(Note 7,9)	59,559	61,534
Share-based compensation	(Note 16)	2,403	1,143
Foreign exchange loss (gain)		14,347	(1,666)
Gain on warrant liability	(Note 12)	(1,566)	(2,968)
Gain on asset disposition	(Note 7)	(10,367)	-
		324,112	368,901
Net income (loss) before taxes		(55,272)	5,128
Deferred income tax recovery	(Note 18)	(16,367)	(3,853)
Net income (loss)		(38,905)	8,981
Other comprehensive income, net of income tax			
Items that may be reclassified to net income (loss)			
Foreign currency translation gain	(Note 19)	-	688
Change in fair value of cash flow hedges, net of tax	(Note 19)	53,624	52,608
Reclassification of realized gain to net income, net of tax	(Note 19)	(51,505)	(3,061)
Total comprehensive income (loss)		(36,786)	59,216
Net income (loss) attributable to Equity holders of the Company		(38,905)	8,981
Net income (loss) per share attributable to equity holders of the Company			
Basic	(Note 14)	(0.20)	0.06
Diluted	(Note 14)	(0.20)	0.04

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>In thousands of Canadian dollars</i>	Share Capital	Contributed Surplus	Warrants	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Equity Attributable to Equity Holders	Non-Controlling Interests	Total Equity
As at December 31, 2022	275,882	12,819	1,349	(177,760)	2,809	115,099	(341)	114,758
Share-based compensation	-	394	-	-	-	394	-	394
Common shares issued on stock option exercise	60	(22)	-	-	-	38	-	38
Net income	-	-	-	8,981	-	8,981	-	8,981
Other comprehensive income (Note 19)	-	-	-	-	50,235	50,235	-	50,235
As at December 31, 2023	275,942	13,191	1,349	(168,779)	53,044	174,747	(341)	174,406
Share-based compensation	-	448	-	-	-	448	-	448
Proceeds on common shares issued on private placement and rights offering	33,483	-	-	-	-	33,483	-	33,483
Share issuance costs related to private placement and rights offering	(3,131)	-	-	-	-	(3,131)	-	(3,131)
Common shares issued on stock option exercise	12	(4)	-	-	-	8	-	8
Acquisition of non-controlling interest	-	-	-	(341)	-	(341)	341	-
Net loss	-	-	-	(38,905)	-	(38,905)	-	(38,905)
Other comprehensive income (Note 19)	-	-	-	-	2,119	2,119	-	2,119
As at December 31, 2024	306,306	13,635	1,349	(208,025)	55,163	168,428	-	168,428

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>In thousands of Canadian dollars</i>		For the year ended December 31,	
		2024	2023
Operating activities			
Net Income (loss)		(38,905)	8,981
Unrealized (gain) loss on risk management contracts	(Note 19)	(520)	251
Depletion and depreciation	(Note 7,9)	59,559	61,534
Non-cash financing costs	(Note 11,17)	8,794	16,660
Accretion of decommissioning obligations	(Note 13)	2,381	2,273
Share-based compensation	(Note 16)	448	394
Unrealized loss (gain) on foreign exchange		14,322	(131)
Gain on revaluation of warrants	(Note 12)	(1,566)	(2,968)
Deferred income tax recovery	(Note 18)	(16,367)	(3,853)
Loss on debt extinguishment	(Note 11)	-	6,859
Proceeds from non-refundable deposit		-	(4,200)
Other amounts payable		328	(108)
Gain (loss) on asset disposition		(10,367)	-
Settlement of decommissioning obligations	(Note 13)	(5,549)	(3,118)
Changes in non-cash working capital	(Note 20)	(5,426)	21,628
Cash provided by operating activities		7,132	104,202
Investing activities			
Proceeds from asset disposition		11,588	-
Additions to property, plant and equipment	(Note 7)	(25,649)	(55,377)
Additions to exploration and evaluation assets	(Note 8)	(48)	(162)
Deposits		(166)	-
Proceeds from non-refundable deposit		-	4,200
Changes in non-cash working capital	(Note 20)	(3,879)	(7,556)
Cash used in investing activities		(18,154)	(58,895)
Financing activities			
Proceeds on issuance of shares	(Note 14)	33,483	-
Share issue costs related to rights offering and private placement	(Note 14)	(3,131)	-
Exercise of stock options		8	38
Draws on long-term debt	(Note 11)	24,427	6,758
Repayment long-term debt	(Note 11)	(51,446)	(14,078)
Repayment of term debt	(Note 11)	-	(39,381)
Payment of financing fees – long-term debt	(Note 11)	(379)	(12,229)
Proceeds on issuance of long-term debt (net)	(Note 11)	-	194,661
Extinguishment of previous term-debt	(Note 11)	-	(181,997)
Payment of financing fees – previous term-debt	(Note 11)	-	(1,000)
Payments on lease obligations	(Note 10)	(1,697)	(2,019)
Cash provided by (used in) financing activities		1,265	(49,247)
Decrease in cash and cash equivalents		(9,757)	(3,940)
Cash and cash equivalents, beginning of period		18,333	22,273
Cash and cash equivalents, end of period		8,576	18,333
Cash paid:			
Interest paid in cash	(Note 17)	20,853	18,174

See accompanying notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Pieridae Energy Limited (the “Company” or “Pieridae”) is a publicly traded, Canadian company headquartered in Calgary, Alberta. Pieridae is focused on developing and producing conventional raw natural gas and processing it into sales products that include natural gas liquids (“NGLs”) and sulphur.

The common shares of Pieridae trade on the Toronto Stock Exchange (“TSX”) under the symbol PEA. The Company was incorporated on May 29, 2012, under the laws of Canada. It is headquartered at 1100, 411 – 1st Street SE, Calgary, Alberta, T2G 4Y5.

Many of the Company’s activities involve jointly owned assets. The Consolidated Financial Statements reflect only the Company’s proportionate interest in such activities. The majority of Pieridae’s assets and business activities are held in a wholly owned subsidiary, Pieridae Alberta Production Ltd (“PAPL”).

2. Basis of Presentation

Statement of compliance

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

The Consolidated Financial Statements have been prepared on a historical cost basis except as detailed in the accounting policies disclosed in Note 3. Certain comparative amounts have been restated to conform to the current period presentation.

The Consolidated Financial Statements were authorized for issue by the Board of Directors on March 19, 2025.

3. Material Accounting Policy Information

The following are the accounting policies which management considers material to the users of the Consolidated Financial Statements. Accounting policy information is considered to be material if its disclosure is needed for users to understand information provided about material transactions, other events or conditions in the Consolidated Financial Statements.

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 Statements of Income (Loss) and Comprehensive Income (Loss) (“statements of income”). 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 that caused it no longer exist and the inventory is still on hand.

d. Financial instruments

Non-derivative financial instruments

The Company's non-derivative financial instruments are assessed at initial recognition in the context of the Company's business model and the contractual cash flow characteristics of the financial assets and liabilities. Initial measurement of non-derivative financial instruments is at fair value. Subsequent measurement is outlined below:

Financial Assets and Liabilities		
Cash and cash equivalents		Amortized cost
Restricted cash		Amortized cost
Accounts receivable		Amortized cost
Prepaid expenses		Amortized cost
Accounts payable and accrued liabilities		Amortized cost
Current and long-term debt		Amortized cost
Warrant liability		Fair value through profit (loss)
Risk management contracts		Fair value through profit (loss)
Risk management contracts – hedge accounting	Fair value through other comprehensive income	
Cash settled share-based awards		Fair value through profit (loss)

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.

Subsequent measurement of financial instruments is based on their classification. Unrealized gains and losses on financial instruments are recognized in statements of income, except those where hedge accounting is applied, which is recognized in other comprehensive income ("OCI").

The Company classifies its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement in the hierarchy.

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

For assets and liabilities recognized in the Consolidated Financial Statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the fair value hierarchy by re-assessing categorization at the end of each reporting period.

Transaction costs for financial assets and liabilities above are expensed as incurred, except for current and long-term debt. Transaction costs relating to debt are included in the initial carrying value of the debt and the debt is subsequently carried at amortized cost using the effective interest rate method.

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and a new liability is recognized. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in statements of income based on the difference between the carrying amount of the liability derecognized and the fair value new liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is re-measured based on the new cash flows and a gain or loss is recorded in statements of income. Long-term debt bears a variable and fixed interest rate and is carried at its amortized cost using the effective interest method.

Derivative financial instruments

The Company may enter into certain financial derivative contracts in order to manage its exposure to market risks from fluctuations in commodity prices, interest rates and the exchange rate between Canadian and United States dollars ("USD"). These instruments are not used for trading or speculative purposes. Financial derivative contracts are classified as fair value through profit or loss and are recorded on the Consolidated Statements of Financial Position ("statements of financial position") at fair value. Financial derivatives are subsequently measured at fair value with changes in fair value immediately charged to the statements of income. Transaction costs are recognized in profit or loss when incurred.

The Company has accounted for its forward physical delivery sales contracts and power contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements as executory contracts. As such, these contracts are not considered to be derivative financial instruments

and have not been recorded at fair value on the statements of financial position. Settlements on these physical sales contracts are recognized as petroleum and natural gas revenue or operating expense in profit or loss.

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

Hedge accounting

On occasion, the Company may elect to account for its financial risk management assets and cash flow hedges using hedge accounting. In these circumstances, the Company formally documents and designates, at inception of the contract, the qualifying hedging relationships which includes the identification of the hedging instrument, the hedged item, the nature of the risk being hedged, the Company's risk management objective and strategy for undertaking the hedge and how the hedging relationship will be assessed to meet hedge effectiveness requirements. Pieridae uses forward commodity contracts for its exposure to volatility in commodity prices. Management determines the economic relationship between the hedged item and the hedging instrument based on commodity sales being hedged. Hedge effectiveness is evaluated by assessing the critical terms of the hedging relationship at inception, at the end of each reporting date and upon a significant change in the circumstances affecting hedge effectiveness. Management has identified one potential source of hedge ineffectiveness, being that C5 production is hedged against the West Texas Intermediate price. Management measures this ineffectiveness by comparing a notional derivative to the actual derivative using the hypothetical derivative method. Any material difference is deemed to be hedge ineffectiveness and is recorded in the statements of income.

For a cash flow hedge, the effective portion of the change in the unrealized fair value of the hedging instrument is recognized in OCI. Accumulated gains or losses are reclassified from OCI to statements of income as amounts are settled throughout the term of the arrangement. Any portion of the change in the fair value of the hedging instrument related to hedge ineffectiveness is recognized in statements of income or reclassified from OCI to statements of income when applicable. In certain circumstances, financial instruments originally designated for the application of hedge accounting may be re-evaluated to no longer qualify as a hedging relationship and are redesignated from hedge accounting, in which case the cumulative change in fair value of a derivative that was previously recorded in other comprehensive income by the application of hedge accounting is recognized in the statement of income over the remaining term of the original hedging relationship. Financial risk management contracts that are not accounted for as cash flow hedges are classified as fair value through profit or loss.

These financial instruments are not used for trading or speculative purposes.

e. Other comprehensive income

OCI is comprised of the change in the fair value of financial instruments where hedge accounting is applied. Amounts recorded in OCI each period are presented in the statements of income. Cumulative changes in OCI are included in accumulated other comprehensive income ("AOCI"), which is presented in shareholders' equity on the statements of financial position.

f. Property, plant, and equipment

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. Exploration and evaluation ("E&E") activities comprise the Company's E&E 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 E&E to property, plant and equipment ("PP&E") as reported on the statements of financial position. E&E 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 PP&E.

E&E assets are assessed for impairment if: (i) sufficient data exists to determine technical feasibility and commercial viability; or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, E&E assets are allocated to related cost generating units (“CGUs”).

Development and production costs

Items of PP&E, which include oil and gas development and production costs, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. PP&E 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. PP&E are accumulated in cost centers based on CGUs for impairment testing. When significant parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of PP&E, 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 PP&E 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 PP&E 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 PP&E are recognized in profit or loss as incurred.

Depletion and depreciation

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

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

g. Impairment

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.

Non-financial assets

The carrying amounts of the Company’s non-financial assets, other than E&E and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. E&E assets are assessed for impairment when they are reclassified to PP&E and if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

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

price forecasts estimated by the Company's independent reserves evaluator and are adjusted for petroleum and natural gas differentials, transportation and marketing costs specific to the Company.

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

h. Assets held for sale

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

i. Provisions

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

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

Decommissioning obligations

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

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

j. Revenue recognition

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

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

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

k. Foreign currency transactions

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

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

l. Share-based compensation

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

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

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

Cash-settled share-based awards consist of Restricted Share Units ("RSUs") granted to officers and employees and Deferred Share Units ("DSUs") granted to directors. Liabilities associated with cash-settled awards are determined based on the fair value of the award at grant date and are subsequently revalued at each period end. This valuation incorporates the five-day volume-weighted average share price ("VWAP") and the number of awards outstanding at each period end. Compensation expense is recognized in the statements of income over the relevant service period with a corresponding increase or decrease in accrued liabilities. Classification of the associated short-term and long-term liabilities is dependent on the expected payout dates of the awards.

m. Finance income and expenses

Finance expenses comprise service charges, interest expense on long-term debt, accretion of 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 long-term debt during the period.

n. Income tax

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

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

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that

have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

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

o. Per share information

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

p. Joint arrangements

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

q. Determination of fair value

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

Property, plant and equipment and intangible exploration assets

The fair value of PP&E recognized in a business combination is based on market values. The market value of PP&E is the estimated amount for which PP&E 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 PP&E) 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 PP&E is based on the quoted market prices for similar items.

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 statements 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.

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).

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.

r. Leases

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

4. New Accounting Policies and Standards

New accounting policies

Amendments to IAS 1 Presentation of Financial Statements

On January 1, 2024 the Company adopted the amendments to IAS 1 – Presentation of Financial Statements. This amendment clarified requirements for the presentation of liabilities as current or non-current in the statements of financial position and clarified its requirements for the disclosure of Accounting Policies. The Company also adopted the amendment to IAS 1, which specified the classification and disclosure of a liability with covenants. The amendment did not have an impact on the Consolidated Financial Statements.

Amendments to IFRS 16 Lease Liability in a Sale and Leaseback

On January 1, 2024 the Company adopted the amendments to IAS 1 – Lease Liability in a Sale and Leaseback. The amendment clarified how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The Company did not have any transactions that were impacted by the adoption of this amendment.

Future accounting pronouncements

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 – Presentation and Disclosure in Financial Statements, which replaces IAS 1 – Presentation of Financial Statements and establishes a revised structure for the financial statements, required disclosures for certain management-defined performance measures and enhanced requirements for grouping of information in the financial statements. IFRS 18 is effective for years beginning on or after January 1, 2027, with early adoption permitted. The Company has not yet determined the impact of IFRS 18 on its Consolidated Financial Statements.

Amendments to IFRS 7 and IFRS 9 the Classification and Measurement of Financial Instruments

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 7 and IFRS 9). The amendments issued to IFRS 7 and IFRS 9 clarify the date of recognition and detection of some financial assets and liabilities, with new exceptions for some liabilities settled through electronic cash transfer. The amendments also clarify and add further guidance for assessment whether a financial asset meets the solely payments of principal and interest criteria, as well as adds new disclosures for certain instruments with contractual terms that can change cash flows. Finally, this amendment also updates the disclosures for equity instruments designated at fair value through other comprehensive income. These amendments take effect on or after January 1, 2026, with early adoption permitted. The Company has not yet determined the impact of this amendment on its Consolidated Financial Statements.

5. Management Judgement and Estimation Uncertainty

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

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

a. Identification of cash-generating units

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

b. 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 statements of income. The rates used to discount future cash flows are based on judgment of economic, regulatory and operating factors. Changes in these factors could increase or decrease the discount rate which may result in material changes.

c. 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.

d. 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.

e. 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 PP&E, 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. The Company's petroleum and gas reserves are determined pursuant to National Instrument 51-101, Standard for Disclosures for Oil and Gas Activities.

f. 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.

g. Deferred taxes

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in statements of income 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 statements of income for the period in which the change occurs.

6. Cash and Cash Equivalents and Restricted Cash

At December 31, 2024, cash and cash equivalents were \$8.6 million (December 31, 2023 - \$18.3 million) and restricted cash was \$0.2 million (December 31, 2023 - \$0.7 million). Restricted cash is primarily used to collateralize letters of credit issued to regulators.

7. Property, Plant and Equipment

The following table summarizes the Company's PP&E balances at December 31, 2024 and 2023:

(\$ 000s)		
Cost	2024	2023
Balance, January 1	640,616	537,594
Additions	25,649	55,377
Dispositions	(3,849)	-
Change in decommissioning obligations (Note 13)	13,441	(10,485)
Transfer from assets held for sale - Northeast British Columbia	-	58,645
Assets held for sale - Central and Southern Alberta ⁽¹⁾	-	(515)
Balance, December 31	675,857	640,616
Accumulated Depletion and Depreciation	2024	2023
Balance, January 1	239,625	139,502
Depletion and depreciation	57,505	59,481
Transfer from assets held for sale - Northeast British Columbia	-	40,914
Assets held for sale - Central and Southern Alberta ⁽¹⁾	-	(272)
Balance, December 31	297,130	239,625
Net Book Value	2024	2023
Balance, January 1	400,991	398,092
Balance, December 31	378,727	400,991

⁽¹⁾ Classified as prepaid expenses and other.

At December 31, 2024, future development costs of the Company's proved plus probable reserves of \$761.6 million (December 31, 2023 - \$791.0 million) were included in the depletion calculations.

On July 25, 2024, Pieridae completed the sale of certain assets including undeveloped land located near Goldboro, Nova Scotia for net proceeds of \$11.5 million after customary adjustments. The net book value of these undeveloped properties was \$3.8 million, resulting in a gain of \$7.7 million.

In December 2023, the Company classified certain non-core assets in Central and Southern Alberta with a carrying value of \$0.2 million and associated decommissioning obligation liabilities of \$3.0 million as held for sale (Note 13). Immediately prior to classifying the assets as held for sale, the Company conducted a review of the assets' recoverable amounts and transferred these assets at their carrying amount, with no impairment recorded. The disposition of these assets closed in the first quarter of 2024, resulting in a gain of \$2.7 million.

8. Exploration and Evaluation Assets

The following table summarizes the Company's E&E assets at December 31, 2024 and 2023:

(\$ 000s)	2024	2023
Balance, January 1	8,025	7,863
Additions	48	162
Balance, December 31	8,073	8,025

E&E assets primarily consist of the Company's seismic assets, undeveloped land and exploration projects which are pending the determination of technical feasibility and commercial viability. At December 31, 2024 and 2023, no impairment indicators were identified related to the Company's E&E assets, therefore no impairment tests were performed.

9. Right-Of-Use Assets

The Company enters into arrangements to secure access to assets necessary for operating the business. 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, 2024 and December 31, 2023:

(\$ 000s)	2024	2023
Cost		
Balance, January 1	13,172	11,382
Additions	3,076	1,884
Disposals	-	(94)
Balance, December 31	16,248	13,172
Accumulated Depreciation		
Balance, January 1	9,744	7,742
Depreciation	2,054	2,053
Disposals	-	(51)
Balance, December 31	11,798	9,744
Net Book Value		
Balance, January 1	3,428	3,640
Balance, December 31	4,450	3,428

At December 31, 2024 and 2023, the Company determined that no impairment indicators existed on the ROU assets therefore no impairment tests were performed.

10. Lease Liabilities

The following table summarizes the movement in the Company's lease liabilities for the year ended December 31, 2024 and 2023:

(\$ 000s)	2024	2023
Balance, January 1	3,511	3,689
Additions	2,910	1,884
Disposal	-	(43)
Interest expense (Note 17)	362	245
Lease payments	(2,059)	(2,264)
Balance, December 31	4,724	3,511
Lease liabilities due within one year	1,689	2,035
Lease liabilities due beyond one year	3,035	1,476

Lease payments that were expensed under short-term and low dollar value exemptions in the years ended December 31, 2024 and 2023 were not significant.

11. Long-Term Debt

The following tables summarize the Company's available liquidity and long-term debt balances as of December 31, 2024:

(\$ 000s)	Principal outstanding (USD)	Availability (USD)	Principal outstanding (CAD)
Senior Facility			
Revolving Loan USD \$22,000 ⁽¹⁾⁽²⁾	15,000	7,000	21,583
Term Notes USD \$88,500 ⁽¹⁾⁽²⁾⁽³⁾	78,230	-	112,629
Subordinated Notes USD \$31,500 ⁽¹⁾⁽²⁾⁽⁴⁾	32,509	-	46,777
Total, December 31, 2024	125,739	7,000	180,989

⁽¹⁾ Converted to CAD using the month end exchange rate of 1.4389.

⁽²⁾ On November 6, 2024 and November 26, 2024, respectively, PAPL modified the terms to its Senior Facility and its Subordinated Notes, resulting in changes to their borrowing bases as described in the note disclosure below.

⁽³⁾ USD \$3.5 million of the \$10 million delayed draw term loan was drawn and combined with the Term Notes on November 6, 2024.

⁽⁴⁾ Excludes unamortized deferred financing fees of USD \$4.7 million.

	Senior Facility (i)			Bridge		
(\$ 000s)	Term Notes	Revolving Loan	Subordinated Notes (ii)	Term Loan (iii)	Financing Costs	Total
Proceeds on issuance of long-term debt	112,642	22,263	39,756	20,000	-	194,661
Draws on long-term debt	-	6,758	-	-	-	6,758
Repayment of long-term debt	(4,547)	(9,531)	-	-	-	(14,078)
Non-cash interest paid in kind (Note 17)	-	-	-	2,028	-	2,028
Financing fees on debt issuance	-	-	(993)	(400)	(10,836)	(12,229)
Amount allocated to warrant liability (Note 12)	-	-	(7,160)	-	-	(7,160)
Accretion of financing costs (Note 17)	-	-	721	126	1,520	2,367
Foreign exchange gain ⁽¹⁾	(171)	84	(44)	-	-	(131)
Balance, December 31, 2023	107,924	19,574	32,280	21,754	(9,316)	172,216
Draws on long-term debt ⁽²⁾	4,929	17,386	2,112	-	-	24,427
Repayment of long-term debt	(9,472)	(17,497)	-	(24,477)	-	(51,446)
Non-cash interest paid in kind (Note 17)	-	-	1,452	2,449	-	3,901
Financing fees on debt modification	-	-	(165)	-	(214)	(379)
Amount allocated to warrant liability (Note 12)	-	-	(146)	-	-	(146)
Accretion of financing costs (Note 17)	-	-	1,566	274	3,053	4,893
Foreign exchange loss ⁽¹⁾	9,248	2,120	2,953	-	-	14,321
Balance, December 31, 2024	112,629	21,583	40,052	-	(6,477)	167,787
Current portion	9,885	-	-	-	-	9,885
Long-term portion	102,744	21,583	40,052	-	(6,477)	157,902

⁽¹⁾ Converted to CAD using the month end exchange rate of 1.4389.

⁽²⁾ USD \$3.5 million of the USD \$10 million delayed draw term loan was drawn and combined with the Term Notes on November 26, 2024.

i. Senior Facility

The Senior Facility was issued to PAPL on June 13, 2023 and consists of the Term Notes and the Revolving Loan. The Senior Facility also included a USD \$10.0 million Delayed Draw Term Loan, of which USD \$3.5 million was drawn on November 26, 2024 to fund the Waterton turnaround project. It was combined with the Term Notes and consistent terms were applied. The Senior Facility bears interest at the Secured Overnight Financing Rate ("SOFR") plus 6.75% per annum from the date of issue accrued daily and payable monthly or quarterly at PAPL's discretion. The Senior Facility is subject to an excess cash flow sweep, which is based on a prescriptive formula and was not triggered at December 31, 2024. It is repayable in full on March 13, 2027.

The Term Notes amortize at 2% quarterly. PAPL may repay the Term Notes in whole or in part upon written notice to the lender, by incurring a prepayment penalty, which was identified as an embedded derivative that is clearly and closely related to the Senior Facility contract and thus, no incremental value was assigned. The prepayment penalty is 103% of the principal plus accrued interest any time prior to December 5, 2025 and 100% of the principal plus accrued interest any time after December 5, 2025. PAPL incurred \$10.8 million of closing costs, which were accounted for as transaction costs and netted against the value of the long-term debt to be amortized over 45 months. The effective interest rates on the Term Notes was 12.2% (December 31, 2023 – 12.1%).

The Revolving Loan is subject to a standby fee of 0.5% per annum payable quarterly on the undrawn portion. The effective interest rate on the Revolving Loan was 11.7% (December 31, 2023 – 12.1%).

On November 6, 2024 PAPL amended the Senior Facility agreement, resulting in a modification of terms. From this date forward, the maximum borrowing base on the Senior Facility was reduced by \$13.0 million to \$110.5 million, resulting in a reduction in maximum Revolver Loan availability of USD \$22 million (from USD \$25 million).

ii. Subordinated Notes

The Subordinated Notes were issued to PAPL and bear interest at a fixed rate of 13% per annum accrued daily and payable quarterly. The Subordinated Notes are repayable in full on September 13, 2027. The Company may repay them in whole or in part upon written notice to the lender by incurring an early termination penalty of up to USD \$50.4 million less the total amount of the principal and interest paid to date. The Subordinated Notes contain a prepayment option, which is an embedded derivative that is clearly and closely related to the underlying contract and thus no incremental value was assigned. PAPL incurred \$0.8 million of closing costs, which were accounted for as transaction costs and netted against the value of the loan to be amortized over 51 months. The common share purchase warrants were issued in conjunction with the Subordinated Notes described in Note 12. The proceeds from the Subordinated Notes were allocated between the subordinated notes and the warrants based on their relative fair values resulting in \$7.2 million being allocated to the warrant liability at inception. The effective interest rate on the Subordinated Notes for the year ended December 31, 2024, was 19.8% (December 31, 2023 – 20.0%).

On November 26, 2024, PAPL amended the Subordinated Note agreement with its lenders and authorized the issuance of additional Subordinated Notes in the amount of \$1.5 million with the same terms as the original Subordinated Note issuance. As part of these amendments, the lender has provided a temporary relief period from certain financial covenants related to its Senior Facility and Subordinated Notes. During the relief period, the interest rate on both debt instruments will be increased by 0.5%. Additional transaction costs of 0.15% of the outstanding principal on the Senior Facility and on the Subordinated Notes were netted against the respective debt instrument and will be amortized over their remaining lives.

iii. Bridge Term Loan

On July 25, 2024, Pieridae issued a binding loan repayment notice. The Bridge Term Loan was settled in cash on August 1, 2024 for \$24.0 million, which included all outstanding principal and accrued interest. Unamortized closing costs of \$0.2 million were accelerated and expensed upon repayment.

Covenants

The Senior Facility and Subordinated Notes contain various financial and non-financial covenants on the part of PAPL including restrictions or requirements with respect to additional debt, liens, asset sales, capital expenditures, general and administrative expenditures, hedging activities, investments, dividends and mergers and acquisitions. Pieridae is subject to the following minimum financial covenants at the end of each quarter calculated on a fiscal rolling quarter basis:

	Minimum Requirement for December 31, 2024	Minimum Requirement for March 31, 2025	Minimum Requirement Thereafter
Total leverage ratio	Total debt/EBITDAX <5X	Total debt/EBITDAX <4.5X	Total debt/EBITDAX <2.5X
Senior leverage ratio	Senior debt/EBITDAX <3.75X	Senior debt/EBITDAX <3.5X	Senior debt/EBITDAX <2X
	Adjusted PDP PV 10	Adjusted PDP PV 10	Adjusted PDP PV 10
Asset coverage ratio	reserves/Total debt >2X	reserves/Total debt >2X	reserves/Total debt >2X
Interest coverage ratio	EBITDAX/ Finance expense >1.5X	EBITDAX/ Finance expense >1.5X	EBITDAX/ Finance expense >2.0X

(1) EBITDAX is defined as earnings before the deduction of non-cash items, such as depletion and depreciation, share-based compensation, unrealized foreign exchange gains or losses, unrealized gains or losses on warrants, unrealized gains or losses on asset dispositions, and deferred income tax recovery or expense.

(2) Total debt is defined as net payments due on or receivable from risk management contracts, long-term debt, and collateralized letters of credit.

(3) Senior debt is defined as net payments due on or receivable from risk management contracts, the Senior Facility, and collateralized letters of credit.

The Company is subject to a hedge requirement over the term of the Senior Facility, whereby it must hedge the following percentages of proved developed producing (“PDP”) natural gas and condensate production, net of annualized royalties calculated as at June 13, 2023: 75% in months 1 to 24 at a minimum average price of C\$3.50/Mcf, 65% in months 25 to 36 at a minimum average price of C\$3.50/Mcf and 45% in months 37 to 48 at a minimum average price of C\$4.00/Mcf, as measured from June 13, 2023. These obligations were met in full at December 31, 2024 and will be adjusted to account for updates to PDP reserve forecasts over the term of the Senior Facility and Subordinated Notes.

As at December 31, 2024 the Company was in compliance with all covenants.

Term-Debt extinguishment

On June 13, 2023, the Company fully extinguished its previous term-debt in the amount of \$181.9 million and \$39.4 million, respectively and replaced it with debt from different lenders with substantially different terms. As a result, the transaction has been accounted for as an extinguishment and recorded a loss on debt extinguishment of \$6.9 million in 2023.

Letter of credit guarantee facility

Effective July 1, 2024 the guarantee facility from Export Development Canada was renewed and maintained at \$12.0 million, of which \$2.0 million was re-purposed into a foreign exchange facility to allow for increased hedge capability, reducing the trade and commercial facility to \$10.0 million. This facility provides for 100% guarantee to the issuing bank of the Company's existing and future letters of credit of which \$8.4 million was drawn at December 31, 2024 (December 31, 2023 - \$5.9 million).

12. Warrant Liability

In conjunction with the original issuance of the Subordinated Notes, the Company issued 18,596,322 warrants at an exercise price of \$0.49 per share expiring on June 13, 2030 ("Tranche 1"). During the year ended December 31, 2024, the Company entered into a subscription agreement for a rights offering (see Note 14), which triggered the anti-dilution clause in the warrant agreement. As a result, on October 17, 2024, the Tranche 1 warrants were re-struck at an exercise price of \$0.46 per share.

On November 26, 2024, as a result of the amendments to the Senior Facility and Subordinated Notes, the Company issued an additional 1,208,092 warrants at an exercise price of \$0.30 per share expiring on June 13, 2030 ("Tranche 2"). Each warrant is exercisable into one common share. The warrants are classified as a financial liability due to a cashless exercise feature. The initial value of the warrants was calculated using the Black-Scholes option valuation model. The initial Black-Scholes valuation was then applied against the value of the Subordinated Notes as a transaction cost measured at amortized cost.

At each subsequent reporting period the warrant liability is remeasured and any changes in fair value are recognized in the statements of income). The fair value of the warrants is determined using the Black-Scholes option valuation model. The warrants may be exercised at any time and are therefore presented as a current liability on the statements of financial position. The following table reconciles the warrant liability in the period:

(\$ 000s)	December 31, 2024	June 13, 2023
Balance, beginning of period	4,192	7,160
Change in fair value to Tranche 1 due to re-strike (October 17, 2024)	(43)	-
Initial value of Tranche 2 (November 26, 2024)	147	-
Change in fair value during year	(1,523)	(2,968)
Balance, December 31	2,773	4,192

The following table provides the assumptions used in the Black-Scholes pricing model to calculate the fair value of the warrants:

	December 31, 2024	November 26, 2024	October 17, 2024	December 31, 2023
Risk-free interest rate	2.74%	2.96%	2.95%	3.46%
Expected life (years)	5.45	5.55	5.68	6.45
Volatility	69.30%	67.96%	71.25%	81.20%

13. Decommissioning Obligations

The following table summarizes the Company's decommissioning obligations at December 31, 2024 and 2023:

(\$ 000s)	2024	2023
Balance, January 1	161,881	159,504
Additions	-	104
Change in cost estimates ¹	19,608	2,293
Change in discount rate	(6,167)	(12,882)
Settlement of obligations	(5,549)	(3,118)
Accretion	2,381	2,273
Transferred from liability held for sale – Northeast British Columbia (Note 7)	-	16,673
Liability held for sale – Central and Southern Alberta (Note 7)	-	(2,966)
Balance, December 31	172,154	161,881
Expected to be incurred within one year	6,965	4,965
Expected to be incurred beyond one year	165,189	156,916

⁽¹⁾ Change in cost estimates relates to the update in AER directive 11 released in 2024.

The Company's decommissioning obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. As at December 31, 2024 the Company estimates the total undiscounted amount of cash flows required to settle its decommissioning obligations is approximately \$292.9 million (December 31, 2023 - \$275.6 million).

The Company uses an observable, market-based and inflation adjusted risk-free real rate of return to estimate the present value of the decommissioning obligation. As at December 31, 2024, the inflation adjusted risk-free discount rate was 1.51% (December 31, 2023 - 1.40%).

A portion of the Company's decommissioning obligations were acquired from Shell as part of the southern Alberta Foothills acquisition in October 2019, which included three major gas processing facilities. In accordance with the purchase and sale agreement ("PSA"), Shell retains the obligation for reclamation of subsurface contamination from pre-existing sulfinol plumes under two of these facilities. These subsurface costs represent a material percentage of the total decommissioning liability associated with these two facilities. The Company has not recognized a liability for this portion of the estimated decommissioning cost. Following the acquisition, Shell submitted application to the AER to transfer the licenses from Shell to Pieridae, which was initially rejected due to complications of the liability bifurcation. This process remains ongoing and material uncertainty exists regarding the timing and outcome of that transfer.

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, 2024, or 2023.

Issued and outstanding common shares

(\$ 000s except per share amounts)	Common shares	2024 \$	Common shares	2023 \$
Balance, January 1	159,087,336	275,942	158,963,336	275,882
Shares issued on stock option exercise	24,000	12	124,000	60
Shares issued on private placement	12,800,000	3,653	-	-
Shares issued on rights offering	118,476,306	26,699	-	-
Balance, December 31	290,387,642	306,306	159,087,336	275,942

On August 2, 2024, the Company completed a non-brokered private placement to issue 12.8 million common shares to an existing shareholder at a price of \$0.35 per share for gross proceeds of \$4.5 million. Share issuance costs of \$0.8 million were applied against the proceeds.

On October 7, 2024, the Company completed a backstopped equity rights offering of its common shares to eligible shareholders. The rights offering resulted in Pieridae issuing an aggregate of 118.5 million common shares at a price of \$0.2448 per common share, for aggregate gross proceeds of \$29.0 million. Share issue costs of \$2.3 million were applied against the proceeds.

Warrants

On March 31, 2021, the Company issued 5,000,000 common share purchase warrants at an exercise of \$0.70 per common share warrant with an expiry date of March 31, 2026. The rights offering in 2024 triggered the anti-dilution clause in the warrant agreement and as such, on November 6, 2024, the warrants exercise price were re-struck to \$0.68 per share and the number of shares to be issued per warrant changed from 1 to 1.02047. This re-strike did not trigger a revaluation of the warrants because they were recognized as equity and as such shall not be subsequently revalued.

Per share amounts

Diluted net income is calculated as follows:

(\$ 000s)	Year Ended December 31, 2024	Year Ended December 31, 2023
Net income (loss)	(38,905)	8,981
Gain on warrant liability	-	(2,968)
Deferred income tax recovery	-	683
Diluted net income (loss)	(38,905)	6,696

Per common share amounts have been determined based on the following:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Weighted average common shares	191,539,405	159,000,487
Dilutive effect of warrants ⁽¹⁾	-	3,409,325
Dilutive effect of options ⁽¹⁾	-	487,792
Weighted average common shares, diluted	191,539,405	162,897,604

(1) For the year ended December 31, 2024, all options and warrants (December 31, 2023 – 3.3 million options and 5 million warrants) were excluded from the diluted weighted average shares calculation as they were anti-dilutive.

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 delivery. 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)	Year Ended December 31, 2024	Year Ended December 31, 2023
Natural gas	87,295	217,291
Condensate	82,879	84,318
NGLs	25,216	30,399
Sulphur	6,528	10,417
Total petroleum and natural gas revenue	201,918	342,425
Less:		
Gross royalties	49,606	64,400
Gas cost allowance	(27,935)	(55,032)
Less royalties	21,671	9,368
Processing and marketing revenue	20,188	30,044
Other revenue	666	5,042
Processing, marketing and other revenue	20,854	35,086
Total	201,101	368,143

During the year ended December 31, 2023, the Company received notice from the Alberta Crown that it was to receive a refund of \$18.4 million related to 2022 annual gas cost allowance ("GCA") credit. This adjustment was made by the Alberta Crown as part of their annual review of GCA typically conducted in the second quarter of the following year. The credit was included in Royalties on the statements of income.

16. Share-Based Compensation

The Company has incentive plans that permit the grant of options, RSUs and DSUs to eligible individuals. The following table summarizes the Company's outstanding share-based compensation units:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Stock options	6,948,475	4,416,690
RSUs	23,340,732	11,203,694
DSUs	1,056,481	247,459
Total outstanding stock-based compensation units	31,345,688	15,867,843

The following table summarizes the Company's share-based compensation expense for the years ended December 31, 2024 and 2023:

(\$ 000s)	Year Ended December 31, 2024	Year Ended December 31, 2023
Equity settled		
Stock options	448	394
Cash settled		
RSUs	1,753	675
DSUs	202	74
Total share-based compensation expense	2,403	1,143
Restricted share units capitalized	(156)	(91)

Stock options

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

The changes in options outstanding and the related weighted average exercise prices for the years ended December 31, 2024 and 2023 were as follows:

	Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2022	5,860,369	1.21
Granted	909,300	0.57
Exercised	(124,000)	0.30
Cancelled/forfeited	(1,715,479)	0.84
Expired	(513,500)	0.73
Balance, December 31, 2023	4,416,690	0.73
Granted	3,572,075	0.30
Exercised	(24,000)	0.30
Cancelled/forfeited	(260,684)	0.70
Expired	(755,606)	0.89
Balance, December 31, 2024	6,948,475	0.49

The following table summarizes stock options outstanding and exercisable at December 31, 2024:

Range of Exercise Price (\$)	Stock Options Outstanding			Stock Options Exercisable		
	Number of Outstanding Stock Options	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)	Number of Exercisable Stock Options	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)
0.30 – 0.50	4,570,475	4.00	0.30	1,513,620	3.06	0.30
0.51 – 0.80	886,100	3.67	0.57	354,440	3.67	0.57
0.81 – 1.00	804,000	0.80	0.86	804,000	0.80	0.86
1.01 – 1.28	687,900	2.68	1.25	427,742	2.68	1.25
Total	6,948,475	3.46	0.49	3,099,802	2.49	0.61

The weighted average fair value of options granted in 2024 was \$0.18 (December 31, 2023 - \$0.57). The following table outlines the assumptions used in the Black-Scholes option-pricing model to calculate the weighted average fair value of the stock options granted during 2024 and 2023, respectively:

	2024	2023
Risk-free interest rate	3.2%	4.2%
Expected life (years)	3.5	3.5
Volatility	83.60%	91.01%
Forfeiture rate	16.25%	12.30%

Restricted share units

RSU awards are granted to employees and vest evenly over a period of three years, with the first payment occurring on the first anniversary. Upon vesting, the holder receives a cash payment based on the five-day VWAP of the vested RSU. During the year end December 31, 2024, 17.1 million (December 31, 2023 – 9.7 million) RSUs were granted resulting in a current and long-term compensation liability at December 31, 2024 of \$1.2 million and \$0.7 million, respectively (December 31, 2023 - \$0.5 million and \$0.5 million) calculated using a December 31, 2024 five-day VWAP of \$0.26 per share (December 31, 2023 - \$0.30). The current portion is included in accounts payable and the long-term portion is included in other amounts payable on the statements of financial position.

The following table summarizes the Company's RSU awards:

	RSU Awards
Balance, December 31, 2022	4,462,100
Granted	9,677,900
Exercised/released	(1,401,780)
Cancelled/forfeited	(1,534,526)
Balance, December 31, 2023	11,203,694
Granted	17,126,570
Exercised/released	(3,711,736)
Cancelled/forfeited	(1,277,796)
Balance, December 31, 2024	23,340,732

Deferred share units

In July 2023, the Company implemented a DSU Incentive Plan. DSU awards are issued to Directors quarterly and vest immediately, with payment occurring on the applicable director's termination date. Annually, each Director elects between 25% and 100% of their total base compensation to be received in DSUs. On the termination date the holder receives a cash payment based on the five-day VWAP multiplied by the number of outstanding DSUs. The DSU liability of \$0.3 million (December 31, 2023 - \$0.1 million) was calculated using the five-day VWAP as of December 31, 2024 of \$0.26 per share (December 31, 2023 - \$0.30). The entire DSU balance is current and is included in accounts payable.

	DSU Awards
Balance, July 1, 2023	-
Granted	247,459
Balance, December 31, 2023	247,459
Granted	809,022
Balance, December 31, 2024	1,056,481

17. Finance Expense

The following is a summary of finance expenses:

(\$ 000s)	Year Ended December 31, 2024	Year Ended December 31, 2023
Cash portion of Interest expense	20,853	18,174
Non-cash interest paid in kind (Note 11)	3,901	6,300
	24,754	24,474
Accretion of financing costs (Note 11)	4,893	10,360
Loss on debt extinguishment (Note 11)	-	6,859
Accretion of decommissioning obligations (Note 13)	2,381	2,273
Interest on lease liabilities (Note 10)	362	245
Other charges (recoveries)	196	(55)
Total finance expense	32,586	44,156

18. Deferred Taxes

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

(\$ 000s)	Year Ended December 31, 2024	Year Ended December 31, 2023
Income (loss) before taxes	(55,272)	5,128
Combined federal and provincial income tax rate	23.00%	23.00%
Computed income tax expense (benefit)	(12,713)	1,179
Tax effects of		
Non-deductible share-based compensation	103	-
Non-deductible expense	(945)	21
Other	(523)	388
Change in unrecognized deferred tax assets	(2,210)	(5,409)
Change in tax rates	(79)	(32)
Total deferred tax recovery	(16,367)	(3,853)

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

(\$ 000s)	2023	Recognized in net income	Recognized in OCI	2024
Deferred tax assets				
Non-capital losses	76,835	3,648	-	80,483
Decommissioning obligations	37,305	1,693	-	38,998
Other	2,134	4,761	-	6,895
Deferred tax liabilities				
PP&E	(32,644)	5,549	-	(27,095)
Risk management contracts	(14,880)	-	(647)	(15,527)
Other	(828)	716	-	(112)
Net deferred tax assets	67,922	16,367	(647)	83,642

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. As at December 31, 2024, the Company has an unrecognized deferred tax asset in the amount of \$1.4 million (2023 - \$8.0 million). The Company expects to have sufficient taxable profits in the future in order to realize the current benefit of \$83.6 million. Included in this tax basis are estimated non-capital loss carry forwards of \$349 million (December 31, 2023 - \$304 million) that expire in the years 2034 through 2044.

19. Financial Instruments and Risk Management

Financial instruments at December 31, 2024, consist of cash and cash equivalents, restricted cash, deposits, accounts receivable, accounts payable, other amounts payable, current and long-term debt, risk management contracts, and warrant liability. Risk management contracts and warrant liability are classified as Level 2 measurements. The carrying value of long-term debt approximates its fair value as it bears interest at market rates. The Company does not have any recurring fair value measurements classified as Level 3. There were no transfers between the levels in the fair value hierarchy for the year ended December 31, 2024. The Company's accounts receivable, deposits, accounts payable and other amounts payable approximate their fair values due to the short-term nature of these instruments.

The Company has exposure to counterparty credit risk, liquidity risk and market risk. Pieridae recognizes that effective management of these risks is a critical success factor in managing organization and shareholder value. Risk management strategies, policies and limits ensure risks and exposures are aligned to the Company's business strategy and risk tolerance. The Board of Directors is responsible for providing risk management oversight and oversees how management assesses and monitors risk. The following analysis provides an assessment of those risks as at December 31, 2024.

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. Credit risk arises principally from the Company's accounts receivable from hydrocarbon sales, partners in jointly owned assets, counterparties to derivative financial contracts and third-party processing customers.

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 the sale. The Company's credit policy includes parameters to mitigate credit risk associated with these balances. The Company historically has not

experienced any material collection issues with its petroleum and natural gas marketers. The Company's financial risk management contracts are held with two counterparties, both of which are large reputable financial institutions; management has concluded credit risk associated with these parties' contracts is low.

Accounts receivable from third party processing customers and partners in jointly owned assets are typically collected within one to three months of the bill being issued. The Company attempts to mitigate the credit risk from joint venture partners in jointly owned assets by, where possible, transacting with creditworthy counterparties and where relevant by obtaining partner approval of significant capital expenditures prior to execution. Timing and risks associated with accounts receivable balances can be impacted by industry factors such as commodity price fluctuations, limited capital availability and unsuccessful drilling programs.

The Company has the ability to obtain collateral, in the form of parental guarantees and letters of credit, from petroleum and natural gas marketers or partners in jointly owned assets when appropriate to support mitigating counterparty risk. The Company can also cash call partners for major projects and does have the ability, in most cases, to withhold production and/or net settle from these partners in the event of non-payment.

For the year ended December 31, 2024, the Company had sales to two customers (year ended December 31, 2023 – three customers) which individually constituted more than 10% of total commodity sales. Sales to these major customers totaled \$177.3 million in 2024 (year ended December 31, 2023 - \$311.2 million).

The carrying amount of cash and cash equivalents, accounts receivable and risk management contracts represents the maximum credit exposure to the Company at December 31, 2024. The Company's cash and cash equivalents are held with counterparties, which are large reputable financial institutions; management has therefore concluded that credit risk associated with the investments is low. As at December 31, 2024 and 2023, the Company's accounts receivables consisted of:

(\$ 000s)	2024	2023
Petroleum and natural gas marketers	24,645	34,337
Partners in jointly owned assets	23,106	25,871
Other (primarily government entities)	2,415	1,315
Total	50,166	61,523

As at December 31, 2024 and 2023, the Company's accounts receivables were aged as follows:

(\$ 000s)	2024	2023
Current (less than 90 days)	41,213	56,084
Past due (more than 90 days)	8,953	5,439
Total	50,166	61,523

The Company has assessed the past due receivables and determined that as at December 31, 2024, a provision of \$0.6 million was required (December 31, 2023 – \$0.8 million).

Liquidity and funding risk

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

The timing of cash outflows relating to financial liabilities as at December 31, 2024, is outlined in the table below:

(\$ 000s)	2025	2026	2027	2028	Thereafter	Total
Accounts payable and accrued liabilities	95,830	-	-	-	-	95,830
Other amounts payable	-	310	417	-	-	727
Long-term debt ⁽¹⁾	9,785	9,784	156,415	-	-	175,984
Interest on long-term debt ⁽¹⁾⁽²⁾⁽³⁾	19,624	18,354	5,034	-	-	43,012
Lease payments	1,689	1,428	1,001	851	1,793	6,762
December 31, 2024	126,928	29,876	162,867	851	1,793	322,315

⁽¹⁾ Amortization and interest payments denominated in USD are estimated using the spot rate at December 31, 2024.

⁽²⁾ Does not include interest on fluctuating outstanding Revolving Loan balance of \$14.8 million.

⁽³⁾ Interest is calculated using forward SOFR curve plus 6.75% per annum.

The Company's significant outstanding financial liabilities consist of accounts payable and accrued liabilities, which are expected to be funded as they come due by cash provided by operating activities and the current and long-term debt.

Capital management

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

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

The calculation of funds flow from operations is as follows:

(\$ 000s)	Year Ended December 31, 2024	Year Ended December 31, 2023
Cash provided by operating activities	7,132	104,202
Settlement of decommissioning obligations	5,549	3,118
Changes in non-cash working capital	5,426	(21,628)
Funds flows from operations	18,107	85,692

The Company funds its share of commitments from existing cash balances, issuing shares and various debt facilities. The Company may require additional financing to advance growth opportunities. Management will explore all options to achieve the appropriate funding levels. Sources of future funds can include the issuance of shares, debt, a partnership agreement, or the sale of an interest in oil or natural gas properties.

There can be no assurance that such financing will be available to the Company. Furthermore, even if such financing is successfully secured, there can be no assurance it will be obtained on terms favourable to the Company or provide the Company with sufficient funds to meet its objectives. This may adversely affect the Company's business and financial position. If financing is obtained by issuing equity, control of the Company could be affected.

Market risk

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

Commodity price risk

The Company's natural gas, condensate, NGL and sulphur sales, and electricity purchase, are directly subject to fluctuations in underlying commodity prices. Fluctuations in commodity prices, both absolute and where relevant, associated with changes in the Canadian to USD exchange rate. Commodity price volatility may impact the Company's operating cash flows, its ability to attract investment and the ability to generate cashflows to maintain operations. The Company continually evaluates options to manage commodity price volatility and risk.

The Company utilizes fixed price physical delivery contracts and various financial derivative instruments as part of its overall risk management strategy to assist in managing the exposure to commodity price, foreign exchange and interest rate risk. These financial instruments are not used for speculative purposes.

Physical contracts are considered normal purchase or sales contracts and are not included in the risk management account on the statement of financial position but recognized in petroleum and natural gas revenue or operating expense as contracts are settled. The Company had the following fixed price physical commodity sales contracts and power contracts in place at December 31, 2024:

Type of contract	Quantity	Time Period	Average Price
Fixed Price - Natural Gas Sales	5,000 GJ/d	Jan 2025 - Oct 2026	CAD \$3.31 /GJ
Fixed Price - Power Purchases	55 MW	Jan 2025 - Dec 2025	CAD \$79.12 /MWh
Fixed Price - Power Purchases	45 MW	Jan 2026 - Dec 2026	CAD \$75.88 /MWh
Fixed Price - Power Purchases	25 MW	Jan 2027 - Dec 2027	CAD \$70.19 /MWh

There was no hedge ineffectiveness identified as of December 31, 2024. The Company had the following financial risk management contracts, to which hedge accounting is applied, in place as at December 31, 2024:

Type of contract	Quantity	Time Period	Contract Price
AECO Natural Gas Swap	105,000 GJ/d	Jan 2025 - May 2026	CAD \$3.32 /GJ
AECO Natural Gas Swap	76,200 GJ/d	Jun 2026 - Mar 2027	CAD \$3.77 /GJ
AECO Natural Gas Swap	60,000 GJ/d	Apr 2027 - May 2027	CAD \$3.81 /GJ
WTI Crude Oil Collar	1,235 bbl/d	Jan 2025 - Dec 2025	CAD \$80.00 - \$90.75 /bbl
WTI Crude Oil Collar	918 bbl/d	Jan 2026 - Dec 2026	CAD \$80.00 - \$90.75 /bbl
WTI Crude Oil Collar	761 bbl/d	Jan 2027 - May 2027	CAD \$80.00 - \$90.75 /bbl
WTI Crude Oil Swap	345 bbl/d	Jan 2025 - May 2025	CAD \$100.65 /bbl
WTI Crude Oil Swap	515 bbl/d	Jun 2025 - Jun 2025	CAD \$94.20 /bbl
WTI Crude Oil Swap	515 bbl/d	Jul 2025 - Dec 2025	CAD \$94.89 /bbl
WTI Crude Oil Swap	475 bbl/d	Jan 2026 - May 2026	CAD \$93.96 /bbl
WTI Crude Oil Swap	605 bbl/d	Jun 2026 - Jun 2026	CAD \$87.08 /bbl
WTI Crude Oil Swap	420 bbl/d	Jul 2026 - Dec 2026	CAD \$92.47 /bbl
WTI Crude Oil Swap	405 bbl/d	Jan 2027 - May 2027	CAD \$92.63 /bbl
WTI Crude Oil Swap	1,135 bbl/d	Jun 2027 - Jun 2027	CAD \$83.38 /bbl
WTI Crude Oil Swap	785 bbl/d	Jul 2027 - Mar 2028	CAD \$90.40 /bbl
WTI Crude Oil Swap	750 bbl/d	Apr 2028 - Jun 2028	CAD \$86.50 /bbl

The following financial risk management contracts were entered into subsequent to December 31, 2024:

Type of contract	Quantity	Time Period	Contract Price
WTI Crude Oil Swap	180 bbl/d	Jul 2026 - Dec 2026	CAD \$93.67 /bbl
WTI Crude Oil Swap	340 bbl/d	Jul 2027 - Dec 2027	CAD \$89.24 /bbl

The hedge ratio, representing the relationship between the quantity of the hedging instrument and the quantity of the hedged item in terms of their relative weighting is 1:1 at December 31, 2024.

Changes in fair value of risk management asset and liabilities for the period ended December 31, 2024 are as follows:

(\$ 000s)	Financial Derivatives	Cashflow Hedges	Total
Fair value of assets, balance January 1	-	64,415	64,415
Changes in fair value – profit or loss	520	-	520
Changes in fair value – OCI	-	(64,448)	(64,448)
Risk management contract settlements	329	66,890	67,219
Fair value of assets, balance December 31	849	66,857	67,706
Risk management asset – current			44,161
Risk management asset – long-term			23,545

Changes in fair value of risk management asset and liabilities for the period ended December 31, 2023 are as follows:

(\$ 000s)	Financial Derivatives	Cashflow Hedges	Total
Fair value of assets, balance January 1	251	-	251
Changes in fair value – profit or loss	(2,409)	-	(2,409)
Changes in fair value – OCI	-	60,436	60,436
Risk management contract settlements	2,158	3,979	6,137
Fair value of assets, balance December 31	-	64,415	64,415
Risk management asset – current	-	49,344	49,344
Risk management asset – long-term	-	15,071	15,071

The Company accounts for its cash flow hedges using hedge accounting. The following table summarizes the changes in other comprehensive income as a result of the cash flow hedges for the year ended December 31, 2024:

(\$ 000s)	Cash flow hedges	OCI	Total AOCI
AOCI, Balance January 1	-	-	53,044
Unrealized gain	2,772	2,772	
Deferred tax	(653)	(653)	
Realized gain, net of tax	51,505	51,505	
OCI before reclassification to net income	53,624	53,624	53,624
Subtotal			106,668
Reclassification to net income, net of tax	(51,505)	(51,505)	(51,505)
AOCI, balance December 31	2,119	2,119	55,163

The following table summarizes the changes in other comprehensive income as a result of the cash flow hedges for the year ended December 31, 2023:

(\$ 000s)	Cash flow hedges	Foreign exchange	OCI	Total AOCI
AOCI, balance January 1	-	-	-	2,809
Unrealized gain	64,415	688	65,103	
Deferred tax	(14,868)	-	(14,868)	
Realized gain, net of tax	3,061	-	3,061	
OCI before reclassification to net income	52,608	688	53,296	53,296
Subtotal				56,105
Reclassification to net income, net of tax	(3,061)	-	(3,061)	(3,061)
AOCI, balance December 31	49,547	688	50,235	53,044

The following table illustrates the effects of potential movement in commodity prices on net income due to the changes in the fair value of financial derivative contracts in place at December 31, 2024 and 2023. The sensitivity is based on a 10% increase and 10% decrease in forward price curves at December 31, 2024 and 2023.

(\$ 000s)	10% Decrease in Price		10% Increase in Price	
	2024	2023	2024	2023
Increase (decrease) to OCI				
Crude Oil - WTI (CAD)	13,260	10,723	(13,694)	(11,304)
Natural Gas - AECO (CAD)	19,182	29,631	(19,182)	(29,631)

Subsequent to December 31, 2024, the Company reassessed its hedge position and determined that monetizing of a portion of its AECO Natural Gas Swap risk management contracts ("AECO Swaps") and re-striking the remainder better align with its risk management objectives. All AECO Swaps were initially scheduled to mature between January 2026 and May 2027. The early monetization of a portion of the AECO Swaps reduced the Company's hedge position as of March 19, 2025 by 24,862 GJ/d and resulted in proceeds of \$10.2 million, net of transaction costs, which is recognized in net income (loss) in March 2025. The remaining AECO Swaps strike price was adjusted to \$3.40/GJ from \$3.78/GJ as of March 19, 2025.

Interest rate risk

Interest rate risk is the risk that future cashflows will fluctuate as a result of changes in market interest rate. For the year ended December 31, 2024, the Company's primary interest rate exposure was the variable rate Senior Facility. A 1.0% change in the SOFR rate would result in a \$1.4 million change in interest expense for the year ended December 31, 2024 (December 31, 2023 - \$0.8 million).

Currency risk

Currency risk is the risk that cashflows will fluctuate as a result of changes in foreign currencies and the Canadian dollar. A small portion of the Company's accounts receivable, accounts payable, accrued liabilities and commitments are denominated in USD, however the impact of currency fluctuations are immaterial to these items. At December 31, 2024, the Company's primary foreign exchange risk exposure was its United States denominated Senior Facility and Subordinate Notes. For the year ended December 31, 2024 a 5% change in the foreign exchange rates between these two currencies would result in a CAD \$5.9 million (December 31, 2023 - \$3.9 million) impact on interest expense and \$9.1 million (December 31, 2023 - \$11.5 million) impact in foreign exchange gain (loss) related to the debt valuation.

During the year, the Company entered into currency hedges, which provide the right but not the obligation to purchase USD at a fixed exchange rate. These provide downside protection on cash flow risk associated with currency fluctuations between USD

and CAD for a portion of scheduled debt service obligations denominated in USD. At December 31, 2024, the Company exercised this option, resulting in a gain of \$0.5 million (December 31, 2023 - \$nil).

The Company had the following financial risk management contracts, to which hedge accounting is not applied, in place as at December 31, 2024:

Type of Contract	Quantity (USD '000s)	Time Period	Average Price
USD Call Option	US\$4,850,000	Jan 2025 - Mar 2025	CAD \$1.3600
USD Call Option	US\$4,715,000	Apr 2025 - Jun 2025	CAD \$1.3600

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)	Year Ended December 31, 2024	Year Ended December 31, 2023
Changes in non-cash working capital		
Accounts receivable	11,357	12,991
Prepaid expenses and deposits	2,212	(1,205)
Inventories	(116)	(534)
Accounts payable and accrued liabilities	(22,758)	2,820
Total change in non-cash working capital	(9,305)	14,072
Relating to:		
Operating activities	(5,426)	21,628
Investing activities	(3,879)	(7,556)

21. 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 on payments were given or received. Outstanding balances are settled in cash or shares. Key management personnel compensation includes the following:

(\$ 000s)	Year Ended December 31, 2024	Year Ended December 31, 2023
Salaries and employee benefits	2,731	2,237
Director's fees	680	730
Total salaries and benefits	3,411	2,967
Share-based compensation	447	287
Total key management personnel compensation	3,858	3,254

22. Commitments, Provisions and Contingencies

Commitments

The following is a summary of the Company's commitments as at December 31, 2024:

(\$ 000s)	2025	2026	Thereafter	Total
Firm transportation	12,170	4,804	-	16,974

Provisions and Contingencies

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