Long-term Value Focus

Q2 2023 Quarterly Report

Pine Cliff Energy Ltd.

I hope everyone is enjoying the warm weather this summer. In our business, we prefer cold winters and hot summers, and this summer has delivered on the heat, which has helped bolster global natural gas prices. Results from the second quarter of 2023 include:

- generated $12.0 million ($0.03 per basic and fully diluted share) and $31.9 million ($0.09 per basic and fully diluted share) of adjusted funds flow[1] for the three and six months ended June 30, 2023, compared to $55.8 million ($0.16 per basic and $0.15 per fully diluted share) and $88.1 million ($0.26 per basic and $0.25 per fully diluted share) for comparable periods in 2022;
- paid dividends of $11.5 million ($0.03 per basic and fully diluted share) and $22.9 million ($0.06 per basic and fully diluted share) during the three and six months ended June 30, 2023, compared to $2.9 million ($0.01 per basic and fully diluted share) for the comparable periods in 2022;
- positive net cash[1] of $49.3 million at June 30, 2023; and
- production averaged 20,198 Boe/d[2] and 20,137 Boe/d[2] for the three and six months ended June 30, 2023, 5% and 3% lower than the comparable periods in 2022.

Dividend Sustainability

It was one year ago in Q2 2022 that Pine Cliff declared our first dividend. This was a significant achievement that we had worked for over a decade to achieve and a nice reward for our shareholders who patiently held or grew their investment in Pine Cliff through a volatile decade for commodities. As of August 1, 2023, and since the inception of the dividend, we have happily paid our shareholders ~$50.3 million in dividends. We are proud of this success, however our team is determined to further lower our costs and add accretive assets to our portfolio. Our goal is to give our dividend even more sustainability. Having $48 Million in the bank and no debt has created a buffer for our dividend sustainability, but I can assure you that we continue to look for ways to optimally utilize that capital and improve shareholder returns.

Asset and Corporate Acquisitions

It seems the Canadian oil and gas mergers and acquisition market has heated up this summer along with the temperatures. Pine Cliff has always actively looked at potential acquisitions, but we were relatively quiet on the M&A front in 2022 when commodity prices were hitting new peaks. 2022 was a great year for funds flow, but not a great year, in our opinion, for purchasing assets. With commodity prices moderating in 2023, we are once again seeking assets that will further enhance the business model we have built in preparation for what we believe will be increasing commodity prices in the years ahead.

Although Pine Cliff is properly thought of as a natural gas producer given that 87% of our production is dry gas, 2023 is a good example of why we feel it is beneficial to have some commodity diversity in our asset portfolio. The drilling we have done this year has been on oil locations from past purchases with 13% of our production now being liquids weighted and contributing approximately 35% of our revenues when natural gas prices bottomed earlier this year. Our focus remains on adding assets that will fit within our low decline portfolio while minimizing the addition of inactive liabilities, whether the assets are natural gas or oil weighted. If the assets also add drilling inventory, then we are willing to value the assets higher than ones that do not, but discipline on the price remains critical in our acquisition model. It is unlikely we will be able to “drill our way” to a good purchase price. We need to instead buy assets that are accretive to us and will make our Pine Cliff shares more valuable immediately after the purchase.

We have worked hard to build a strong balance sheet that now gives Pine Cliff a unique opportunity to capitalize on opportunities at this point in the cycle. Equity financing has not yet returned to our industry in a significant way and the cost of debt has quickly risen this year. What I can assure you is that increasing shareholder value has always been our guiding light for capital allocation decisions since we started Pine Cliff, and that discipline remains in place today.

Marketing and Diversification Strategy

Pine Cliff has not historically been known as a company that enters a significant amount of physical or financial hedges, but we are proud of the work our marketing team has done in 2023 to give us realized gas pricing of 14% and 16% higher than the AECO 5A benchmark in the three and six months ended June 30, 2023. These results are partially due to physical sale contracts we put in place and partially due to the internal market diversification we have with owning three pipelines that exit the Province of Alberta. We will continue to monitor future pricing and work with our experienced marketing team to minimize commodity risk to our dividend business model.

2023 Drilling Program Update

Pine Cliff drilled, completed and tied-in three Pekisko oil wells (2.1 net) during the first half of 2023 and all three wells were on production by June 9, 2023. The all in-capital gross costs per well averaged $3.7 million and although production is early, productivity from the three wells will more than meet initial expectations. I commend our operations staff for their hard work throughout this process. Due to the success of these wells and the identification of some promising recompletion opportunities, we have decided not to drill a fourth Pekisko well as initially budgeted. We believe that capital can be better utilized in other areas of the Company this year and this well would be more efficiently drilled as part of our 2024 drilling program. There are several advantages of running a company with a single digit decline rate, and one of them is that we can be flexible with our capital expenditure program without resulting in a large production loss. Despite postponing 25% of our 2023 Pekisko well drilling program, we are maintaining our 2023 guidance of annual production to an average greater than 20,000 Boe/d[2].

Outlook

I would have thought that once Pine Cliff achieved its goal of being a dividend paying company with no debt that the intensity of guiding our ship would have diminished. While it is true that our management team is no longer anxious about banks, debt or natural gas prices being under $1 Mcf, we are now passionately motivated to continue to build on the success we have achieved to date to make Pine Cliff stronger and even more attractive to investors.

We are excited about the future of the oil and gas markets and the role we can play in being a lower risk investment option for investors wanting exposure to the natural gas commodity while receiving a sustainable dividend. The world needs more energy every single day, and it has become apparent to many market observers that oil and natural gas demand is going to continue to rise for many years to come. North American natural gas markets in particular look promising with a doubling of LNG export capacity in the next few years. Our job is to continue to deliver to our investors the same discipline of capital allocation we have demonstrated over the past 12 years to build more shareholder value. I believe our team is up to meeting this challenge and are excited to deliver.

Yours truly,

Phil Hodge
President and Chief Executive Officer
August 1, 2023

[1]Please refer to the attached Management's Discussion and Analysis for Reader Advisories regarding forward-looking information, non-GAAP measures and oil and gas measurements and definitions. This President's Message should be read in conjunction with the unaudited interim consolidated financial statements of Pine Cliff Energy Ltd. together with Management's Discussion and Analysis for the period ended June 30, 2023, which can be found on www.sedar.com and is subject to the same cautionary statements as set out therein.
[2] Refer to the August 1, 2023 Press Release for commodity split by product.

INTRODUCTION

This Management's Discussion and Analysis ("**MD&A**") is a review of the operations and current financial position of Pine Cliff Energy Ltd. ("**Pine Cliff**" or the "**Company**") for the period ended June 30, 2023. This MD&A is dated and based on information available as at August 1, 2023 and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023 ("**Financial Statements**"), the audited annual consolidated financial statements for the year ended December 31, 2022 ("**Annual Financial Statements**") and the annual management's discussion and analysis for the year ended December 31, 2022 ("**Annual MD&A**"). The Financial Statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" using accounting principles consistent with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board using Generally Accepted Accounting Principles ("**GAAP**"). Additional information relating to the Company, including the Company's annual information form ("**AIF**"), may be found on www.sedar.com and by visiting Pine Cliff's website at http://www.pinecliffenergy.com.

Pine Cliff's head office is based in Calgary, Alberta, Canada. Common shares of the Company ("**Common Shares**") are listed for trading on the Toronto Stock Exchange ("**TSX**") under the symbol "**PNE**" and trades on the OTC Markets Group Inc. ("**OTCQX**") under the symbol "**PIFYF**".

READER ADVISORIES

This MD&A contains financial measures that are not defined under IFRS and forward-looking statements. Please refer to the sections titled "**NON-GAAP MEASURES**" and "**FORWARD LOOKING INFORMATION**".

Other Measurements

All amounts herein are presented in Canadian dollars unless otherwise specified. All references to $CAD or $ are to Canadian dollars and monetary references to $US are to United States dollars.

Please refer to the section titled "**GLOSSARY**" for measurements and abbreviations that may be used in the MD&A.

Natural gas liquids ("**NGLs**") and crude oil volumes are recorded in barrels of oil ("**Bbl**") and are converted to a thousand cubic feet equivalent ("**Mcfe**") using a ratio of one (1) Bbl to six (6) thousand cubic feet. Natural gas volumes recorded in thousand cubic feet ("**Mcf**") are converted to barrels of oil equivalent ("**Boe**") using the ratio of six (6) thousand cubic feet to one (1) Bbl. This conversion ratio is based on energy equivalence primarily at the burner tip and does not represent a value equivalency at the wellhead. The terms Boe or Mcfe may be misleading, particularly if used in isolation.

Q2 2023 HIGHLIGHTS

Highlights from the three and sixth months ended June 30, 2023 are as follows:

- generated $12.0 million ($0.03 per basic and fully diluted share) and $31.9 million ($0.09 per basic and fully diluted share) of adjusted funds flow for the three and six months ended June 30, 2023, compared to $55.8 million ($0.16 per basic and $0.15 per fully diluted share) and $88.1 million ($0.26 per basic and $0.25 per fully diluted share) for comparable periods in 2022;
- paid dividends of $11.5 million ($0.03 per basic and fully diluted share) and $22.9 million ($0.06 per basic and fully diluted share) during the three and six months ended June 30, 2023, compared to $2.9 million ($0.01 per basic and fully diluted share) for the comparable periods in 2022;
- positive net cash of $49.3 million at June 30, 2023;
- production averaged 20,198 Boe/d and 20,137 Boe/d for the three and six months ended June 30, 2023, 5% and 3% lower than the comparable periods in 2022;
- drilled one gross (0.7 net) North Twining Unit ("**NTU**") Pekisko oil well and completed and tied-in three (2.1 net) NTU Pekisko oil wells during the second quarter; and
- generated net loss of $0.9 million (($0.00) per basic and fully diluted share) and net earnings of $4.0 million ($0.01 per basic and fully diluted share) for the three and six months ended June 30, 2023, compared to net earnings of $50.2 million ($0.15 per basic and $0.14 per fully diluted share) and net earnings of $65.6 million ($0.19 per basic and $0.18 per fully diluted share) for comparable periods in 2022.

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
($000s, unless otherwise indicated)				
FINANCIAL				
Commodity sales (before royalty expense)	**42,272**	90,426	**95,211**	156,606
Cash provided by operating activities	**12,504**	50,532	**34,830**	74,403
Adjusted funds flow[1]	**12,040**	55,816	**31,864**	88,123
Per share – Basic ($/share)[1]	**0.03**	0.16	**0.09**	0.26
Per share – Diluted ($/share)[1]	**0.03**	0.15	**0.09**	0.25
Net earnings (loss)	**(942)**	50,192	**4,043**	65,625
Per share – Basic ($/share)	**(0.00)**	0.15	**0.01**	0.19
Per share – Diluted ($/share)	**(0.00)**	0.14	**0.01**	0.18
Capital expenditures	**8,193**	4,282	**12,635**	9,849
Dividends	**11,478**	2,889	**22,891**	2,889
Per share – Basic ($/share)	**0.03**	0.01	**0.06**	0.01
Per share – Diluted ($/share)	**0.03**	0.01	**0.06**	0.01
Positive net cash[1]	**49,301**	22,496	**49,301**	22,496
Weighted-average common shares outstanding (000s)				
Basic	**353,216**	345,402	**352,245**	343,131
Diluted	**353,216**	360,703	**359,538**	359,257
OPERATIONS				
Production				
Natural gas (Mcf/d)	**106,024**	111,951	**105,599**	109,963
NGLs (Bbl/d)	**1,343**	1,475	**1,394**	1,412
Crude oil (Bbl/d)	**1,184**	1,197	**1,143**	1,127
Total (Boe/d)	**20,198**	21,331	**20,137**	20,866
Realized commodity sales prices				
Natural gas ($/Mcf)	**2.79**	6.45	**3.26**	5.68
NGLs ($/Bbl)	**49.39**	81.73	**57.03**	76.03
Crude oil ($/Bbl)	**86.27**	126.23	**89.23**	118.05
Combined ($/Boe)	**23.00**	46.59	**26.12**	41.47
Netback ($/Boe)				
Commodity sales	**23.00**	46.59	**26.12**	41.47
Processing and gathering	**0.71**	0.55	**0.74**	0.54
Royalty expense	**(2.47)**	(4.50)	**(2.97)**	(4.35)
Transportation expenses	**(1.45)**	(1.39)	**(1.46)**	(1.41)
Operating expenses	**(12.68)**	(10.85)	**(13.04)**	(11.18)
Operating netback ($/Boe)[1]	**7.11**	30.40	**9.39**	25.07
General and administrative expenses	**(0.87)**	(1.17)	**(0.96)**	(1.14)
Interest and bank charges	**(0.04)**	(0.47)	**(0.04)**	(0.58)
Interest income	**0.35**	-	**0.35**	-
Corporate netback ($/Boe)[1]	**6.55**	28.76	**8.74**	23.35
Operating netback ($ per Mcfe)[1]	**1.19**	5.07	**1.57**	4.18
Corporate netback ($ per Mcfe)[1]	**1.09**	4.79	**1.46**	3.89

[1] This is a non-GAAP measure, see NON-GAAP MEASURES for additional information.

SENSITIVITIES

Pine Cliff's results are sensitive to changes in the business environment in which it operates. The following chart shows the Company's sensitivity to key commodity price variables. The sensitivity calculations are performed independently showing the effect of the change of one variable; all other variables are held constant.

Business environment sensitivities	Impact on annual adjusted funds flow[1,2]		
	Change	$000s	$ per share[4]
Realized natural gas price (C$/Mcf)[3]	$0.10	3,430	0.01
Realized NGLs price (C$/Bbl)[3]	$1.00	453	0.00
Realized crude oil price (C$/Bbl)[3]	$1.00	371	0.00

[1] This is a non-GAAP measure, see NON-GAAP MEASURES for additional information.
[2] This analysis does not adjust for changes in working capital and uses corporate royalty rates from the six months ended June 30, 2023.
[3] Pine Cliff has prepared this analysis using its six months ended June 30, 2023 production volumes annualized for twelve months.
[4] Based on the Q2 2023 basic weighted average shares outstanding.

BENCHMARK PRICES

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Natural gas						
NYMEX (US$/Mmbtu)[1]	**2.30**	7.17	(68)	**2.86**	6.06	(53)
AECO Daily 5A (C$/Mcf)[2]	**2.44**	7.20	(66)	**2.82**	5.96	(53)
Crude oil						
WTI (US$/Bbl)	**73.78**	108.41	(32)	**74.96**	101.35	(26)
Edmonton Light (C$/Bbl)	**95.33**	137.84	(31)	**97.34**	126.75	(23)
Foreign exchange						
US$/C$	**1.343**	1.277	5	**1.348**	1.272	6

[1] Mmbtu is the abbreviation for millions of British thermal units. One Mcf of natural gas is approximately 1.02 Mmbtu.
[2] AECO prices are quoted in $/Gigajoule. Price has been converted from $/GJ to $/Mcf by multiplying by 1.05.

Quarterly Benchmark Prices

Pine Cliff's financial results are influenced by fluctuations in commodity prices, dollar exchange rates and price differentials. The following table shows select market benchmark average prices and foreign exchange rates in the last eight quarters to assist in understanding the volatility in prices and foreign exchange rates that have impacted Pine Cliff's business.

	Q2-2023	Q1-2023	Q4-2022	Q3-2022	Q2-2022	Q1-2022	Q4-2021	Q3-2021
Natural gas								
NYMEX (US$/Mmbtu)[1]	**2.30**	3.42	6.26	8.20	7.17	4.95	5.83	4.01
AECO Daily 5A (C$/Mcf)[2]	**2.44**	3.21	5.09	4.14	7.20	4.72	4.63	3.58
Pine Cliff realized natural gas price (C$/Mcf)	**2.79**	3.74	5.53	4.85	6.45	4.88	4.56	3.43
Crude oil								
WTI (US$/Bbl)	**73.78**	76.13	82.64	91.56	108.41	94.29	77.19	70.56
Edmonton Light (C$/Bbl)	**95.33**	99.34	110.13	116.79	137.84	115.66	93.30	83.78
Pine Cliff realized NGLs price (C$/Bbl)	**49.39**	64.19	65.91	72.02	81.73	69.72	57.42	50.53
Pine Cliff realized crude oil price (C$/Bbl)	**86.27**	92.44	99.13	103.56	126.23	108.68	82.75	74.94
Foreign exchange								
US$/C$	**1.343**	1.352	1.358	1.306	1.277	1.266	1.260	1.260

[1] Mmbtu is the abbreviation for millions of British thermal units. One Mcf of natural gas is approximately 1.02 Mmbtu.
[2] AECO prices are quoted in $/Gigajoule. Price has been converted from $/GJ to $/Mcf by multiplying by 1.05.

In the three and six months ended June 30, 2023, the AECO daily benchmark was 66% and 53% lower compared to the same periods of 2022. The changes for the periods are mainly due to an increase in natural gas storage levels resulting from supply and demand factors, including a warm winter in most of North America, a reduction in liquefied North American natural gas ("**LNG**") exports due to the Freeport facility downtime and economic conditions in producing and consuming regions throughout North America. The price realized by the Company for natural gas production in Western Canada is primarily influenced by the Alberta price hub AECO, while diversification projects to delivery points such as Dawn in Ontario and TransGas into Saskatchewan have created diversification pricing options to complement AECO pricing.

The average benchmarks for WTI crude decreased by 32% and 26%, for the three and six months ended June 30, 2023, as compared to the same periods in 2022, primarily due to supply and demand factors including global economic conditions and geopolitical factors.

Agreements made between the Organization of Petroleum Exporting Countries ("**OPEC**") and other crude oil producing countries globally have brought the supply of global oil production into approximate balance with demand. While crude oil prices reflect current supply and demand dynamics, future crude oil prices remain volatile as future crude oil prices reflect the uncertainty that global monetary policy and economic conditions will have on crude oil demand.

Canadian crude prices are based upon refinery postings at Edmonton, Alberta and are linked to WTI through transportation tariffs to common markets and the foreign exchange rate.

The supply and demand dynamics for NGLs components such as ethane, propane, butane, and condensate impact the relationship between the price of NGLs and the price of crude oil. The fluctuations in NGLs price normally correlate with changes in the Edmonton Light oil price due to the Company's miscellaneous NGL components.

SALES VOLUMES

	Three months ended June 30,			Six months ended June 30,		
Total sales volumes by product	**2023**	2022	% Change	**2023**	2022	% Change
Natural gas (Mcf)	**9,648,142**	10,187,523	(5)	**19,113,430**	19,903,457	(4)
NGLs (Bbl)	**122,216**	134,247	(9)	**252,339**	255,489	(1)
Crude oil (Bbl)	**107,758**	108,907	(1)	**206,886**	204,017	1
Total Boe	**1,837,998**	1,941,075	(5)	**3,644,797**	3,776,749	(3)
Total Mcfe	**11,027,986**	11,646,447	(5)	**21,868,780**	22,660,493	(3)
Natural gas weighting	**87%**	87%	-	**87%**	88%	(1)

	Three months ended June 30,			Six months ended June 30,		
Average daily sales volumes by product	**2023**	2022	% Change	**2023**	2022	% Change
Natural gas (Mcf/d)	**106,024**	111,951	(5)	**105,599**	109,963	(4)
NGLs (Bbl/d)	**1,343**	1,475	(9)	**1,394**	1,412	(1)
Crude oil (Bbl/d)	**1,184**	1,197	(1)	**1,143**	1,127	1
Total (Boe/d)	**20,198**	21,331	(5)	**20,137**	20,866	(3)
Total (Mcfe/d)	**121,188**	127,986	(5)	**120,822**	125,196	(3)

	Three months ended June 30,			Six months ended June 30,		
Average daily sales volumes by area	**2023**	2022	% Change	**2023**	2022	% Change
Central (Boe/d)	**11,785**	12,049	(2)	**11,621**	11,894	(2)
Southern (Boe/d)	**6,640**	7,019	(5)	**6,599**	6,959	(5)
Edson (Boe/d)	**1,773**	2,263	(22)	**1,917**	2,013	(5)
Total (Boe/d)	**20,198**	21,331	(5)	**20,137**	20,866	(3)

Pine Cliff's sales volumes decreased by 5% and 3% to 20,198 Boe/d (121,188 Mcfe/d) and 20,137 Boe/d (120,822 Mcfe/d) as compared to the same periods in 2022. The decrease is due primarily to natural production declines and weather-related factors, including Alberta wildfires, which impacted production and limited access to well sites.

COMMODITY SALES

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2023**	2022	% Change	**2023**	2022	% Change
Natural gas	**26,939**	65,706	(59)	**62,361**	113,098	(45)
NGLs	**6,037**	10,972	(45)	**14,390**	19,424	(26)
Crude oil	**9,296**	13,748	(32)	**18,460**	24,084	(23)
Total commodity sales	**42,272**	90,426	(53)	**95,211**	156,606	(39)
% of revenue from natural gas sales	**64%**	73%	(9)	**65%**	72%	(7)

Realized Prices

	Three months ended June 30,			Six months ended June 30,		
$ per unit	**2023**	2022	% Change	**2023**	2022	% Change
Natural gas ($/Mcf)	**2.79**	6.45	(57)	**3.26**	5.68	(43)
NGLs ($/Bbl)	**49.39**	81.73	(40)	**57.03**	76.03	(25)
Crude oil ($/Bbl)	**86.27**	126.23	(32)	**89.23**	118.05	(24)
Total ($/Boe)	**23.00**	46.59	(51)	**26.12**	41.47	(37)
Total ($/Mcfe)	**3.83**	7.77	(51)	**4.35**	6.91	(37)

Commodity sales in the three months ended June 30, 2023 of $42.3 million decreased 53% from $90.4 million in the corresponding period in the prior year. The quarterly decrease of $48.1 million consists of $43.3 million attributed to lower realized commodity prices and $4.8 million attributed to lower production volumes. Commodity sales in the six months ended June 30, 2023 of $95.2 million decreased 39% from $156.6 million in the six months ended June 30, 2022. The year to date decrease of $61.4 million consists of $55.9 million attributed to lower realized commodity prices and $5.5 million attributed to lower production volumes.

Natural Gas

Pine Cliff's realized natural gas price was $2.79 per Mcf and $3.26 per Mcf in the three and six months ended June 30, 2023, 57% and 43% lower than the $6.45 per Mcf and $5.68 per Mcf realized in the corresponding periods of the prior year. The decrease in realized natural gas price correlates with the AECO 5A reference price decrease of 66% and 53% in the three and six months ended June 30, 2022, primarily due to warmer North American weather this past winter, higher storage volumes and LNG facility export outages in the United States. Pine Cliff's realized natural gas price was 14% and 16% higher than the AECO 5A benchmark in the three and six months ended June 30, 2023 respectively, both a result of Pine Cliff's fixed price physical natural gas sales contracts and diversified pricing hubs**.**

The price realized by the Company for natural gas production in Western Canada is primarily influenced by the Alberta price hub AECO, while diversification projects to delivery points such as Dawn in Ontario, TransGas in Saskatchewan and Suffield in Alberta have created diversification pricing options to complement AECO pricing.

NGLs

For the three and six months ended June 30, 2023, Pine Cliff's realized NGL price was $49.39 per Bbl and $57.03 per Bbl, compared to $81.73 per Bbl and $76.03 per Bbl in the corresponding periods of the prior year. Pine Cliff's realized NGL prices in the three and six months ended June 30, 2023, were 52% and 59% of Edmonton Light compared to 59% and 60% in the corresponding periods of the prior year. The decrease in realized NGLs price in the three and six months ended June 30, 2023, compared to the corresponding periods of 2022, is mainly due to lower reference pricing for crude oil.

The supply and demand dynamics for certain NGLs components such as ethane, propane, butane, and condensate in the recent past has impacted the relationship between the price of NGLs and the price of oil. The fluctuations in NGLs price correlate significantly with changes in the Edmonton Light oil price.

Crude Oil

For the three and six months ended June 30, 2023, Pine Cliff's realized oil price was $86.27 per Bbl and $89.23 per Bbl, compared to $126.23 per Bbl and $118.05 per Bbl in the corresponding periods of the prior year. Pine Cliff's realized crude oil prices in the three and six months ended June 30, 2023 were 90% and 92% of Edmonton Light compared to 92% and 93% in the corresponding periods of the prior year. This decrease in crude oil pricing in the three and six months ended June 30, 2023, compared to the corresponding periods of 2022, is mainly due to global economic factors and its impact on global oil demand.

Canadian crude prices are based upon refinery postings at Edmonton, Alberta and are linked to WTI through transportation tariffs to common markets and the foreign exchange rate.

ROYALTY EXPENSE

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2023**	2022	% Change	**2023**	2022	% Change
Total royalty expense	**4,540**	8,736	(48)	**10,836**	16,444	(34)
$ per Boe	**2.47**	4.50	(45)	**2.97**	4.35	(32)
$ per Mcfe	**0.41**	0.75	(45)	**0.50**	0.73	(32)
Royalty expense as a % of commodity sales	**11%**	10%	10	**11%**	11%	-

For the three and six months ended June 30, 2023, total royalty expense decreased by 48% and 34% to $4.5 million and $10.8 million from $8.7 million and $16.4 million respectively, in the corresponding periods of the prior year. Royalty expense as a percentage of commodity sales increased to 11% in the three months ended June 30, 2023, compared to 10% in the three months ended June 30, 2022, due to the expiry of lower crown royalty rates on crude oil production from wells drilled in 2022. Royalty expense as a percentage of commodity sales in the six months ended June 30, 2023 was 11%, unchanged from the same period in 2022.

TRANSPORTATION COSTS

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2023**	2022	% Change	**2023**	2022	% Change
Total transportation costs	**2,661**	2,696	(1)	**5,313**	5,336	-
$ per Boe	**1.45**	1.39	4	**1.46**	1.41	4
$ per Mcfe	**0.24**	0.23	4	**0.24**	0.24	4

For the three and six months ended June 30, 2023, total transportation expense was unchanged from $2.7 million and $5.3 million respectively, in the corresponding periods of the prior year.

NET OPERATING EXPENSES

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2023**	2022	% Change	**2023**	2022	% Change
Operating expenses	**23,311**	21,063	11	**47,531**	42,233	13
Less: processing and gathering income	**(1,313)**	(1,065)	23	**(2,698)**	(2,042)	32
Net operating expenses	**21,998**	19,998	10	**44,833**	40,191	12
$ per Boe	**11.97**	10.30	16	**12.30**	10.64	16
$ per Mcfe	**2.00**	1.72	16	**2.05**	1.77	16

Net operating expenses increased by 10% and 12% to $22.0 million and $44.8 million for the three and six months ended June 30, 2023, as compared to $20.0 million and $40.2 million in the corresponding periods of the prior year, primarily as a result of an increase in fixed operating expenses, including linear municipal tax rates, regulatory fees and inflationary pressures.

On a per Boe basis, net operating costs increased to $11.97 per Boe and $12.30 per Boe for the three and six months ended June 30, 2023, compared to $10.30 per Boe and $10.64 per Boe in the corresponding periods of 2022. Net operating costs per Boe are expected to trend lower for the remainder of 2023 as production volumes increase in the second half of the year from the Company's first half of the year's drilling program.

GENERAL AND ADMINISTRATIVE EXPENSES ("G&A")

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2023**	2022	% Change	**2023**	2022	% Change
Gross G&A	**2,447**	2,907	(16)	**5,072**	5,655	(10)
Less: overhead recoveries	**(849)**	(643)	(32)	**(1,555)**	(1,349)	(15)
Total G&A expenses	**1,598**	2,264	(29)	**3,517**	4,306	(18)
$ per Boe	**0.87**	1.17	(26)	**0.96**	1.14	(16)
$ per Mcfe	**0.15**	0.20	(26)	**0.16**	0.19	(16)

G&A decreased by 29% and 18% to $1.6 million and $3.5 million in the three and six months ended June 30, 2023, as compared to $2.3 million and $4.3 million in the corresponding periods of the prior year. The decrease in G&A during the three and six months ended June 30, 2023 is primarily a result of a reduction in the provision for compensation costs pursuant to the Company's short term incentive bonus program and an increase in overhead recoveries.

On a per Boe basis, G&A for the three and six months ended June 30, 2023, decreased 26% and 16% to $0.87 per Boe and $0.96 per Boe from $1.17 per Boe and $1.14 per Boe in the corresponding periods of the prior year, primarily due to a reduction in the provision for compensation costs and an increase in overhead recoveries.

SHARE-BASED COMPENSATION

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2023**	2022	% Change	**2023**	2022	% Change
Total share-based compensation	**504**	555	(9)	**1,289**	892	45
$ per Boe	**0.27**	0.29	(7)	**0.35**	0.24	46
$ per Mcfe	**0.05**	0.05	(7)	**0.06**	0.04	46

Share-based compensation decreased by 9% for the three months ended June 30, 2023 compared to the corresponding period of 2022 primarily as a result of the decrease in the fair value of stock options granted in May 2023 compared to May 2022, as calculated using the Black-Scholes option pricing model. Share-based compensation increased by 45% for the six months ended June 30, 2023 compared to the corresponding period of 2022 primarily as a result of the full effect of the fair value of the stock options granted in May 2022. Stock options are granted to certain officers, directors, and employees with the number, term and vesting period of the options granted being determined at the discretion of the Company's board of directors to a maximum of 10% of the outstanding Common Shares.

As at June 30, 2023, the Company had 20,833,359 stock options outstanding, representing 5.9% of Common Shares outstanding (June 30, 2022 – 22,198,386 representing 6.4% of Common Shares outstanding).

DEPLETION AND DEPRECIATION AND IMPAIRMENT

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2023**	2022	% Change	**2023**	2022	% Change
Total depletion and depreciation	**10,318**	10,925	(6)	**20,764**	22,115	(6)
$ per Boe	**5.61**	5.63	-	**5.70**	5.86	(3)
$ per Mcfe	**0.94**	0.94	-	**0.95**	0.98	(3)
Impairment reversal	**-**	(4,500)	(100)	**-**	(4,500)	(100)
Total depletion, depreciation and impairment	**10,318**	6,425	61	**20,764**	17,615	18
$ per Boe	**5.61**	3.31	69	**5.70**	4.66	22
$ per Mcfe	**0.94**	0.55	69	**0.95**	0.78	22

Depletion and depreciation expense for the three and six months ended June 30, 2023, totaled $10.3 million and $20.8 million compared to $10.9 million and $22.1 million in the corresponding periods of the prior year. Depletion and depreciation per Boe will fluctuate from one period to the next depending on changes in reserves, the amount and success of capital expenditures and the amount of future development costs. Depletion is calculated using total proved and probable reserves and reserves estimates are subject to revision.

Property, Plant and Equipment ("PP&E") Impairment Assessment

As at June 30, 2023, the Company had three cash generating units ("**CGU's**") being Southern CGU, Central CGU and Edson CGU. In accordance with IFRS, an impairment test is performed if the Company identifies indicators of impairment at the end of a reporting period. At June 30, 2023, the Company determined that no indicators of impairment existed for PP&E assets.

Exploration and Evaluation Assets ("E&E") Impairment Assessment

At June 30, 2023, the Company determined that no indicators of impairment existed for E&E assets.

FINANCE EXPENSES

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2023**	2022	%Change	**2023**	2022	% Change
Interest expense and bank charges	**70**	916	(92)	**131**	2,206	(94)
$ per Boe	**0.04**	0.47	(91)	**0.04**	0.58	(93)
$ per Mcfe	**0.01**	0.08	(91)	**0.01**	0.10	(93)
Non-cash:						
Accretion on decommissioning provision	**1,656**	1,425	16	**3,341**	2,834	18
Accretion on promissory notes	**-**	58	(100)	**-**	96	(100)
Total finance expenses	**1,726**	2,399	(28)	**3,472**	5,136	(32)
$ per Boe	**0.94**	1.24	(24)	**0.95**	1.36	(30)
$ per Mcfe	**0.16**	0.21	(24)	**0.16**	0.23	(30)

Finance expenses decreased by 28% and 32% to $1.7 million and $3.5 million for the three and six months ended June 30, 2023, as compared to $2.4 million and $5.1 million for the corresponding periods of the prior year, due to the Company repaying outstanding term debt, due to related party debt and promissory notes in 2022. Please refer to the Annual Financial Statements for more detail.

DEFERRED INCOME TAX

For the three and six months ended June 30, 2023, Pine Cliff recorded a deferred income tax expense of $0.5 million and $2.4 million (three and six months ended June 30, 2022 - $1.5 million deferred income recovery and $3.1 million deferred income tax expense). The deferred income tax expense/recovery reflects the change in temporary timing differences arising from the book basis of Pine Cliff's assets and liabilities relative to the tax basis.

CAPITAL EXPENDITURES, ACQUISITIONS AND DISPOSITIONS

($000s)	**Six months ended June 30, 2023**	Year ended December 31, 2022
Exploration and evaluation	**5**	63
Property, plant and equipment	**12,630**	29,014
Capital expenditures	**12,635**	29,077
Acquisitions	**312**	1,119
Dispositions	**-**	(2,649)
Total	**12,947**	27,547

Capital expenditures on PP&E totaled $12.6 million, including development capital of $9.2 million primarily to drill and tie-in three gross (2.1 net) Pekisko oil wells and facilities, optimization and maintenance capital of $3.4 million.

DECOMMISSIONING PROVISION

The total current and long-term decommissioning provision of $212.2 million was estimated by management based on the Company's working interest and estimated costs to remediate, reclaim and abandon its wells, pipelines, and facilities and estimated timing of the costs to be incurred in future periods.

At June 30, 2023, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was $275.4 million (December 31, 2022 - $277.3 million). The discounted and inflated amount required to settle the decommissioning liabilities of $212.2 million (December 31, 2022 - $208.4 million) has been calculated assuming a 2.00% inflation rate (December 31, 2022 – 2.00%) and discounted using an average risk-free interest rate of 3.42% (December 31, 2022 – 3.33%). These obligations are currently expected to be settled based on the useful lives of the underlying assets, some of which extend beyond 50 years into the future.

DEBT, LIQUIDITY AND CAPITAL RESOURCES

Demand Loan

The Company has a demand operating loan (the "**Demand Loan**") of $8.0 million with a Canadian chartered bank, of which no amount was drawn at June 30, 2023 (December 31, 2022 - $nil). Borrowings bear interest at the bank's prime lending rate plus 2.0%. Letters of credit issued under the Demand Loan are supported by a performance guarantee from Export Development Canada for an amount up to $2.6 million and incur an issuance fee ranging from 3.12% to 3.62%. At June 30, 2023, the Company had issued $0.8 million in letters of credit (December 31, 2022 - $1.7 million).

The Demand Loan is secured by a general security agreement over certain tangible field facilities of the Company.

Liquidity and Capital Resources

As at June 30, 2023, the Company's capital comprises shareholders' equity and working capital. Pine Cliff manages the capital structure and adjusts considering economic conditions and the risks of the underlying assets. The Company currently has a working capital surplus. Pine Cliff will continue to manage its working capital needs through its physical diversification program, adjusting timing of capital expenditures, executing asset dispositions and issuing debt and/or equity when practical.

The Company defines and computes its positive net cash as follows:

($000s)	**June 30, 2023**	December 31, 2022	$ Change
Cash	**54,927**	54,428	499
Trade and other receivables	**19,484**	27,187	(7,703)
Prepaid expenses and deposits	**5,599**	3,767	1,832
Investments	**467**	171	296
Less:			
Trade and other payables	**(31,176)**	(29,640)	(1,536)
Positive net cash[1]	**49,301**	55,913	(6,612)

[1] This is a non-GAAP measure, see NON-GAAP MEASURES for additional information.

Share Capital

Share capital	**August 1, 2023**	June 30, 2023	December 31, 2022
Common Shares	**355,725,060**	355,539,589	350,908,570
Stock options	**20,638,959**	20,833,359	18,323,519

COMMITMENTS AND CONTINGENCIES

As at June 30, 2023, the Company has the following commitments and other contractual obligations:

($000s)	**2023**	**2024**	**2025**	**2026**	**2027**	**Thereafter**
Trade and other payables	31,176	-	-	-	-	-
Lease obligations	685	1,252	1,082	820	229	7
Transportation[1]	4,414	7,200	6,688	5,922	4,601	-
Total commitments and contingencies	**36,275**	**8,452**	**7,770**	**6,742**	**4,830**	**7**

[1] Firm transportation agreements.

SUBSEQUENT EVENTS

Dividends

On July 31, 2023, the Company paid a monthly dividend of $0.01083 per Common Share to all shareholders of record on July 14, 2023.

On August 1, 2023, the Company declared a monthly dividend of $0.01083 per Common Share. The dividend is payable August 31, 2023, to all shareholders of record on August 15, 2023.

QUARTERLY TRENDS AND SELECTED FINANCIAL INFORMATION

($000s, unless otherwise indicated)	**Q2-2023**	Q1-2023	Q4-2022	Q3-2022	Q2-2022	Q1-2022	Q4-2021	Q3-2021
FINANCIAL								
Total revenue	**39,680**	48,676	69,746	62,778	82,755	59,449	49,399	36,747
Cash provided by operating activities	**12,504**	22,326	33,791	42,258	50,532	23,871	20,431	12,410
Adjusted funds flow[1]	**12,040**	19,824	40,200	34,883	55,816	32,307	26,279	13,333
Per share – Basic ($/share)	**0.03**	0.06	0.11	0.10	0.16	0.09	0.08	0.04
Per share – Diluted ($/share)	**0.03**	0.06	0.11	0.10	0.15	0.09	0.07	0.04
Net earnings (loss)	**(942)**	4,985	24,685	18,629	50,192	15,433	80,522	2,323
Per share – Basic ($/share)	**(0.00)**	0.01	0.07	0.05	0.15	0.05	0.24	0.01
Per share – Diluted ($/share)	**(0.00)**	0.01	0.07	0.05	0.14	0.04	0.23	0.01
Capital expenditures	**8,193**	4,442	6,637	12,591	4,282	5,567	10,741	8,903
Dividends	**11,478**	11,413	10,797	9,888	2,889	-	-	-
Per share – Basic ($/share)	**0.03**	0.03	0.03	0.03	0.01	-	-	-
Per share – Diluted ($/share)	**0.03**	0.03	0.03	0.03	0.01	-	-	-
Acquisitions	**312**	-	528	-	319	272	23,136	11
Positive net cash (net debt)[1]	**49,301**	58,139	55,913	35,068	22,496	(24,752)	(49,652)	(41,413)
Weighted average common shares outstanding (000s):								
Basic	**353,216**	351,263	350,216	349,187	345,402	340,835	339,213	337,921
Diluted	**353,216**	359,675	360,322	360,654	360,703	349,304	350,806	346,732
PRODUCTION VOLUMES								
Natural gas (Mcf/d)	**106,024**	105,176	109,307	109,936	111,951	107,955	103,320	100,462
NGLs (Bbl/d)	**1,343**	1,446	1,463	1,547	1,475	1,347	1,258	1,178
Crude oil (Bbl/d)	**1,184**	1,101	1,360	1,406	1,197	1,057	578	394
Average sales volumes (Boe/d)	**20,198**	20,076	21,041	21,276	21,331	20,397	19,056	18,316
Average sales volumes (Mcfe/d)	**121,188**	120,456	126,246	127,656	127,986	122,382	114,336	109,896
PRICES AND NETBACKS								
Total commodity sales ($/Boe)	**23.00**	29.30	39.74	37.13	46.59	36.05	31.04	23.67
Operating netback ($/Boe)[1]	**7.11**	11.72	21.06	18.66	30.40	19.41	16.50	9.22
Corporate netback ($/Boe)[1]	**6.55**	10.99	20.76	17.82	28.76	17.60	15.00	7.92
Total commodity sales ($/Mcfe)	**3.83**	4.88	6.62	6.19	7.77	6.01	5.17	3.95
Operating netback ($/Mcfe)[1]	**1.19**	1.95	3.51	3.11	5.07	3.24	2.75	1.54
Corporate netback ($/Mcfe)[1]	**1.09**	1.83	3.46	2.97	4.79	2.93	2.50	1.32

[1] This is a non-GAAP measure, see NON-GAAP MEASURES for additional information.

Over the past eight quarters, Pine Cliff's revenues, cash flow from operating activities, adjusted funds flow, and net earnings (loss) have fluctuated primarily due to changes in commodity prices and sales volumes. Net earnings (loss) also fluctuate with non-cash expenditures, including depletion, depreciation and impairments. Selected highlights for the past eight quarters are consistent with those disclosed in the Annual MD&A, except as described below.

- Average sales volumes decreased in the first quarter of 2023 compared to the fourth quarter of 2022 due primarily to natural production declines and weather-related factors. Average sales volumes increased in the second quarter of 2023 compared to the first quarter of 2023 due primarily to four gross (2.8 net) Peksiko wells coming on production prior to the end of the quarter.

- Adjusted funds flow decreased in the first quarter of 2023 compared to the fourth quarter of 2022 due primarily to the decrease in commodity pricing and sales volumes. Adjusted funds flow decreased in the second quarter of 2023 compared to the first quarter of 2023 due primarily to a decrease in commodity pricing.

- Net earnings decreased in the first quarter of 2023 compared to the fourth quarter of 2022 due primarily to the decrease in total revenue. Net earnings(loss) decreased in the second quarter of 2023 compared to the first quarter of 2023 due primarily to the decrease in total revenue.

- Total revenues decreased in the first quarter of 2023 compared to the fourth quarter of 2022 due primarily to the decrease in commodity pricing. Total revenues decreased in the second quarter of 2023 compared to the first quarter of 2023 due primarily to the decrease in commodity pricing.

OFF BALANCE SHEET TRANSACTIONS

Pine Cliff was not involved in any off-balance sheet transactions during the periods presented, nor has it entered into any such arrangements as of the effective date of this MD&A.

FINANCIAL INSTRUMENTS

Financial instruments and fair value measurement

Financial instruments of the Company consist of cash, trade and other receivables, investments and trade and other payables. The carrying values of cash, trade and other receivables and trade and other payables approximate their respective fair values due to the short time before maturing.

Assets and liabilities that are measured at fair value are classified into levels, reflecting the method used to make the measurements. Level 1 fair value measurements are based on quoted prices that 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. Pine Cliff has no level 2 or level 3 financial instruments. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy level.

RISK MANAGEMENT

The Company is exposed to both financial and non-financial risks inherent in the oil and gas business. Financial risks include commodity prices, interest rates, equity price, foreign exchange, credit availability and liquidity. Financial risks can be managed, at least to a degree, through the utilization of financial instruments. Certain non-financial risks can be mitigated through the use of insurance and/or other risk transfer mechanisms, good business practices and process controls, while others must simply be borne. All risks can have an impact upon the financial performance of the Company.

Market Risk

Market risk is the risk that the fair value or future cash provided by operating activities of the Company's financial instruments will fluctuate because of changes in market prices. Components of market risk to which Pine Cliff is exposed are discussed below.

Commodity Price Risk

The Company is exposed to commodity price risk since its revenues are dependent on the prices of crude oil, natural gas liquids ("**NGLs**") and natural gas. Commodity prices have fluctuated widely during recent years due to global and regional factors including, but not limited to, supply and demand, inventory levels, weather, economic changes and geopolitical factors and instability. Changes in natural gas, crude oil and NGL prices may have a significant effect, positively or negatively, on the ability of the Company to meet its obligations, capital spending targets and expected operational results. A material decline or extended period of low natural gas, crude oil or NGLs will result in a reduction of net production revenue. The economics of production from some wells may change because of lower prices, which will result in reduced production of natural gas, crude oil or NGL's and a reduction in the volumes of Pine Cliff's reserves. Management may also elect not to produce from certain wells at lower prices. During the six months ended June 30, 2023, Pine Cliff's average sales volume was 87% natural gas.

Physical Sales Contracts

Pine Cliff enters into physical delivery sales contracts to manage commodity price risk. These contracts are considered normal executory sales contracts and are not recorded at fair value in the financial statements.

At June 30, 2023, the Company had the following physical natural gas sales contracts in place:

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Contract Price ($CAD/GJ)[1]	Contract Price ($CAD/Mcf)[1,2]
July 1, 2023 to September 30, 2023	AECO	7,500	$1.91	$2.01
July 1, 2023 to October 31, 2023	AECO	15,000	$3.34	$3.51
August 1, 2023 to October 31, 2023	AECO	5,000	$2.33	$2.45
July 1, 2023 to October 31, 2023	Dawn[3]	2,500	$6.27	$6.58
July 1, 2023 to October 31, 2023	TransGas[4]	2,500	$3.00	$3.15
July 1, 2023 to September 30, 2023	Suffied[5]	4,000	AECO 5A + 0.42/GJ	AECO 5A + 0.44/Mcf
July 1, 2023 to October 31, 2023	TransGas[4]	7,000	AECO 5A + 0.54/GJ	AECO 5A + 0.57/Mcf

[1] Prices reported are the weighted average prices of the periods.
[2] Price has been converted from $/GJ to $/Mcf by multiplying by 1.05.
[3] Dawn Hub into Dawn Township, Ontario
[4] Subsidiary of SaskEnergy, Saskatchewan.
[5] The contract terms of the physical fixed price natural gas sales contract to Suffield#2 delivery point (Suffield, Alberta).

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Contract Price ($CAD/GJ)[1]	Contract Price ($CAD/Mcf)[1,2]
July 1, 2023 to October 31, 2023	AECO	5,000	$4.00 - $5.45	$4.20 - $5.72

[1] Prices reported are the weighted average prices of the periods.
[2] Price has been converted from $/GJ to $/Mcf by multiplying by 1.05.

Contractual Term	Type of Contract	Physical Delivery Quantity (Mmbtu/day)[1]	Contract Price ($USD/ Mmbtu)[2,3]
July 1, 2023 to October 31, 2023	AECO[3]	5,000	NYMEX Henry Hub less US$1.335/Mmbtu

[1] One Mcf of natural gas is approximately 1.02 Mmbtu.
[2] Prices reported are the weighted average prices of the periods.
[3] AECO basis differential.

At June 30, 2023, the Company had the following physical crude oil sales contract in place:

Contractual Term	Crude Oil	Physical Delivery Quantity (Bbl/day)	Contract Price ($CAD/Bbl)[1]
July 1, 2023 to September 30, 2023	WTI Fixed Price	250	$104.40

[1] Prices reported are the weighted average prices of the periods.

Subsequent to June 30, 2023, the Company had the following additional physical natural gas sales contracts in place:

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Contract Price ($CAD/GJ)[1]	Contract Price ($CAD/Mcf)[1,2]
April 1, 2024 to October 31, 2024	AECO	5,000	$2.78	$2.92

[1] Prices reported are the weighted average prices of the periods.
[2] Price has been converted from $/GJ to $/Mcf by multiplying by 1.05.

Subsequent to June 30, 2023, the Company had the following additional physical crude oil sales contract in place:

Contractual Term	Crude Oil	Physical Delivery Quantity (Bbl/day)	Contract Price ($CAD/Bbl)[1]
October 1, 2023 to December 31, 2023	WTI Fixed Price	250	$100.50

[1] Prices reported are the weighted average prices of the periods.

New Accounting Pronouncements

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

Effective January 1, 2023, amendments to IAS 8 include additional clarification on the determination of changes in accounting policies from changes in accounting estimates. The development of accounting estimates includes selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique.

IAS 12 – Income Taxes

Effective January 1, 2023, amendments to IAS 12 require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Neither of these accounting pronouncements have a material impact on the Financial Statements.

Future Accounting Pronouncements

The following is a future accounting pronouncement issued and not yet effective as at June 30, 2023. The Company intends to adopt this standard as it becomes effective and does not expect a significant impact.

IAS 1 –Presentation of Financial Statements

Effective January 1, 2024, amendments to the classification of liabilities as non-current include the requirement that a right to defer settlement must have substance and exist at the end of the reporting period.

INTERNAL CONTROLS

Disclosure controls and procedures

Pine Cliff is required to comply with National Instrument 52-109 Certification of Disclosure on Issuers' Annual and Interim Filings ("**NI 52-109**"). NI 52-109 requires that Pine Cliff disclose in its interim MD&A any material weaknesses relating to design existing at the end of the period in Pine Cliff's internal control over financial reporting and/or any changes in Pine Cliff's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect, Pine Cliff's internal controls over financial reporting. Pine Cliff confirms that no material weaknesses or such changes were identified in Pine Cliff's internal controls over financial reporting at the end of or during the second quarter of 2023. The Chief Executive Officer and Chief Financial Officer have signed form 52-109F2, Certification of Interim Filings, which can be found on SEDAR at www.sedar.com.

NON-GAAP MEASURES

This MD&A uses the terms “adjusted funds flow”, “operating netbacks”, “corporate netbacks” and “positive net cash/net debt” which are not recognized measures under IFRS and may not be comparable to similar measures presented by other companies. The Company uses these measures to evaluate its performance, leverage and liquidity. These measures should not be considered as an alternative to, or more meaningful than, IFRS measures including earnings, cash provided by operating activities, or total liabilities.

Adjusted Funds Flow

The Company considers adjusted funds flow a key performance measure as it demonstrates the Company’s ability to generate the funds necessary to fund future growth through capital investment, repay debt and fund shareholder returns. Adjusted funds flow and adjusted funds flow per Common Share and per Boe or Mcfe should not be considered as an alternative to, or more meaningful than, cash flow provided by operating activities presented on the statement of cash flow which is considered the most directly comparable measure under IFRS. Adjusted funds flow is calculated as cash provided by operating activities before changes in non-cash working capital and decommissioning obligations settled. Adjusted funds flow per Common Share is calculated using the same weighted average number of Common Shares outstanding as in the case of the earnings per Common Share calculation for a reporting period. Adjusted funds flow per Boe or Mcfe is calculated using the sales volumes reported for the reporting period. Pine Cliff’s method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

($000s)	Three months ended June 30, 2023	2022	% Change	Six months ended June 30, 2023	2022	% Change
Cash provided by operating activities	**12,504**	50,532	(75)	**34,830**	74,403	(53)
Adjusted by:						
Change in non-cash working capital	**(1,292)**	4,167	(131)	**(5,464)**	10,790	(151)
Decommissioning obligations settled	**828**	1,117	(26)	**2,498**	2,930	(15)
Adjusted funds flow	**12,040**	55,816	(78)	**31,864**	88,123	(64)
Adjusted funds flow ($/Boe)	**6.55**	28.76	(77)	**8.74**	23.35	(63)
Adjusted funds flow ($/Mcfe)	**1.09**	4.79	(77)	**1.46**	3.89	(63)
Adjusted funds flow – basic ($/Common Share)	**0.03**	0.16	(81)	**0.09**	0.26	(65)
Adjusted funds flow – diluted ($/Common Share)	**0.03**	0.15	(80)	**0.09**	0.25	(64)

Operating and Corporate Netback

The Company considers operating netback to be a key indicator of profitability relative to current commodity prices. Operating netback and operating netback per Boe and per Mcfe are calculated as the sum of commodity sales and processing and gathering income, less royalties, transportation and operating expenses on an absolute and a per Boe or per Mcfe basis, respectively. Company management uses operating netback on a per Boe basis in operational and capital allocation decisions.

The Company considers corporate netback to be a key indicator of overall results. Corporate netback on an absolute dollar and corporate netback per Boe and per Mcfe are calculated as operating netback, plus interest income, less G&A and interest expense.

Pine Cliff uses these measures to assist in understanding the Company's ability to generate cash provided by operating activities at current commodity prices and it provides an analytical tool to benchmark changes in operational performance against prior periods.

Readers are cautioned, however, that these measures should not be construed as an alternative to other terms such as earnings determined in accordance with IFRS as a measure of performance. Pine Cliff's method of calculating these measures may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

($ per Boe, unless otherwise indicated)	Three months ended June 30, 2023	2022	Change	Six months ended June 30, 2023	2022	Change
Commodity sales	**23.00**	46.59	(23.59)	**26.12**	41.47	(15.35)
Processing and gathering	**0.71**	0.55	0.16	**0.74**	0.54	0.20
Royalty expense	**(2.47)**	(4.50)	2.03	**(2.97)**	(4.35)	1.38
Transportation costs	**(1.45)**	(1.39)	(0.06)	**(1.46)**	(1.41)	(0.05)
Operating expenses	**(12.68)**	(10.85)	(1.83)	**(13.04)**	(11.18)	(1.86)
Operating netback	**7.11**	30.40	(23.29)	**9.39**	25.07	(15.68)
General and administrative	**(0.87)**	(1.17)	0.30	**(0.96)**	(1.14)	0.18
Interest and bank charges	**(0.04)**	(0.47)	0.43	**(0.04)**	(0.58)	0.54
Interest income	**0.35**	-	0.35	**0.35**	-	0.35
Corporate netback	**6.55**	28.76	(22.21)	**8.74**	23.35	(14.61)
Operating netback ($ per Mcfe)	**1.19**	5.07	(3.88)	**1.57**	4.18	(2.61)
Corporate netback ($ per Mcfe)	**1.09**	4.79	(3.70)	**1.46**	3.89	(2.43)

Positive Net Cash/Net Debt

The Company considers positive net cash/net debt to be a key indicator of leverage. Positive net cash/net debt is calculated as the sum of trade and other receivables, cash, investments and prepaid expenses and deposits, less trade and other payables and debt.

Positive net cash/net debt is not a recognized measure under IFRS and Pine Cliff's method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A include statements which contain words such as “anticipate”, “could”, “should”, “expect”, “seek”, “may”, “intend”, “likely”, “will”, “believe” and similar expressions, statements relating to matters that are not historical facts, and such statements of our beliefs, intentions and expectations about developments, results and events which will or may occur in the future, constitute “forward-looking information” within the meaning of applicable Canadian securities legislation and are based on certain assumptions and analysis made by us derived from our experience and perceptions. Forward-looking information in the MD&A and Annual MD&A includes, but is not limited to: expected production levels, expected processing and gathering income, expected operating costs, expected transportation costs, expected interest costs, royalty and G&A levels; expected current and deferred income taxes, future capital expenditures, including the amount and nature thereof; future drilling opportunities and Pine Cliff’s ability to generate reserves and production from the undrilled locations; oil and natural gas prices and demand; expansion and other development trends of the oil and natural gas industry; business strategy and guidance; expansion and growth of our business and operations; amounts due to related party, promissory notes and due pursuant to term debt and repayment thereof; maintenance of existing customer, supplier and partner relationships; supply channels; accounting policies; risks; Pine Cliff’s ability to generate cash provided by operating activities and adjusted funds flow; and other such matters.

All such forward-looking information is based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. The risks, uncertainties and assumptions are difficult to predict and may affect operations, and may include, without limitation: foreign exchange fluctuations; equipment and labour shortages and inflationary costs; general economic conditions; industry conditions; changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced; the ability of oil and natural gas companies to raise capital; the effect of weather conditions on operations and facilities; the existence of operating risks; volatility of oil and natural gas prices; oil and gas product supply and demand; risks inherent in the ability to generate sufficient cash provided by operating activities to meet current and future obligations; increased competition; stock market volatility; opportunities available to or pursued by us; and other factors, many of which are beyond our control. The foregoing factors are not exhaustive.

Actual results, performance or achievements could differ materially from those expressed in, or implied by, this forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do, what benefits will be derived there from. Except as required by law, Pine Cliff disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Undrilled locations consist of drilling and recompletion locations booked in the independent reserve report dated March 7, 2023 prepared by McDaniel & Associates Consultants Limited and unbooked drilling and recompletion locations. Unbooked drilling and recompletion locations are internal estimates based on evaluation of geologic, reserves and spacing based on industry practice. There is no guarantee that Pine Cliff will drill these locations and there is no certainty that the drilling or completion of these locations will result in additional reserves and production or achieve expected internal rates of return. Pine Cliff activity depends on availability of capital, regulatory approvals, commodity prices, drilling costs and other factors.

NGLs and oil volumes are recorded in barrels of oil (“**Bbl**”) and are converted to a thousand cubic feet equivalent (“**Mcfe**”) using a ratio of one (1) Bbl to six (6) thousand cubic feet. Natural gas volumes recorded in thousand cubic feet (“**Mcf**”) are converted to barrels of oil equivalent (“**Boe**”) using the ratio of six (6) thousand cubic feet to one (1) Bbl. This conversion ratio is based on energy equivalence primarily at the burner tip and does not represent a value equivalency at the wellhead. The terms Boe or Mcfe may be misleading, particularly if used in isolation.

Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of oil, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

GLOSSARY

The following is a list of abbreviations that may be used in the MD&A:

Measurement

Bbl/d[1] – barrels per day
Boe/d[1] – barrels of oil equivalent per day
Mcf/d[1] – thousand cubic feet per day
Mcfe/d[1] – thousand cubic feet equivalent per day

[1]Pine cliff has adopted the standard natural gas liquids ("**NGLs**") and crude oil volumes are recorded in barrels of oil ("**Bbl**") and are converted to a thousand cubic feet equivalent ("**Mcfe**") using a ratio of one (1) Bbl to six (6) thousand cubic feet. Natural gas volumes recorded in thousand cubic feet ("**Mcf**") are converted to barrels of oil equivalent ("**Boe**") using the ratio of six (6) thousand cubic feet to one (1) Bbl. This conversion ratio is based on energy equivalence primarily at the burner tip and does not represent a value equivalency at the wellhead. The terms MMBoe, Boe or Mcfe may be misleading, particularly if used in isolation.

Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of oil, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Financial and Business Environment

AECO – Alberta Energy Company
CGU – Cash Generating Unit
GJ - Gigajoule
NGTL – Nova Gas Transmission Line
WTI – West Texas Intermediate
MMBtu – One million British Thermal Units

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Canadian dollars, 000s)
(unaudited)

	Note	**As at June 30, 2023**	As at December 31, 2022
ASSETS			
Current assets			
Cash		**54,927**	54,428
Trade and other receivables	5	**19,484**	27,187
Prepaid expenses and deposits		**5,599**	3,767
Investments	7	**467**	171
Total current assets		**80,477**	85,553
Exploration and evaluation		**2,418**	2,413
Property, plant and equipment	9	**246,142**	250,045
Deferred income taxes		**34,580**	37,042
Total assets		**363,617**	375,053
LIABILITIES			
Current liabilities			
Trade and other payables	5	**31,176**	29,640
Lease liabilities	10	**1,200**	1,002
Decommissioning provision	13	**6,900**	6,900
Total current liabilities		**39,276**	37,542
Lease liabilities	10	**2,502**	2,296
Decommissioning provision	13	**205,347**	201,487
Total liabilities		**247,125**	241,325
SHAREHOLDERS' EQUITY			
Share capital	14	**278,480**	277,650
Contributed surplus		**17,259**	16,617
Accumulated other comprehensive loss		**(76)**	(216)
Deficit		**(179,171)**	(160,323)
Total shareholders' equity		**116,492**	133,728
Total liabilities and shareholders' equity		**363,617**	375,053

Commitments (Note 17)
Subsequent events (Note 18)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Canadian dollars, 000s except per share data)
(unaudited)

		Three months ended June 30,		Six months ended June 30,	
	Note	**2023**	2022	**2023**	2022
REVENUE					
Commodity sales	15	**42,272**	90,426	**95,211**	156,606
Royalty expense		**(4,540)**	(8,736)	**(10,836)**	(16,444)
Commodity sales, net of royalties		**37,732**	81,690	**84,375**	140,162
Processing and gathering		**1,313**	1,065	**2,698**	2,042
Interest income		**635**	-	**1,283**	-
Total revenue		**39,680**	82,755	**88,356**	142,204
EXPENSES					
Operating		**23,311**	21,063	**47,531**	42,233
Transportation		**2,661**	2,696	**5,313**	5,336
Depletion and depreciation	9	**10,318**	10,925	**20,764**	22,115
Impairment reversal		**-**	(4,500)	**-**	(4,500)
Site decommissioning grants		**-**	(1,293)	**-**	(2,076)
Share-based compensation		**504**	555	**1,289**	892
Finance	16	**1,726**	2,399	**3,472**	5,136
General and administrative		**1,598**	2,264	**3,517**	4,306
Total expenses		**40,118**	34,109	**81,886**	73,442
Earnings (loss) before income taxes		**(438)**	48,646	**6,470**	68,762
Deferred income taxes	11	**(504)**	1,546	**(2,427)**	(3,137)
NET EARNINGS (LOSS) FOR THE PERIOD		**(942)**	50,192	**4,043**	65,625
OTHER COMPREHENSIVE INCOME (LOSS)					
Unrealized gain (loss) on investments		**69**	(215)	**275**	(148)
Realized loss on investments		**-**	-	**(121)**	-
Deferred income tax on unrealized loss (gain) on investments		**(8)**	25	**(14)**	17
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX		**61**	(190)	**140**	(131)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		**(881)**	50,002	**4,183**	65,494
Net earnings (loss) per share ($)					
Basic	14	**(0.00)**	0.15	**0.01**	0.1[illegible]
Diluted	14	**(0.00)**	0.14	**0.01**	0.1[illegible]

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Canadian dollars, 000s)
(unaudited)

	Note	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
CASH PROVIDED BY (USED IN):					
OPERATING ACTIVITIES					
Net earnings (loss) for the period		**(942)**	50,192	**4,043**	65,625
Items not affecting cash:					
Depletion and depreciation	9	**10,318**	10,925	**20,764**	22,115
Impairment reversal		**-**	(4,500)	**-**	(4,500)
Site decommissioning grants		**-**	(1,293)	**-**	(2,076)
Share-based compensation		**504**	555	**1,289**	892
Finance expenses	16	**1,726**	2,399	**3,472**	5,136
Deferred income taxes	11	**504**	(1,546)	**2,427**	3,137
Interest and bank charges		**(70)**	(916)	**(131)**	(2,206)
Decommissioning obligations settled	13	**(828)**	(1,117)	**(2,498)**	(2,930)
Changes in non-cash working capital accounts	16	**1,292**	(4,167)	**5,464**	(10,790)
Cash provided by operating activities		**12,504**	50,532	**34,830**	74,403
INVESTING ACTIVITIES					
Property, plant and equipment	9	**(8,189)**	(4,262)	**(12,630)**	(9,813)
Exploration and evaluation		**(4)**	(20)	**(5)**	(36)
Acquisitions		**(312)**	(319)	**(312)**	(591)
Dispositions		**-**	213	**-**	415
Proceeds on sale of investments		**-**	-	**227**	-
Changes in non-cash working capital accounts	16	**973**	1,423	**1,595**	(7,644)
Cash used in investing activities		**(7,532)**	(2,965)	**(11,125)**	(17,669)
FINANCING ACTIVITIES					
Exercise of stock options		**133**	296	**183**	517
Repayment of term debt		**-**	(20,000)	**-**	(30,000)
Repayment of related party debt		**-**	(6,000)	**-**	(6,000)
Repayment of promissory notes		**-**	(6,000)	**-**	(6,000)
Dividends	14	**(11,478)**	(2,889)	**(22,891)**	(2,889)
Payments on lease obligations	10	**(269)**	(255)	**(498)**	(500)
Cash used in financing activities		**(11,614)**	(34,848)	**(23,206)**	(44,872)
Increase (decrease) in cash		**(6,642)**	12,719	**499**	11,862
Cash - beginning of period		**61,569**	6,017	**54,428**	6,874
CASH - END OF PERIOD		**54,927**	18,736	**54,927**	18,736

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(Canadian dollars, 000s)
(unaudited)

	Note	Share capital	Contributed surplus[1]	Accumulated other comprehensive income (loss)[2]	Deficit	Total Shareholders' equity (deficit)
BALANCE AT JANUARY 1, 2022		**275,766**	**15,400**	**(60)**	**(245,688)**	**45,418**
Net earnings for the period		-	-	-	65,625	65,625
Dividends		-	-	-	(2,889)	(2,889)
Share-based compensation		-	892	-	-	892
Other comprehensive loss, net of tax		-	-	(131)	-	(131)
Exercise of stock options	14	1,450	(933)	-	-	517
BALANCE AT JUNE 30, 2022		**277,216**	**15,359**	**(191)**	**(182,952)**	**109,432**
Net earnings for the period		-	-	-	43,314	43,314
Dividends		-	-	-	(20,685)	(20,685)
Share-based compensation		-	1,564	-	-	1,564
Other comprehensive loss, net of tax		-	-	(25)	-	(25)
Exercise of stock options	14	434	(306)	-	-	128
BALANCE AT DECEMBER 31, 2022		**277,650**	**16,617**	**(216)**	**(160,323)**	**133,728**
Net earnings for the period		-	-	-	4,043	4,043
Dividends	14	-	-	-	(22,891)	(22,891)
Share-based compensation		-	1,289	-	-	1,289
Other comprehensive income, net of tax		-	-	140	-	140
Exercise of stock options	14	830	(647)	-	-	183
BALANCE AT JUNE 30, 2023		**278,480**	**17,259**	**(76)**	**(179,171)**	**116,492**

[1]Contributed surplus is comprised of share-based compensation.
[2]Accumulated other comprehensive income (loss) is comprised of realized and unrealized gains (losses) on financial assets held at fair value through other comprehensive income (loss).

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2023 and December 31, 2022 and for the three and six month periods ended June 30, 2023 and 2022 (unaudited).
(all tabular amounts in Canadian dollars 000s, unless otherwise indicated)

1. NATURE OF BUSINESS

Pine Cliff Energy Ltd. ("**Pine Cliff**" or the "**Company**") is a public company listed on the Toronto Stock Exchange ("**TSX**") and incorporated under the *Business Corporations Act (Alberta)*. The address of the Company's registered office is Suite 850, 1015 - 4th Street SW, Calgary, Alberta, T2R 1J4.

Pine Cliff is engaged in the acquisition, exploration, development and production of natural gas and oil in the Western Canadian Sedimentary Basin and conducts many of its activities jointly with others; these interim condensed consolidated financial statements (the "**Financial Statements**") reflect only the Company's proportionate interest in such activities.

2. BASIS OF PREPARATION

Statement of Compliance

The Financial Statements have been prepared in accordance with IAS 34 – Interim Financial Reporting using International Financial Reporting Standards ("**IFRS**").

The Financial Statements do not include all the information required for annual financial statements and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2022 ("**Annual Financial Statements**").

The accounting policies, basis of measurement, critical accounting judgments and significant estimates to prepare the Annual Financial Statements as at and for the year ended December 31, 2022 have been applied in the preparation of these Financial Statements.

The Financial Statements were authorized for issue by the Company's board of directors (the "**Board**") on August 1, 2023.

3. SIGNIFICANT ACCOUNTING POLICIES

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

Effective January 1, 2023, amendments to IAS 8 include additional clarification on the determination of changes in accounting policies from changes in accounting estimates. The development of accounting estimates includes selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique.

IAS 12 – Income Taxes

Effective January 1, 2023, amendments to IAS 12 require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Neither of these accounting pronouncements have a material impact on the Financial Statements.

4. FUTURE ACCOUNTING PRONOUNCEMENTS

The following is a future accounting pronouncement issued and not yet effective as at June 30, 2023. The Company intends to adopt this standard as it becomes effective and does not expect a significant impact.

IAS 1 –Presentation of Financial Statements

Effective January 1, 2024, amendments to the classification of liabilities as non-current include the requirement that a right to defer settlement must have substance and exist at the end of the reporting period.

5. FINANCIAL INSTRUMENTS

Financial instruments and fair value measurement

Financial instruments of the Company consist of cash, trade and other receivables, investments and trade and other payables. The carrying values of cash, trade and other receivables and trade and other payables approximate their respective fair values due to the short time before maturing. Investments are measured at fair value based on quoted market prices.

Assets and liabilities that are measured at fair value are classified into levels, reflecting the method used to make the measurements. Level 1 fair value measurements are based on quoted prices that 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. Pine Cliff has no level 2 or level 3 financial instruments. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy level.

The following table sets out the Company's classification, carrying value and fair value of financial assets and liabilities as at June 30, 2023 and December 31, 2022:

($000s)	**June 30, 2023**		December 31, 2022	
Description	**Carrying value**	**Fair value**	Carrying value	Fair value
Cash	**54,927**	**54,927**	54,428	54,428
Trade and other receivables	**19,484**	**19,484**	27,187	27,187
Investments	**467**	**467**	171	171
Trade and other payables	**(31,176)**	**(31,176)**	(29,640)	(29,640)

6. RISK MANAGEMENT

The Company is exposed to both financial and non-financial risks inherent in the oil and gas business. Financial risks include commodity prices, interest rates, equity price, foreign exchange, credit availability and liquidity. Financial risks can be managed, at least to a degree, through the utilization of financial instruments. Certain non-financial risks can be mitigated through the use of insurance and/or other risk transfer mechanisms, good business practices and process controls, while others must simply be borne. All risks can have an impact upon the financial performance of the Company.

Market Risk

Market risk is the risk that the fair value or future cash provided by operating activities of the Company's financial instruments will fluctuate because of changes in market prices. Components of market risk to which Pine Cliff is exposed are discussed below.

Commodity Price Risk

The Company is exposed to commodity price risk since its revenues are dependent on the prices of crude oil, natural gas liquids ("**NGLs**") and natural gas. Commodity prices have fluctuated widely during recent years due to global and regional factors including, but not limited to, supply and demand, inventory levels, weather, economic changes and geopolitical factors and instability. Changes in natural gas, crude oil and NGL prices may have a significant effect, positively or negatively, on the ability of the Company to meet its obligations, capital spending targets and expected operational results. A material decline or extended period of low natural gas, crude oil or NGLs will result in a reduction of net production revenue. The economics of production from some wells may change because of lower prices, which will result in reduced production of natural gas, crude oil or NGL's and a reduction in the volumes of Pine Cliff's reserves. Management may also elect not to produce from certain wells at lower prices.

Physical Sales Contracts

Pine Cliff enters into physical delivery sales contracts to manage commodity price risk. These contracts are considered normal executory sales contracts and are not recorded at fair value in the financial statements.

At June 30, 2023, the Company had the following physical natural gas sales contracts in place:

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Contract Price ($CAD/GJ)[1]	Contract Price ($CAD/Mcf)[1,2]
July 1, 2023 to September 30, 2023	AECO	7,500	$1.91	$2.01
July 1, 2023 to October 31, 2023	AECO	15,000	$3.34	$3.51
August 1, 2023 to October 31, 2023	AECO	5,000	$2.33	$2.45
July 1, 2023 to October 31, 2023	Dawn[3]	2,500	$6.27	$6.58
July 1, 2023 to October 31, 2023	TransGas[4]	2,500	$3.00	$3.15
July 1, 2023 to September 30, 2023	Suffied[5]	4,000	AECO 5A + 0.42/GJ	AECO 5A + 0.44/Mcf
July 1, 2023 to October 31, 2023	TransGas[4]	7,000	AECO 5A + 0.54/GJ	AECO 5A + 0.57/Mcf

[1] Prices reported are the weighted average prices of the periods.
[2] Price has been converted from $/GJ to $/Mcf by multiplying by 1.05.
[3] Dawn Hub into Dawn Township, Ontario
[4] Subsidiary of SaskEnergy, Saskatchewan.
[5] The contract terms of the physical fixed price natural gas sales contract to Suffield#2 delivery point (Suffield, Alberta).

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Contract Price ($CAD/GJ)[1]	Contract Price ($CAD/Mcf)[1,2]
July 1, 2023 to October 31, 2023	AECO	5,000	$4.00 - $5.45	$4.20 - $5.72

[1] Prices reported are the weighted average prices of the periods.
[2] Price has been converted from $/GJ to $/Mcf by multiplying by 1.05.

Contractual Term	Type of Contract	Physical Delivery Quantity (Mmbtu/day) [1]	Contract Price ($USD/ Mmbtu)[2,3]
July 1, 2023 to October 31, 2023	AECO[3]	5,000	NYMEX Henry Hub less US$1.335/Mmbtu

[1] One Mcf of natural gas is approximately 1.02 Mmbtu.
[2] Prices reported are the weighted average prices of the periods.
[3] AECO basis differential.

At June 30, 2023, the Company had the following physical crude oil sales contract in place:

Contractual Term	Crude Oil	Physical Delivery Quantity (Bbl/day)	Contract Price ($CAD/Bbl)[1]
July 1, 2023 to September 30, 2023	WTI Fixed Price	250	$104.40

[1] Prices reported are the weighted average prices of the periods.

Subsequent to June 30, 2023, the Company had the following additional physical natural gas sales contracts in place:

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Contract Price ($CAD/GJ)[1]	Contract Price ($CAD/Mcf)[1,2]
April 1, 2024 to October 31, 2024	AECO	5,000	$2.78	$2.92

[1] Prices reported are the weighted average prices of the periods.
[2] Price has been converted from $/GJ to $/Mcf by multiplying by 1.05.

Subsequent to June 30, 2023, the Company had the following additional physical crude oil sales contract in place:

Contractual Term	Crude Oil	Physical Delivery Quantity (Bbl/day)	Contract Price ($CAD/Bbl)[1]
October 1, 2023 to December 31, 2023	WTI Fixed Price	250	$100.50

[1] Prices reported are the weighted average prices of the periods.

7. INVESTMENTS

On February 17, 2023, Pine Cliff received the final payment of $0.35 million on the sale of a gold property to a publicly traded company, Nighthawk Gold Corp. ("**Nighthawk**"). This amount was previously recorded as trade and other receivables from Nighthawk and was settled by the issuance of 865,693 Nighthawk common shares to Pine Cliff. At June 30, 2023, the Company owned 865,693 Nighthawk common shares (December 31, 2022 – 475,996), with a fair value of $0.5 million (December 31, 2022 - $0.2 million).

8. EXPLORATION AND EVALUATION

E&E Impairment Assessment

At June 30, 2023, the Company determined that no indicators of impairment existed for E&E assets.

9. PROPERTY, PLANT AND EQUIPMENT

Cost:	($000s)
Balance at December 31, 2022	**695,955**
Additions	12,630
Right-of-use assets	966
Acquisitions	312
Dispositions	(978)
Decommissioning provision	3,017
Balance at June 30, 2023	**711,902**

Accumulated depletion and depreciation:	($000s)
Balance at December 31, 2022	**(445,910)**
Depletion and depreciation	(20,764)
Dispositions	914
Balance at June 30, 2023	**(465,760)**

Carrying value at:	($000s)
December 31, 2022	250,045
June 30, 2023	**246,142**

PP&E Impairment Assessment

As at June 30, 2023, the Company had three cash generating units ("**CGU's**") being Southern CGU, Central CGU and Edson CGU. In accordance with IFRS, an impairment test is performed if the Company identifies indicators of impairment at the end of a reporting period. At June 30, 2023, the Company determined that no indicators of impairment existed for PP&E assets.

10. LEASE LIABILITIES

Pine Cliff had the following future commitments associated with its lease liabilities:

	($000s)
2023	685
2024	1,252
2025	1,082
2026	820
2027	229
Thereafter	7
Total lease payments as at June 30, 2023	**4,075**
Amounts representing interest	(373)
Present value of lease payments	**3,702**
Current portion of lease obligations	(1,200)
Non-current portion of lease obligations	**2,502**

For the three and six months ended June 30, 2023, interest expense of $0.05 million and $0.1 million (three and six months ended June 30, 2022 - $0.05 million and $0.01 million) and a total cash outflow of $0.4 million and $0.7 million (three and six months ended June 30, 2022 - $0.3 million and $0.6 million) was recognized relating to lease obligations.

The right-of-use assets and lease obligation relates to the Company's leases for vehicles and the head office in Calgary. A right-of-use asset of $8.2 million and $4.7 million in accumulated depreciation on the right-of-use-assets are included in PP&E. Refer to Note 9.

11. DEFFERED INCOME TAX

For the three and six months ended June 30, 2023, Pine Cliff recorded a deferred income tax expense of $0.5 million and $2.4 million (three and six months ended June 30, 2022 - $1.5 million deferred income recovery and $3.1 million deferred income tax expense). The deferred income tax expense/recovery reflects the change in temporary timing differences arising from the book basis of Pine Cliff's assets and liabilities relative to the tax basis.

12. DEMAND LOAN

The Company has a demand operating loan (the "**Demand Loan**") of $8.0 million with a Canadian chartered bank, of which no amount was drawn at June 30, 2023 (December 31, 2022 - $nil). Borrowings bear interest at the bank's prime lending rate plus 2.0%. Letters of credit issued under the Demand Loan are supported by a performance guarantee from Export Development Canada for an amount up to $2.6 million and incur an issuance fee ranging from 3.12% to 3.62%. At June 30, 2023, the Company had issued $0.8 million in letters of credit (December 31, 2022 - $1.7 million).

The Demand Loan is secured by a general security agreement over certain tangible field facilities of the Company.

13. DECOMMISSIONING PROVISION

The total current and long-term decommissioning provision of $212.2 million was estimated by management based on the Company's working interest and estimated costs to remediate, reclaim and abandon its wells, pipelines, and facilities and estimated timing of the costs to be incurred in future periods.

At June 30, 2023, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was $275.4 million (December 31, 2022 - $277.3 million). The discounted and inflated amount required to settle the decommissioning liabilities of $212.2 million (December 31, 2022 - $208.4 million) has been calculated assuming a 2.00% inflation rate (December 31, 2022 – 2.00%) and discounted using an average risk-free interest rate of 3.42% (December 31, 2022 – 3.33%). These obligations are currently expected to be settled based on the useful lives of the underlying assets, some of which extend beyond 50 years into the future.

	($000s)
Decommissioning provision, December 31, 2022	**208,387**
Increase in liabilities relating to development activities	104
Increase in liabilities relating to acquisitions	1,137
Decommissioning expenditures	(2,498)
Revisions (changes in estimates and discount rates)	1,776
Accretion	3,341
Decommissioning provision, June 30, 2023	**212,247**
Less current portion of decommissioning provision	(6,900)
Non-current portion of decommissioning provision	**205,347**

14. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares ("**Common Shares**") without nominal or par value. Common Shares carry one vote per share and the right to any dividends declared. The Company is also authorized to issue, in one or more series, an unlimited number of Class B Preferred Shares without nominal or par value.

Issued and outstanding

Issued and outstanding share capital continuity:	Common Shares (000s)	Share capital ($000s)
Balance, December 31, 2022	**350,909**	**277,650**
Exercise of stock options	4,631	830
Balance, June 30, 2023	**355,540**	**278,480**

Stock Options

The Company provides an equity settled stock option plan (the "**Option Plan**") for its directors and employees. Under the Option Plan, the Company may grant stock options up to 10% of outstanding Common Shares on the grant date. The term and vesting period of the options granted are determined at the discretion of the Company's board of directors. The exercise price of each option granted equals the market price of the Common Shares immediately preceding the date of grant and the option's maximum term is five years.

Stock options issued and outstanding:	Options (000s)	Weighted-average exercise price ($ per Common Share)
Outstanding, December 31, 2022	**18,324**	**0.87**
Granted	10,130	1.30
Exercised	(5,465)	0.25
Cancelled	(596)	1.03
Forfeited	(1,560)	1.05
Outstanding, June 30, 2023	**20,833**	**1.23**
Exercisable, June 30, 2023	**3,763**	**1.05**

Exercise price:	Stock options outstanding (000s)	Weighted-average remaining term (years)	Stock options exercisable (000s)	Weighted-average remaining term (years)
$0.10 - $0.15	854	0.8	854	0.8
$0.16 - $0.33	3,905	1.6	1,068	0.9
$0.34 - $0.99	130	1.8	-	-
$1.00 - $1.49	10,082	2.9	-	-
$1.50 - $1.92	5,862	1.9	1,841	0.9
	20,833	**2.3**	**3,763**	**0.9**

The Company records share-based compensation expense over the vesting period, based on the fair value of the options granted. One third of the stock options granted vest annually on each of the first, second, and third anniversaries of the grant date and expire one year after each respective vesting date. During the six months ended June 30, 2023, the Company granted 10,130,180 stock options (June 30, 2022 – 6,828,600) with a fair value of $0.34 (June 30, 2022 - $0.73) per option using the Black-Scholes option pricing model using the following key assumptions:

	Six months ended June 30,	
Assumptions (weighted average):	**2023**	2022
Exercise price ($)	**1.30**	1.90
Estimated volatility of underlying common shares (%)	**62.0**	73.3
Expected life (years)	**3.0**	3.0
Risk-free rate (%)	**3.7**	2.7
Forfeiture rate (%)	**7.5**	7.7
Expected dividend yield (%)	**10.0**	5.0

Estimated volatility is measured as the standard deviation of expected share price returns based on statistical analysis of historical daily share prices for a representative period.

Per Share Calculations

The average market value of the Common Shares for the purpose of calculating the dilutive effect of stock options and warrants was based on quoted market prices for the period that the options were outstanding.

	Three months ended June 30,		Six months ended June 30,	
Net earnings (loss) per share calculation ($000s):	**2023**	2022	**2023**	2022
Numerator				
Net earnings (loss) for the period	**(942)**	50,192	**4,043**	65,625
Denominator (000s)				
Weighted-average Common Shares outstanding – basic	**353,216**	345,402	**352,245**	343,131
Dilutive effect of options outstanding	**-**	15,301	**7,293**	16,126
Weighted-average Common Shares outstanding – diluted	**353,216**	360,703	**359,538**	359,257
Net earnings (loss) per Common Share – basic ($)	**(0.00)**	0.15	**0.01**	0.19
Net earnings (loss) per Common Share – diluted ($)	**(0.00)**	0.14	**0.01**	0.18

Dividends declared and paid for the three and six months ended June 30, 2023 was $11.5 million and $22.9 million (three and six months ended June 30, 2022 - $2.9 million). Dividends declared and paid for the three and six months ended June 30, 2023 was $0.03 and $0.06 per Common Share ($0.01 per Common Share for the three and six months ended June 30, 2022).

15. COMMODITY SALES

The Company's commodity sales revenue is determined pursuant to the terms of the marketing agreements. The revenue for natural gas, crude oil and NGLs is based on the commodity price in the month of production, adjusted for quality, location, allowable deductions, if any, or other factors. Commodity sales revenues are based on marketed indices that are determined on a monthly or daily basis.

	Three months ended June 30,		Six months ended June 30,	
($000s)	**2023**	2022	**2023**	2022
Natural gas	**26,939**	65,706	**62,361**	113,098
NGLs	**6,037**	10,972	**14,390**	19,424
Crude oil	**9,296**	13,748	**18,460**	24,084
Total commodity sales	**42,272**	90,426	**95,211**	156,606

16. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Changes in non-cash working capital:				
Trade and other receivables[1]	**1,326**	(6,691)	**7,355**	(11,938)
Prepaid expenses and deposits	**(2,003)**	(2,380)	**(1,832)**	(2,079)
Trade and other payables and accrued liabilities	**2,942**	6,328	**1,536**	(4,069)
	2,265	(2,743)	**7,059**	(18,086)
Change related to:				
Operating activities	**1,292**	(4,167)	**5,464**	(10,790)
Investing activities	**973**	1,424	**1,595**	(7,296)
	2,265	(2,743)	**7,059**	(18,086)

[1] Changes in non-cash working capital excludes the receivable amount referred to in note 7.

	Three months ended June 30,		Six months ended June 30,	
Finance expenses:	**2023**	2022	**2023**	2022
Interest expense and bank charges	**70**	916	**131**	2,206
Non-cash:				
Accretion on decommissioning provision	**1,656**	1,425	**3,341**	2,834
Accretion on promissory notes and term debt	**-**	58	**-**	96
Total finance expenses	**1,726**	2,399	**3,472**	5,136

Cash interest paid in the three months and six months ended June 30, 2023, was $0.1 million (three and six months ended June 30, 2022- $1.2 million and $3.4 million).

17. COMMITMENTS

As at June 30, 2023, the Company has the following commitments and other contractual obligations:

($000s)	**2023**	**2024**	**2025**	**2026**	**2027**	**Thereafter**
Trade and other payables	31,176	-	-	-	-	-
Lease obligations[1]	685	1,252	1,082	820	229	7
Transportation[2]	4,414	7,200	6,688	5,922	4,601	-
Total commitments and contingencies	**36,275**	**8,452**	**7,770**	**6,742**	**4,830**	**7**

[1] See Note 10.
[2] Firm transportation agreements.

18. SUBSEQUENT EVENTS

Dividends

On July 31, 2023, the Company paid a monthly dividend of $0.01083 per Common Share to all shareholders of record on July 14, 2023.

On August 1, 2023, the Company declared a monthly dividend of $0.01083 per Common Share. The dividend is payable August 31, 2023, to all shareholders of record on August 15, 2023.

BOARD OF DIRECTORS
William S. Rice - Chairman
Philip B.Hodge
Robert B. Fryk
Calvin B. Jacober
Jacqueline R. Ricci

OFFICERS
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Terry L. McNeill
Chief Operating Officer
Alan MacDonald
Chief Financial Officer and Corporate Secretary

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