

**PIPESTONE ENERGY CORP., AN AMALGAMATION
PREDECESSOR TO STRATHCONA RESOURCES LTD.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023**

**Pipestone Energy Corp., an amalgamation predecessor to Strathcona Resources Ltd.
Financial and Operating Highlights**

(\$ thousands, except per unit and per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Financial				
Sales of liquids and natural gas	\$ 134,686	\$ 174,440	\$ 405,041	\$ 538,350
Cash from operating activities	50,207	89,075	169,164	282,686
Adjusted funds flow from operations ⁽¹⁾	67,974	86,466	206,214	283,221
Per share, basic	0.24	0.46	0.74	1.49
Per share, diluted	0.24	0.30	0.74	0.99
Capital expenditures, including capitalized G&A	54,491	60,375	226,832	216,124
Free cash flow (deficit) ⁽¹⁾	13,483	26,091	(20,618)	67,097
Income and comprehensive income	6,545	57,533	52,667	166,680
Per share, basic	0.02	0.31	0.19	0.88
Per share, diluted	0.02	0.21	0.19	0.59
Adjusted EBITDA ⁽¹⁾	73,932	90,963	222,105	297,046
Annualized cash return on invested capital (CROIC) ⁽¹⁾	20%	31%	20%	33%
Annualized return on capital employed (ROCE) ⁽¹⁾	14%	33%	14%	37%
Net debt (end of period) ⁽¹⁾			199,607	180,234
Net debt to annualized adjusted funds flow from operations for the trailing period ⁽¹⁾	0.7x	0.5x	0.7x	0.5x
Available funding (end of period) ⁽¹⁾			80,393	99,189
Dividends paid per share	\$ 0.03	\$ -	\$ 0.09	\$ -
Dollar amount purchased under NCIB	-	13,243	-	34,473
Number of common shares purchased under NCIB (000s)	-	3,150	-	7,461
Common shares outstanding (000s) (end of period)			279,708	185,631
Weighted-average basic shares outstanding (000s)	279,695	187,461	279,505	189,716
Weighted-average diluted shares outstanding (000s)	279,695	284,265	279,505	286,606
Operations				
Production ⁽²⁾				
Condensate (bbls/d)	9,653	8,893	9,561	8,432
Other natural gas liquids (NGLs) (bbls/d)	3,921	3,766	4,112	3,921
Total NGLs (bbls/d)	13,574	12,659	13,673	12,353
Crude oil (bbls/d)	37	41	212	51
Natural gas (Mcf/d)	122,889	116,455	121,463	106,599
Total (boe/d) ⁽²⁾	34,093	32,109	34,129	30,171
Condensate and crude oil (mix of total production)	28%	28%	29%	28%
Total liquids (mix of total production)	40%	40%	41%	41%
Average realized prices ^{(2) (4)}				
Condensate (per bbl)	100.77	110.99	98.52	121.70
Other NGLs (per bbl)	36.11	51.94	37.57	56.53
Total NGLs (per bbl)	82.09	93.42	80.19	100.95
Crude oil (per bbl)	96.27	108.64	91.60	118.08
Natural gas (per Mcf)	2.82	6.09	3.03	6.75
Netbacks				
Revenue (per boe)	42.94	59.05	43.47	65.36
Realized gain (loss) on commodity risk management contracts (per boe)	0.04	(2.52)	1.28	(5.96)
Royalties (per boe)	(2.19)	(7.75)	(3.14)	(6.08)
Operating expense (per boe)	(12.86)	(13.48)	(13.31)	(12.54)
Transportation expense (per boe)	(3.74)	(3.42)	(3.62)	(3.72)
Operating netback (per boe) ⁽¹⁾	24.19	31.88	24.68	37.06
Adjusted funds flow (per boe) ⁽¹⁾	21.68	29.27	22.13	34.38

(1) See "Specified financial measures" section of this MD&A for description.

(2) References to crude oil, condensate and natural gas in production amounts refer to tight oil, natural gas liquids and shale gas, respectively, product types as defined in National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). References to total liquids include tight oil and natural gas liquids (including condensate, butane and propane).

(3) For a description of the boe conversion ratio, see "Oil and Gas Measures – Basis of Barrel of Oil Equivalent".

(4) Figures calculated before hedging.

Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") of operating and financial results of Pipestone Energy Corp. ("Pipestone Energy", "Pipestone" or the "Company"), an amalgamation predecessor to Strathcona Resources Ltd. ("Strathcona"), is dated November 13, 2023 and is based on currently available information. It should be read in conjunction with the audited financial statements and accompanying notes for the years ended December 31, 2022 and 2021 and the unaudited interim condensed consolidated financial statements and accompanying notes for the three and nine months ended September 30, 2023 and 2022. Unless otherwise noted, all financial information is presented in thousands of Canadian dollars and is in accordance with International Financial Reporting Standards (IFRS) as issued by IASB, interpretations of the IFRIC, and with Canadian GAAP as applicable to interim financial statements, including IAS 34, Interim Financial Reporting. These documents, along with other statutory filings, are available on SEDAR+ at www.sedarplus.ca.

Refer to the end of this MD&A for commonly used abbreviations.

Readers should also refer to "Forward-Looking Statements" at the end of this MD&A, which explains the basis for and limitations of statements throughout this MD&A that are not historical facts and may be considered "forward-looking statements" under securities regulations. Additional risks, uncertainties and other factors are discussed in Pipestone Energy's annual information form dated March 8, 2023, a copy of which is available electronically on SEDAR+ at www.sedarplus.ca.

Description of Pipestone Energy

Pipestone Energy was engaged in the responsible exploration for, and development and production of, oil and natural gas liquids (including condensate, pentane, butane, propane and ethane) herein collectively referenced as "liquids" and natural gas in Western Canada, with substantially all of its activities and assets focused in the Montney resource play in Alberta. The Company has achieved certification of all its production from its Montney asset under the Equitable Origin EO100™ Standard for Responsible Energy Development. The Company was incorporated under the *Business Corporations Act* (Alberta) and as of September 30, 2023, its common shares were listed on the Toronto Stock Exchange ("TSX") under the ticker symbol PIPE. The address and principal place of business of the Company was Suite 3700, 888 – 3rd Street S.W., Calgary, Alberta T2P 5C5. See "Recent Developments" below.

Recent Developments

On October 3, 2023, Strathcona Resources Ltd. ("Strathcona Predecessor") acquired all of the issued and outstanding common shares of Pipestone Energy pursuant to a plan of arrangement (the "Arrangement") under the *Business Corporations Act* (Alberta) ("ABCA"). As part of the Arrangement, Pipestone and Strathcona Predecessor amalgamated under the ABCA and continued as Strathcona. Pipestone shareholders received 0.067967 common shares of Strathcona for each Pipestone common share held and Strathcona Predecessor shareholders received 0.089278 common shares of Strathcona for each Strathcona Predecessor voting class A common share and voting class B common share held. As of the date hereof, Strathcona's shares are listed on the TSX under the ticker symbol SCR. The address and principal place of business of Strathcona is Suite 1900, 421 – 7th Avenue S.W., Calgary, Alberta, T2P 4K9.

As part of the Arrangement, Pipestone's reserve-based loan ("RBL") and EDC Letter of Credit Facility (as defined herein) were each paid out in full. Additionally, Pipestone's outstanding performance share units ("PSUs"), restricted share units ("RSUs") and stock options were cash settled and terminated, and Pipestone's long-term incentive plan of was terminated in connection with the Arrangement.

Following the Arrangement, the production and capital spend guidance previously provided for Pipestone no longer reflects the business expectations of Strathcona.

Third Quarter 2023 Corporate Highlights

- In Q3 2023, Pipestone achieved average quarterly production totaling 34,093 boe/d (28% condensate, 40% total liquids), which was a 1,984 boe/d or 6% increase over Q3 2022 production of 32,109 boe/d (28% condensate, 40% total liquids) and a 950 boe/d or 3% increase over Q2 2023 production of 33,143 boe/d (28% condensate, 41% total liquids);
- The Company delivered cash from operating activities of \$50.2 million and adjusted funds flow from operations⁽¹⁾ of \$68.0 million (\$0.24 per basic and diluted share) in Q3 2023, which represents a decrease of \$18.5 million or 21% from its Q3 2022 adjusted funds flow from operations⁽¹⁾ of \$86.5 million (\$0.46 per basic share and \$0.30 per diluted share), as a result of weaker realized commodity prices;
- Total capital expenditures, including capitalized general and administrative (“G&A”), were \$54.5 million during the three months ended September 30, 2023 (three months ended September 30, 2022 – \$60.4 million). The Company continued its 2023 Montney capital program with 5 gross (5 net) wells drilled and rig-released and 6 gross (6 net) wells completed in the quarter;
- The Company exited the third quarter of 2023 with a year-to-date net debt⁽¹⁾ balance of \$199.6 million (September 30, 2022 – \$180.2 million) and a draw of \$178.9 million against its RBL. Pipestone’s ratio of net debt to annualized trailing quarter adjusted funds flow from operations⁽¹⁾ at September 30, 2023 was 0.7 times (September 30, 2022 – 0.5 times); and
- Pipestone paid its third quarterly dividend of \$0.030 per common share (\$8.4 million total) on September 29, 2023, to shareholders of record on September 15, 2023.

(1) See “Specified financial measures” section of this MD&A for description.

Capital Expenditures

(\$ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Drilling	16,952	9,237	68,735	54,086
Completions	24,143	35,112	110,930	112,502
Production equipment and facilities	10,960	14,754	37,193	37,529
Land and other	1,514	422	7,187	9,513
Capitalized G&A	922	850	2,787	2,494
Capital expenditures	54,491	60,375	226,832	216,124
Property acquisitions	315	-	416	96
Total capital expenditures and acquisitions	54,806	60,375	227,248	216,220

Montney well activity ⁽¹⁾	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Gross (Net)				
Wells drilled	5 (5.0)	7 (5.5)	21 (21.0)	23 (21.5)
Wells completed	6 (6.0)	9 (7.5)	23 (23.0)	31 (29.5)

(1) Well counts include all horizontal Montney wells and exclude surface holes, water injection wells, and wells that were re-drilled or abandoned. Drilling counts are based on rig release date. Completion counts include wells that have been fractured and pumped.

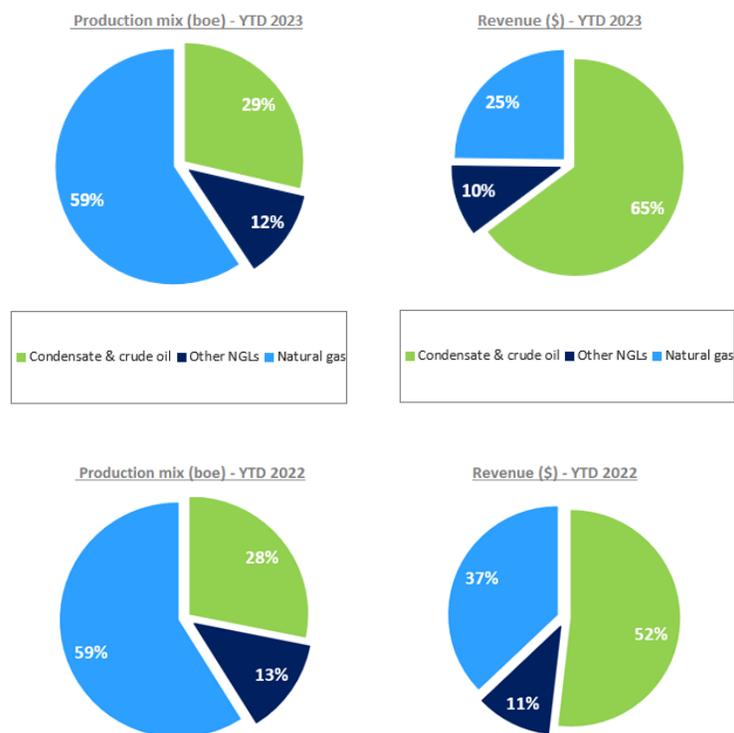
During the three months ended September 30, 2023, Pipestone Energy's total capital expenditures, including capitalized G&A, were \$54.5 million compared to \$60.4 million for the same period in 2022. This represents a decrease in capital spend of \$5.9 million or 10% for the three months ended September 30, 2023 compared to the same period in 2022. The decrease in capital was due to fewer wells drilled and completed, as detailed above, and reduced spending on infrastructure.

During the nine months ended September 30, 2023, Pipestone Energy's total capital expenditures, including capitalized G&A, were \$226.8 million compared to \$216.1 million for the same period in 2022. This represents an increase in capital spend of \$10.7 million or 5% for the nine months ended September 30, 2023 when compared to the same period in 2022. The increase in capital spending was due to an increase in drilling and completion costs on a per well basis as a result of extended average lateral lengths, increased completion scope and inflationary pressures experienced in 2023.

For the three month period ended September 30, 2023, Pipestone Energy continued to execute on its Montney focused development program as follows:

- Total drilling spend was \$17.0 million in the quarter. The Company drilled and rig-released five wells from its 16-30 pad utilizing a continuous single rig program;
- Total completion costs were \$24.1 million in the quarter. The Company completed its single delineation well located at the northern 15-34 pad and five wells on the 14-19 pad; and
- Invested \$11.0 million in production equipment and facilities which included costs associated with the 14-19 facility expansion, 11-09 and 15-34 pad-site equipping / tie-ins and various other in-field infrastructure projects.

Financial and Operating Results



Production

	Three months ended		Change	Nine months ended		Change
	2023	2022		2023	2022	
Daily average volume⁽¹⁾						
Condensate (bbls/d)	9,653	8,893	9%	9,561	8,432	13%
Other NGLs (bbls/d)	3,921	3,766	4%	4,112	3,921	7%
Total NGLs (bbls/d)	13,574	12,659	7%	13,673	12,353	11%
Crude oil (bbls/d)	37	41	(10%)	212	51	490%
Natural gas (Mcf/d)	122,889	116,455	6%	121,463	106,599	13%
Total sales (boe/d)	34,093	32,109	6%	34,129	30,171	13%
Production weighting⁽¹⁾						
Condensate	28%	28%		28%	28%	
Other NGLs	12%	12%		12%	13%	
Total NGLs	40%	40%		40%	41%	
Crude oil	-%	-%		1%	-%	
Natural gas	60%	60%		59%	59%	
Total sales	100%	100%		100%	100%	

(1) References to crude oil, condensate and natural gas in production amounts refer to tight oil, natural gas liquids and shale gas, respectively, product types as defined in NI 51-101. References to total liquids include tight oil and natural gas liquids (including condensate, butane and propane).

Production for the three and nine months ended September 30, 2023 was 34,093 boe/d (comprised of 28% condensate and 40% total liquids) and 34,147 boe/d (comprised of 28% condensate and 40% total liquids), respectively, compared to 32,109 boe/d (comprised of 28% condensate and 40% total liquids) and 30,171 boe/d (comprised of 28% condensate and 41% total liquids), respectively, for the same periods in 2022. Pipestone Energy grew its production in the three and nine-month periods ended September 30, 2023 by 1,984 boe/d or 6% and 3,958 boe/d or 13%, respectively, year over year.

Production volumes increased in the three and nine-month periods ended September 30, 2023 compared to the same periods for 2022 due to additional wells drilled, completed and brought on stream in the last quarter of 2022 and first three quarters of 2023 combined with the 8-15 compressor station expansion, which was completed in October 2022, increasing the available takeaway capacity by 30 MMcf/d to 120 MMcf/d.

Sales

(\$ thousands, except per unit amounts)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Condensate	89,495	90,791	257,123	280,100
Other NGLs	13,025	17,996	42,175	60,295
Total NGLs	102,520	108,787	299,298	340,395
Crude oil	314	413	5,295	1,649
Natural gas	31,852	65,240	100,448	196,306
Total	134,686	174,440	405,041	538,350
Average realized prices before hedging and transportation				
Condensate (\$/bbl)	100.77	110.99	98.52	121.70
Other NGLs (\$/bbl)	36.11	51.94	37.57	56.53
Total NGLs (\$/bbl)	82.09	93.42	80.19	100.95
Crude oil (\$/bbl)	96.27	108.64	91.60	118.08
Natural gas (\$/Mcf)	2.82	6.09	3.03	6.75
Combined average (\$/boe)	42.94	59.05	43.47	65.36

Sales for the three and nine months ended September 30, 2023 were \$134.7 million and \$405.0 million, respectively, compared to \$174.4 million and \$538.4 million, respectively, for the same periods in 2022. Pipestone Energy's sales decreased in the three and nine-month periods ended September 30, 2023 by \$39.8 million or 23% and \$133.3 million or 25%, respectively, year over year.

The significant decrease in sales during the three and nine months ended September 30, 2023 from the comparative periods in 2022 was a result of lower average prices received for both liquids and natural gas due to weakened benchmark prices, as described in the "Benchmark Pricing" section of this MD&A below. The combined average price realized decreased in the three and nine months ended September 30, 2023 by \$16.11/boe or 38% and \$21.89/boe or 50%, respectively, relative to the same periods in 2022.

Benchmark Pricing

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Average condensate prices				
Edmonton Condensate (C\$/bbl)	104.60	113.89	103.21	124.63
Average crude oil prices				
WTI crude oil (US\$/bbl) ⁽¹⁾	82.26	91.55	77.39	98.09
WTI crude oil (C\$/bbl)	110.38	119.46	104.13	125.77
Average natural gas prices				
AECO natural gas (C\$/GJ) ⁽²⁾	2.46	3.94	2.62	5.10
Chicago Citygate natural gas (C\$/GJ) ⁽³⁾	2.91	9.00	2.95	7.77
Average foreign exchange rate				
Exchange rate (US\$/C\$)	0.75	0.77	0.74	0.78

(1) WTI refers to the West Texas Intermediate crude oil price.

(2) AECO refers to the Alberta Energy Company natural gas price. 5A is a simple average of the daily spot prices.

(3) Chicago Citygate refers to the Chicago Index Futures natural gas price.

Pipestone Energy's condensate production is delivered and sold in Edmonton, Alberta, through the Pembina Peace pipeline system. The price of WTI for crude oil sales at Cushing, Oklahoma is the primary benchmark for crude oil pricing in North America. The price that Alberta condensate producers receive for their condensate production has historically been highly correlated to the price of WTI, adjusted for Edmonton differentials, external supply and demand, changes in Canada-U.S. exchange rates, transportation costs and quality.

During the first nine months of 2023, WTI oil prices continued to be very volatile and generally weaker than comparative 2022 levels due to continued concerns of a global recession which could negatively impact future demand. These concerns were heightened by the collapse of the Silicon Valley Bank during Q1 2023 which caused declines in the broader financial markets, as well as oil prices. In April 2023, OPEC+ announced a further oil output cut of 1.66 million barrels per day which boosted WTI prices temporarily. Nagging economic concerns subsequently put downward pressure back on oil prices during most of Q2 2023. In July 2023 WTI prices rebounded on additional supply cuts promised by Saudi Arabia and confirmation from OPEC+ that the supply cuts would be extended into 2024, combined with signals that key central banks may halt rate hikes as inflation may be easing. WTI benchmark prices decreased in the three and nine months ended September 30, 2023 by US\$9.29/bbl or 10%, and US\$20.70/bbl or 21%, respectively, compared to the same periods in 2022.

Edmonton Condensate ("EdCon") differentials have traded at a discount to WTI of approximately negative US\$4.26/bbl and negative US\$0.67/bbl for the three and nine months ended September 30, 2023, respectively. EdCon differentials were strong in Q1 2023 due to domestic demand driven by oilsands producers and recovered demand in China following the lifting of COVID-19 restrictions, which previously caused supply builds in the Gulf Coast during 2022. In Q2 and Q3 2023, EdCon differentials traded at a discount to WTI, which is seasonal in nature, resulting from scheduled oilsands turnarounds and warmer weather. Condensate is a primary diluent for heavy oil transportation and demand varies with temperatures. Generally, less condensate blending volumes are required with the higher ambient temperatures resulting from spring / summer seasons and vice-versa in the winter months.

AECO benchmark prices decreased in the three and nine months ended September 30, 2023 by C\$1.48/GJ or 38% and C\$2.48/GJ or 49%, respectively, relative to the same periods in 2022. In Q1 2023, the price of AECO weakened due to unseasonably warm weather conditions experienced in Canada which reduced

winter demand and has resulted in excess supply. The carry-over supply and ongoing production of natural gas into Q3 2023 has caused pricing to remain depressed.

Chicago Citygate is a secondary benchmark for the Company’s natural gas sales. Pipestone Energy utilizes the Alliance Pipeline to deliver a portion of its sales gas to Chicago. Concurrent with bringing production on-stream at the Veresen Midstream Hythe gas plant in November 2021, the Company expanded its Alliance Pipeline capacity to approximately 15 MMcf/d from 5 MMcf/d previously. In April 2022, the Alliance Pipeline capacity was expanded to approximately 30 MMcf/d. Chicago Citygate benchmark prices decreased in the three and nine months ended September 30, 2023 by C\$6.09/GJ or 68% and C\$4.82/GJ or 62%, respectively, relative to the same periods in 2022. This was largely due to the same macro conditions impacting AECO benchmark prices as described above.

In the three and nine months ended September 30, 2023, Pipestone Energy’s realized other NGL prices were \$36.11/bbl or 33% of C\$WTI benchmark pricing and \$37.57/bbl or 36% of C\$WTI benchmark pricing, respectively, compared to \$51.94/bbl or 43% of C\$WTI benchmark pricing and \$56.53/bbl or 45% of C\$WTI benchmark pricing, respectively, for the comparative periods in 2022. Realized other NGL prices have decreased along with WTI benchmark pricing in 2023 compared to 2022.

The Company has hedged certain expected future liquids volumes to WTI directly in C\$ and a portion of its forecasted natural gas production for the remainder of 2023 utilizing AECO 5A pricing through swaps. See the “*Risk Management*” section of this MD&A for more details.

Royalties

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Gross royalties (<i>\$ thousands</i>)	13,344	25,115	57,696	57,977
Gas cost allowance (“GCA”) (<i>\$ thousands</i>)	(6,474)	(2,224)	(28,417)	(7,939)
Net royalties (<i>\$ thousands</i>)	6,870	22,891	29,279	50,038
Gross royalties				
Per boe (\$)	4.25	8.50	6.19	7.04
Percentage of sales	9.9%	14.4%	14.2%	10.8%
Net royalties				
Per boe (\$)	2.19	7.75	3.14	6.08
Percentage of sales	5.1%	13.1%	7.2%	9.3%

Pipestone Energy’s royalty burden is predominately paid to the province of Alberta, with gross over-riding royalties (“GORR”) applicable only on a sub-set of the Company’s sales. Crown royalty rates on new production in Alberta under the Modernized Royalty Framework are 5.0%. In 2023 and 2022, the Company’s Crown royalty rates increased due to wells maturing beyond their drilling and completion cost allowance (“C*”). The elevated commodity prices experienced in 2023 and 2022 have also accelerated payouts on wells causing them to exceed their C* at a faster pace. The Company makes applicable GCA claims on its facilities and third-party gathering and processing arrangements which partially offsets net royalties paid.

Net royalties paid for the three and nine months ended September 30, 2023 were \$6.9 million or 5.1% of sales and \$29.3 million or 7.2% of sales, respectively, compared to \$22.9 million or 13.1% of sales and \$50.0 million or 9.3% of sales, respectively, for the same periods in 2022. The decrease in net royalties paid was primarily a result of lower commodity reference pricing applied to the computation of royalties partially offset by production volume growth from the Company’s development activity in 2023. As a

result of additional wells maturing beyond their initial 5.0% Crown royalty rate under C*, the Company's gross royalties as a percentage of sales increased in the nine months ended September 30, 2023 compared to the same period in 2022. In the first half of 2023 the Company made its annual GCA claim on its facilities which resulted in a significant credit which reduced net royalties. Excluding the GCA credits received, the gross royalties paid were \$13.3 million or 9.9% of sales and \$57.7 million or 14.2% of sales in the three and nine months ended September 30, 2023, respectively.

Operating Expense

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Operating expense (<i>\$ thousands</i>)	40,349	39,831	123,968	103,249
Per boe (\$)	12.86	13.48	13.31	12.54

The vast majority of Pipestone Energy's operating costs are comprised of third-party gathering, processing and water disposal fees with field site operation and supervision activities, chemicals, maintenance, fuel, equipment rentals, trucking, insurance, property taxes and well workovers making up the balance.

Operating expenses for the three and nine months ended September 30, 2023 were \$40.3 million and \$124.0 million, respectively, compared to \$39.8 million and \$103.2 million, respectively, for the same periods in 2022. In the three and nine months ended September 30, 2023, operating expense increased by 1% and 17%, respectively, compared to the same periods in 2022. The increased operating costs are correlated with the increase in production volumes for the three and nine months ended September 30, 2023 of 6% and 13%, respectively, compared to the same periods in 2022 and an increase to the operating expense per boe in 2023 due to the factors described below.

The operating expense per boe has decreased by \$0.62 and increased by \$0.77 in the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022 due to a combination of factors, including cost inflation, increased flowthrough operating expenses at third-party gas processing facilities, greater power costs, an increased number of wells on artificial lift, impact of costs associated with the wildfires, and higher trucking and water disposal fees throughout 2023.

Transportation Expense

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Transportation expense (<i>\$ thousands</i>)	11,739	10,100	33,712	30,672
Per boe (\$)	3.74	3.42	3.62	3.72

Pipestone Energy has entered into various firm service contracts to transport its current and future expected production volumes. Transportation expense primarily consists of tolls on the Pembina Peace, NGTL and Alliance pipeline systems. Pipestone Energy incurs transportation charges on the sales volumes that it delivers to specified sales hubs that are beyond its third-party processing facilities under committed agreements.

Transportation expense for the three and nine months ended September 30, 2023 was \$11.7 million and \$33.7 million, respectively, compared to \$10.1 million and \$30.7 million, respectively, for the same periods in 2022.

The rise in transportation expense for the three and nine months ended September 30, 2023 was due to the increase in production volumes for the three and nine months ended September 30, 2023 of 6% and 13%, respectively compared to the same periods in 2022. This has been partially offset by the Company meeting its current minimum take-or-pay committed volumes, thirteenth month credit adjustments received and a larger portion of the increased natural gas production volumes being directed on AECO transportation which bears significantly lower toll fees than volumes delivered to the U.S. via the Alliance Pipeline system. This has led to a reduction in the transportation expense on a per boe basis of \$0.10 or 3% during the nine months ended September 30, 2023 compared to 2022. See the “Benchmark Pricing” section of this MD&A for more details.

Risk Management

Pipestone Energy’s commodity price risk management program is designed to reduce cash flow volatility, enhance certainty on funding available for the Company’s capital expenditure program, servicing debt and shareholder return strategies such as dividends and share buybacks.

Mitigation of cash flow volatility is an integral component of the Company’s business strategy. Business conditions are monitored regularly and reviewed with the Company’s board of directors to establish risk management guidelines used by management in carrying out the Company’s strategic risk management program.

Pipestone Energy utilizes fixed price swaps and product differential hedging structures. To date, Pipestone Energy has entered hedges with respect to benchmark WTI, AECO and EdCon. Price and volume targets for the Company’s hedge portfolio are established based on macro supply and demand fundamental analysis, Pipestone Energy’s future production expectations and target development rates.

The Company has elected not to use hedge accounting and accordingly, the fair value of the commodity risk management contracts is recorded at each period-end. The fair value may change substantially from period to period depending on commodity forward strip prices for the contracts outstanding at the date of the statement of financial position. The change in fair value from period-end to period-end is reflected in profit or loss for that period. As such, if benchmark prices rise during the period, the Company records a loss based on the change in price multiplied by the volume hedged. If benchmark prices fall during the period, the Company records a gain. The prices used to record the actual gain or loss are subject to an adjustment for volatility. Pipestone Energy’s financial results should be viewed with the understanding that the estimated future gain or loss on risk management contracts is recorded in the current period’s profit or loss, while the estimated future value of the underlying physical sales is not.

Commodity risk management contracts

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Realized gain (loss) on commodity risk management contracts (<i>\$ thousands</i>)				
Crude Oil	(759)	(4,477)	2,619	(27,831)
Natural gas	874	(2,959)	9,302	(21,279)
Condensate	-	-	-	(10)
Total	115	(7,436)	11,921	(49,120)
Per boe (\$)	0.04	(2.52)	1.28	(5.96)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Unrealized (loss) gain on commodity risk management contracts (\$ thousands)				
Crude oil	(6,104)	10,101	(3,806)	3,144
Natural gas	(996)	3,872	(5,402)	2,264
Condensate	-	-	-	(17)
Total	(7,100)	13,973	(9,208)	5,391
Per boe (\$)	(2.26)	4.73	(0.99)	0.65

As a result of weakened commodity prices primarily in the first half of 2023, the Company incurred a realized gain on commodity risk management contracts of \$0.1 million and \$11.9 million during the three and nine months ended September 30, 2023, respectively, compared to a realized loss of \$7.4 million and \$49.1 million, respectively, during the comparative periods in 2022. The realized gains on commodity risk management contracts in the current periods were primarily a result of settling WTI and AECO 5A fixed price swaps that were in-the-money due to the weakening of benchmark prices most notably in the first half of 2023. In the 2022 comparative periods, the realized losses incurred on both crude oil and natural gas contracts were a result of strengthened benchmark versus contracted swap prices.

During the three months ended September 30, 2023, the Company incurred an unrealized loss on commodity risk management contracts of \$7.1 million compared to an unrealized gain of \$14.0 million during the three months ended September 30, 2022. The unrealized loss on commodity risk management contracts in the current quarter was due primarily to the strengthening of benchmark WTI prices. During the nine months ended September 30, 2023, the Company incurred an unrealized loss on commodity risk management contracts of \$9.2 million compared to an unrealized gain of \$5.4 million during the nine months ended September 30, 2022. The unrealized loss on commodity risk management contracts in the current period was due to the settlement of in-the-money positions and derecognizing the associated risk management contract assets.

The Company had the following commodity risk management contracts at September 30, 2023:

Term	C\$ WTI swaps ⁽¹⁾⁽²⁾		AECO 5A swaps ⁽¹⁾⁽²⁾	
	bbls/d	C\$/bbl	GJ/d	C\$/GJ
Oct. – Dec. '23	2,750	108.96	2,083	3.98
Jan. – Mar. '24	2,000	111.45	-	-
Apr. – Jun. '24	1,750	109.89	-	-

(1) Weighted-average volumes and prices are presented.

(2) WTI refers to the West Texas Intermediate crude oil price and AECO refers to the Alberta Energy Company natural gas price (5A is a simple average of the daily spot prices).

Interest rate risk management contracts

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Realized gain (loss) on interest rate risk management contracts (\$ thousands)	\$ -	\$ 268	\$ 642	\$ (4)
Per boe (\$)	-	0.09	0.07	(0.00)
Unrealized gain (loss) on interest rate risk management contracts (\$ thousands)	-	21	(634)	1,498
Per boe (\$)	-	0.01	(0.07)	0.18

The Company had a floating-to-fixed interest rate swap in place with one of its lenders which ended on March 31, 2023. Due to both the Company's bank debt and the swap being held with the same lending institution, the realized portion of the interest rate risk management contract is recorded as a financing expense.

During the three and nine months ended September 30, 2023, the Company incurred a realized gain on interest rate risk management contracts of \$Nil and \$0.6 million, respectively, compared to a realized gain of \$0.3 million and a realized loss of \$4 thousand, respectively, for the comparative periods in 2022. The realized gain in 2023 was due to rising interest rates throughout 2022 and into Q1 2023 which caused the previous liability associated with the interest rate swap contract to convert into an asset. In Q1 2023, the Company collected payments upon settlement of this position rather than owing them in the comparative quarter.

During the three and nine months ended September 30, 2023, the Company recognized an unrealized loss on interest rate risk management contracts of \$Nil and \$0.6 million, respectively, compared to an unrealized gain of \$21 thousand and \$1.5 million, respectively, during the same periods in 2022. The unrealized loss in 2023 was a result of the offsetting impact to the realized gain settled and the associated removal of the interest rate risk management contract asset recognized in Q1 2023. In the 2022 comparative periods, the unrealized gains were a result of interest rate curves rising steadily throughout the year, resulting in an interest rate risk management asset at September 30, 2022, and settlements made.

General and Administrative Expense

(\$ thousands, except per boe amounts)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Gross G&A expense	2,930	4,299	11,236	11,210
Capitalized G&A	(922)	(850)	(2,787)	(2,494)
Overhead recoveries	(97)	(230)	(551)	(491)
G&A expense	1,911	3,219	7,898	8,225
Per boe (\$)	0.61	1.09	0.85	1.00

G&A expenses primarily consist of the Company's overhead costs incurred to support its ongoing operations and planned future operations. Capitalized G&A is directly attributable to the development of the Pipestone assets. Overhead recoveries relate to amounts charged to partners for their portion of operating as well as capital program administration costs. Capitalized G&A and overhead recoveries are consistent with industry practice. In the three and nine months ended September 30, 2023, Pipestone

Energy capitalized 31% and 25% of gross G&A expenses, respectively, compared to 20% and 22% in the same periods for 2022.

During the three and nine months ended September 30, 2023, the Company's gross G&A expenses were \$2.9 million and \$11.2 million, respectively, compared to \$4.3 million and \$11.2 million, respectively, for the same periods in 2022. The Company's gross G&A expense decreased in the three and nine months ended September 30, 2023 due primarily to less spending following the announcement of the Arrangement and the reversal of costs previously accrued that will no longer be incurred.

Share-Based Compensation

(\$ thousands, except per boe amounts)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Non-cash share-based compensation	(9,265)	1,447	(6,534)	3,229
Cash share-based compensation	14,733	-	14,733	4,295
Total share-based compensation	5,468	1,447	8,199	7,524
Per boe (\$)	1.74	0.49	0.88	0.91

Share-based compensation relates to stock options, PSUs and RSUs granted to officers and employees. Share-based compensation also includes the employer matching portion of contributions made to the employee share purchase plan ("ESPP") for common shares that are issued out of treasury. Share-based compensation paid to directors of the Company only includes RSUs.

During the three and nine months ended September 30, 2023, the Company incurred share-based compensation expense of \$5.5 million and \$8.2 million, respectively, compared to \$1.4 million and \$7.5 million, respectively, for the comparative periods in 2022.

The increase in share-based compensation in the current periods was due to the cash settlement of all remaining equity awards in connection with the Arrangement partially offset by the recovery of non-cash share-based compensation expense previously recognized. The vesting of any previously unvested awards was accelerated upon the change of control that occurred due to the acquisition of Pipestone Energy by Strathcona Predecessor.

519,534 RSUs and 1,132,632 PSUs were cash settled for \$3.5 million and terminated. A payout multiplier of 0.87x, in the case of PSUs, and preceding 5-day volume weighted average trading price of Pipestone Energy common shares on the TSX from the vesting date of \$2.33 per share was applied in determining the cash equivalent value of the awards.

2,090,203 RSUs, 2,093,065 PSUs and 2,446,492 stock options were cash settled for \$11.2 million and terminated. A payout multiplier of 1.00x, in the case of PSUs, and preceding 5-day volume weighted average trading price of Pipestone Energy common shares on the TSX from the vesting date of \$2.42 per share was applied in determining the cash equivalent value of the awards. There were 1,372,746 stock options with a weighted-average exercise price of \$1.61 that were considered in-the-money and cash settled for the profit margin. The remaining 1,073,746 stock options were out-of-the-money with a weighted-average exercise price of \$3.77 and were forfeited / cancelled.

At September 30, 2023, there were no equity compensation units outstanding following the cash-settlements of all remaining awards. The amount of non-cash share-based compensation expense and contributed surplus balance recognized historically was reversed in the three and nine months ended September 30, 2023, upon the cash settlement. The equity awards were originally expected to be settled in common shares. However, as a result of the Arrangement, the award terms were altered and

surrendered for cash equivalent values. As such, the fair value and corresponding expense that was recognized over the original vesting period of the awards was reversed and the cash value settled has been recognized in the three and nine months ended September 30, 2023.

Depletion and Depreciation (“D&D”) Expense

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Depletion (\$ thousands)	32,309	18,383	95,970	51,255
Per boe (\$)	10.30	6.22	10.30	6.22
Depreciation – ROU lease assets (\$ thousands)	3,158	2,365	9,433	7,207
Per boe (\$)	1.01	0.80	1.01	0.87
Depreciation – Corporate assets (\$ thousands)	18	18	54	54
Per boe (\$)	0.01	0.01	0.01	0.01
Total D&D expense (\$ thousands)	35,485	20,766	105,457	58,516
Per boe (\$)	11.31	7.03	11.32	7.10

D&D expenses primarily consist of depletion of Company liquids and natural gas properties on a unit-of-production basis over total proved plus probable (“2P”) reserves before royalties. The unit-of-production rate takes into account expenditures incurred to date, together with estimated future development expenditures required to develop those 2P reserves. This rate, calculated at a component level, is then applied to Pipestone Energy’s production volume to determine depletion in a given period. Management believes that this method of calculating depletion expense over each boe is equivalent with its proportionate share of the cost of capital invested over the total estimated life of the related asset as represented by 2P reserves.

Future development costs included in the depletion rate calculation at September 30, 2023 were \$1,477 million (September 30, 2022 – \$988.7 million). The 2023 depletion rate associated with 2P reserves has increased compared to 2022 due to a combination of factors. 2P future development costs have increased to incorporate capital cost inflation expectations, increased average drilling and completion scope, as well as incremental facilities capital. Technical revisions were also made to the Company’s 2P reserves reflecting reduced expected well productivity which caused a decrease in 2P volumes for 2023. In the three and nine months ended September 30, 2023, the depletion rate increased by \$4.08 per boe or 66% compared to the same periods in 2022.

D&D expense also includes depreciation of the Company’s right-of-use (“ROU”) lease assets on a straight-line basis over the respective lease terms and corporate assets.

During the three and nine months ended September 30, 2023, the Company incurred D&D expenses of \$35.5 million and \$105.5 million, respectively, compared to \$20.8 million and \$58.5 million, respectively, for the comparative periods in 2022. The increase in D&D expense for the three and nine months ended September 30, 2023 was due to the Company’s production growth over the same periods in 2022 combined with a higher depletion rate per boe recognized in the current periods. The Company’s depreciation on ROU lease assets also increased in 2023 from the comparative periods as a result of ROU lease asset additions which were recognized in late 2022 that increased the depreciable ROU asset balance for 2023.

Transaction Costs

(\$ thousands, except per boe amounts)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Transaction costs	14,613	-	14,613	-
Per boe (\$)	4.66	-	1.56	-

In relation to the Arrangement, the Company incurred transaction costs for the three and nine months ended September 30, 2023 of \$14.6 million compared to \$Nil for the same periods in 2022. The transaction costs in the current quarter relate primarily to banker fees, legal services, special meeting costs, printing and mailing of the circular, run-off insurance, other professional services and change of control payments made to officers as a result of the Arrangement.

Exploration and Evaluation (“E&E”) Expense

(\$ thousands, except per boe amounts)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
E&E	-	829	829	1,658
Per boe (\$)	-	0.28	0.09	0.20

During the three and nine months ended September 30, 2023, the Company incurred E&E expenses of \$nil and \$0.8 million compared to \$0.8 million and \$1.7 million for the comparative periods in 2022. The E&E expense recognized in 2023 was due to the expiry of 2.0 sections (518 hectares) of Montney mineral rights in Q1 2023. In the 2022 comparative period there were four sections (1,036 hectares) of Montney mineral rights that expired.

The sections of undeveloped land that expired in 2023 were located on acreage to the east of the Company’s current development.

Financing Expense

(\$ thousands, except per boe amounts)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Lease liabilities interest expense	2,884	2,378	8,812	7,265
Interest on bank debt	3,076	2,027	6,826	5,554
Letter of credit (refund) fees	(147)	123	94	343
Standby and bank charges	145	237	801	659
Cash financing expense	5,958	4,765	16,533	13,821
Amortization of bank debt issuance costs	582	237	1,037	522
Accretion on decommissioning provisions	122	92	350	235
Preferred share dividends paid in kind	-	1,276	-	3,769
Accretion of preferred share discount	-	101	-	263
Amortization of preferred share issuance costs	-	61	-	162
Non-cash financing expense	704	1,767	1,387	4,951
Total financing expense	6,662	6,532	17,920	18,772
Cash financing expense, per boe (\$)	1.90	1.61	1.77	1.68
Non-cash financing expense, per boe (\$)	0.22	0.60	0.15	0.60

Interest on bank debt is the amount charged by Pipestone Energy's lending institutions.

Lease liabilities interest expense pertains to the interest rate implicit in the Company's leases or, if that rate cannot be determined, the Company's incremental borrowing rate. The interest rate applicable to each lease is applied to the lease liability and applied to each lease payment.

Accretion expense is recognized on the Company's decommissioning provision balance.

Amortization of bank debt issuance costs relates to the fees paid on Pipestone Energy's bank debt, amendments and renewals.

Other non-cash financing expenses in the comparative period relate to the Company's convertible preferred share dividends that were paid in-kind, accretion of discount and amortization of issuance costs relating to such preferred shares.

During the three and nine months ended September 30, 2023, the Company incurred total financing expenses of \$6.7 million and \$17.9 million, respectively, compared to \$6.5 million and \$18.8 million, respectively, for the comparative periods in 2022. The decrease in financing expense was due to the absence of the convertible preferred shares and associated non-cash expenses partially offset by lease liability additions that took place in late 2022 resulting in greater lease interest expense being recognized on lease payments made in 2023.

Income Tax

The deferred income tax recovery was \$1.9 million in the three months ended September 30, 2023 and the deferred income tax expense was \$13.2 million in the nine months ended September 30, 2023, compared to a deferred income tax expense of \$18.1 million and \$50.8 million, respectively, for the comparative periods in 2022. The deferred income tax expense in the nine months ended September 30, 2023 is a result of the Company continuing to generate taxable income and consuming available tax pools, which is outpacing the replacement of resource tax pools. In the three months ended September 30, 2023, a deferred income tax recovery was recognized as a result of the additional expenditures incurred and associated tax pools in connection with the Arrangement.

Supplemental Information

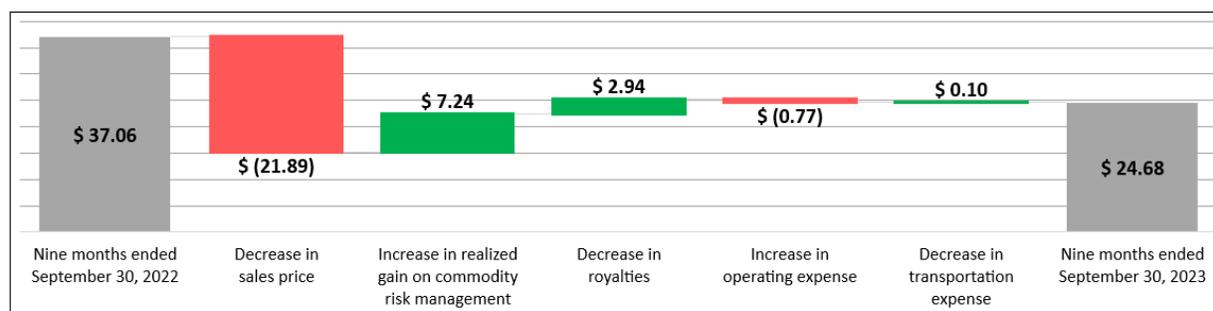
The following table and charts summarize key financial and operating information for the periods indicated.

Netback Analysis

(\$/boe)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Average sales price of liquids and natural gas	\$ 42.94	\$ 59.05	\$ 43.47	\$ 65.36
Realized gain (loss) on commodity risk management contracts	0.04	(2.52)	1.28	(5.96)
Royalties	(2.19)	(7.75)	(3.14)	(6.08)
Operating expense	(12.86)	(13.48)	(13.31)	(12.54)
Transportation expense	(3.74)	(3.42)	(3.62)	(3.72)
Operating netback per boe ⁽¹⁾	24.19	31.88	24.68	37.06
G&A expense	(0.61)	(1.09)	(0.85)	(1.00)
Cash financing expense	(1.90)	(1.61)	(1.77)	(1.68)
Realized gain (loss) on interest rate risk management contracts	-	0.09	0.07	-
Adjusted funds flow per boe ⁽¹⁾	21.68	29.27	22.13	34.38
Non-cash financing expense	(0.22)	(0.60)	(0.15)	(0.60)
Share-based compensation	(1.74)	(0.49)	(0.88)	(0.91)
D&D expense	(11.31)	(7.03)	(11.32)	(7.10)
Transaction costs	(4.66)	-	(1.56)	-
E&E expense	-	(0.28)	(0.09)	(0.20)
Unrealized gain (loss) on commodity risk management contracts	(2.26)	4.73	(0.99)	0.65
Unrealized gain (loss) on interest rate risk management contracts	-	0.01	(0.07)	0.18
Deferred income tax recovery (expense)	0.62	(6.13)	(1.42)	(6.16)
Income (loss) per boe	2.11	19.48	5.65	20.24

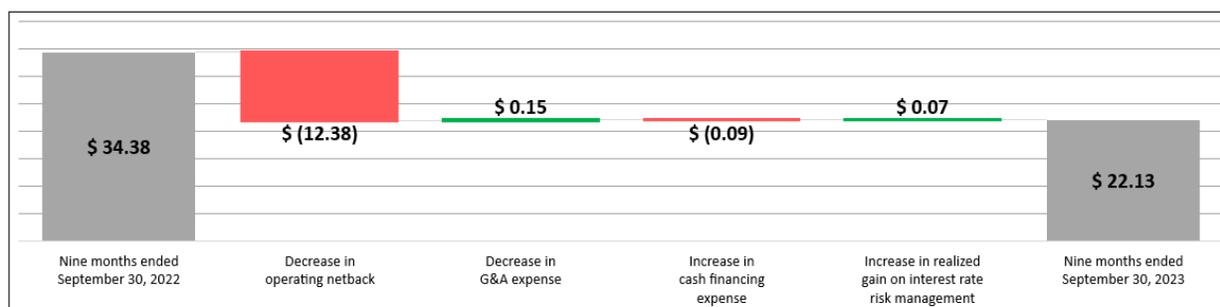
(1) See "Specified financial measures" section of this MD&A for description.

Operating netback⁽¹⁾ reconciliation - per boe (C\$)



The operating netback⁽¹⁾ per boe decreased by \$12.38/boe (\$24.68/boe in 2023 compared to \$37.06/boe in 2022) in the nine months ended September 30, 2023 compared to 2022 due to weaker commodity pricing realized across all product types and higher operating expenses, partially offset by realized gains on commodity risk management contracts. The decrease in operating netback⁽¹⁾ was also partially offset by lower royalties and transportation expense per boe incurred in the current quarter.

Adjusted funds flow⁽¹⁾ reconciliation - per boe (C\$)



(1) See “Specified financial measures” section of this MD&A for description.

The adjusted funds flow⁽¹⁾ per boe decreased in the nine months ended September 30, 2023 compared to 2022 by \$12.25/boe (\$22.13/boe in 2023 compared to \$34.38/boe in 2022) primarily as a result of the reduced operating netback⁽¹⁾ partially offset by reduced G&A expense and realized gains on interest rate hedging, due to rising interest rates. Financing expenses per boe remained relatively consistent period over period.

Selected Quarterly Information

Three months ended	Sept. 30, 2023	June 30, 2023	March 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	March 31, 2022	Dec. 31, 2021
Financial								
(CAD\$ thousands, except where otherwise noted)								
Total liquids and natural gas revenue	134,686	121,346	149,009	185,405	174,440	210,380	153,530	137,264
Cash from operating activities	50,207	40,957	78,000	96,119	89,075	129,599	64,012	71,810
Income and comprehensive income	6,545	15,240	30,882	53,437	57,533	82,095	27,052	51,307
Per share,								
basic (\$)	0.02	0.05	0.11	0.20	0.31	0.43	0.14	0.27
diluted (\$)	0.02	0.05	0.11	0.19	0.21	0.29	0.10	0.18
Capital expenditures, including capitalized G&A	54,491	64,845	107,496	29,603	60,375	77,790	77,959	39,219
Total assets (end of quarter)	1,190,407	1,185,494	1,160,405	1,098,033	1,064,129	1,014,395	966,375	886,168
Working capital deficit (end of quarter)	(32,057)	(38,666)	(58,165)	(21,232)	(132,808)	(87,824)	(69,414)	(44,515)
Bank debt (end of quarter)	178,936	137,683	98,133	105,095	130,694	123,203	177,925	171,866
Shareholders' equity (end of quarter)	713,181	724,247	715,925	683,473	560,123	514,140	445,550	423,639
Weighted-average basic shares outstanding (000s)	279,695	279,568	279,246	274,029	187,461	190,224	191,790	192,033
Weighted-average diluted shares outstanding (000s)	279,695	282,074	281,830	276,530	284,265	285,966	285,998	282,530
Operations								
Total production (boe/d)	34,093	33,143	35,162	33,816	32,109	30,770	27,581	28,623
Condensate and crude oil (% of total production)	28	28	29	30	28	28	29	30
Total liquids (% of total production)	40	41	41	42	40	41	43	44

Inherent to the nature of the oil and natural gas industry, fluctuations in Pipestone Energy’s quarterly sales of liquids and natural gas, adjusted funds flow from operations and income or loss are primarily caused by variations in production volumes, realized commodity prices and the related impact on royalties, realized and unrealized gains or losses on risk management contracts, changes in expenses and deferred income taxes. Please refer to the “Financial and Operating Results” section of this MD&A above for more information and explanations of these variances.

Share Capital

On October 3, 2023, immediately prior to the Arrangement, Pipestone Energy had 279.7 million common shares and no dilutive instruments outstanding. Pursuant to the Arrangement, Pipestone shareholders received 0.067967 common shares of Strathcona for each Pipestone common share held. As a result, the issued and outstanding Pipestone Energy common shares were converted into approximately 19.0 million Strathcona common shares upon completion of the Arrangement.

NCIB

On November 23, 2022, the Company announced the renewal of its Normal Course Issuer Bid (“**NCIB**”). The renewed NCIB allowed the Company to purchase for cancellation up to 13,936,907 common shares, representing 5.0% of its 278,738,148 common shares outstanding at November 14, 2022, over a period of twelve months commencing on November 25, 2022. The total number of common shares that Pipestone Energy was permitted to purchase for cancellation was subject to a daily limit of 156,214 common shares; however, the Company was permitted to make one block purchase per calendar week which exceeds the daily repurchase restriction. As of September 30, 2023 and since the renewal of the NCIB in November 2022, the Company has not made any further purchases for cancellation under its NCIB.

In the three months ended September 30, 2022, the Company purchased 3,150,000 common shares for cancellation at a weighted-average price of \$4.18 per share for total consideration of \$13.2 million, which includes related commissions and fees. In the nine months ended September 30, 2022, the Company purchased 7,460,700 common shares for cancellation at a weighted-average price of \$4.60 per share for total consideration of \$34.5 million. The total amount paid is charged against the Company’s share capital.

Since launching its inaugural NCIB in November 2021, Pipestone Energy has purchased and cancelled a total of 9,598,347 common shares at a weighted-average price of \$4.44 per share and total consideration of \$42.8 million.

Liquidity and Capital Resources

At September 30, 2023, the Company had available funding⁽¹⁾ of \$80.4 million (September 30, 2022 – \$99.2 million). Adjusted funds flow from operations for the three and nine months ended September 30, 2023 was \$68.0 million and \$206.2 million, respectively (three and nine months ended September 30, 2022 – \$86.5 million and \$283.2 million, respectively).

(1) See “Specified financial measures” section of this MD&A for description.

Adjusted Working Capital and Available Funding

(\$ thousands)	As at September 30,	
	2023	2022
	\$	\$
Current assets	59,432	75,431
Current liabilities	(91,489)	(208,239)
Working capital deficit	(32,057)	(132,808)
Less: current asset risk management contracts	-	(2,445)
Plus: current liability risk management contracts	2,600	1,493
Plus: current lease liabilities	8,786	6,630
Plus: current convertible preferred share obligation	-	77,590
Adjusted working capital deficit ⁽¹⁾	(20,671)	(49,540)
Plus: credit facility capacity ⁽²⁾	101,064	148,729
Available funding ⁽¹⁾	80,393	99,189

(1) See "Specified financial measures" section of this MD&A for description.

(2) At September 30, 2023, Pipestone Energy has a \$250.0 million syndicate borrowing facility forming part of the RBL (the "Senior Facility"), with \$155.0 million drawn against it, and a \$30.0 million bi-lateral operating facility forming the remaining portion of the RBL (the "Operating Line"), which is reduced by \$23.9 million of principal drawn.

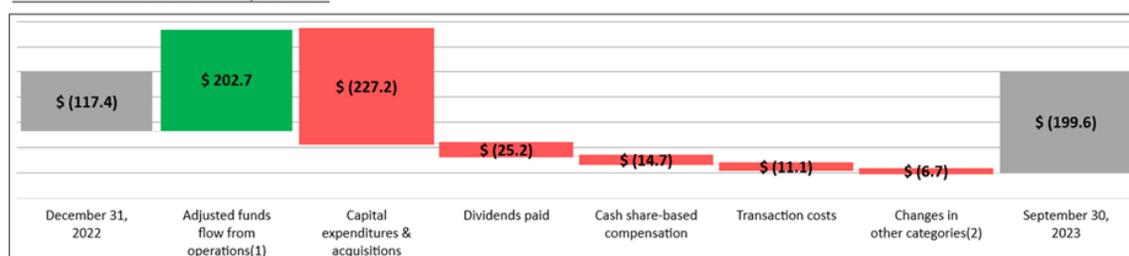
Net Debt

(\$ thousands)	As at September 30,	
	2023	2022
	\$	\$
Adjusted working capital deficit ⁽¹⁾	20,671	49,540
Bank debt	178,936	130,694
Net debt ⁽¹⁾	199,607	180,234

(1) See "Specified financial measures" section of this MD&A for description. Also see the table above for a reconciliation of adjusted working capital deficit to working capital deficit, which is the most directly comparable GAAP measure.

At September 30, 2023, Pipestone Energy's aggregate draw on its \$280.0 million RBL was \$178.9 million and its available funding, including the adjusted working capital deficit⁽¹⁾ of \$20.7 million, was \$80.4 million (September 30, 2022 – \$280.0 million RBL with aggregate draw of \$131.3 million and available funding, including the adjusted working capital deficit of \$49.5 million, was \$99.2 million).

Net debt⁽¹⁾ reconciliation - C\$ millions



(1) See "Specified financial measures" section of this MD&A for description.

(2) Changes in other categories includes the principal portion of lease payments, proceeds from the issuance of common shares under the employee purchase plan, proceeds from the exercise of stock options, amortization of bank debt issuance costs and decommissioning provision costs incurred.

Bank Debt

Reserve-based loan

On May 10, 2023, the Company re-determined its RBL. The total borrowing capacity of \$280.0 million (comprised of a \$250.0 million Senior Facility and \$30.0 million Operating Line) and the pricing grid remained unchanged, and the covenants of the credit facility were amended to allow for additional permitted distributions. Pipestone Energy was permitted to make limited distributions, which includes share repurchases under its NCIB and dividends, provided that (i) the aggregate amount of all such purchases made between any two scheduled borrowing base dates does not exceed \$30.0 million and (ii) upon such purchases being made, the net debt to EBITDA ratio of the Company (calculated on a *pro forma* basis, taking into account such purchases) would be less than 1.50:1.00. The Company was also permitted to make other permitted distributions (in excess of limited distributions), provided that (i) upon such other distribution being made, the net debt to EBITDA ratio of the Company (calculated on a *pro forma* basis) would be less than 1.50:1.00, (ii) the aggregate principal amount outstanding under the RBL, on a *pro forma* basis after giving effect to such other distribution, does not exceed 80% of the commitment amount and (iii) not less than 20% of the Company's average daily forecasted production of crude oil, condensate and natural gas (determined on a combined basis, and net of royalties) is hedged and subject to commodity swap contracts for the immediately following twelve month period. Collectively, the distributions cannot exceed \$100.0 million between scheduled borrowing base dates.

The maturity date for the RBL was extended to May 30, 2025. The borrowing base was based on the lenders' assessment of the Company's reserves and future commodity prices.

At September 30, 2023, the Company had \$155.0 million drawn against the Senior Facility (December 31, 2022 – \$104.0 million) and \$23.9 million drawn on the Operating Line (December 31, 2022 – \$1.5 million), or an aggregate draw on the RBL of \$178.9 million (December 31, 2022 – \$105.5 million).

The RBL was repaid in full in connection with the Arrangement.

As at September 30,	2023
	\$
RBL – portion drawn	178,936
Unamortized debt issuance costs	-
Balance, end of period	178,936

(1) See "Specified financial measures" section of this MD&A for description.

As at September 30, 2023, Pipestone Energy's applicable pricing included a 1.8 percent per annum margin on prime loans, a 2.8 percent per annum stamping fee and margin on bankers' acceptances along with a 0.7 percent per annum standby fee on the portion of the RBL that was not drawn. Borrowing margins and fees were reviewed annually as part of the bank syndicate's annual renewal. For the three and nine months ended September 30, 2023 borrowing costs averaged 9.1 percent and 8.8 percent, respectively (three and nine months ended September 30, 2022 – 6.4 percent and 5.4 percent, respectively).

Letter of credit facility

As at September 30, 2023, Pipestone Energy had a \$22.5 million unsecured letter of credit facility (the "EDC Letter of Credit Facility") under Export Development Canada's ("EDC") performance security guarantee program. At September 30, 2023, the Company had \$13.7 million of letters of credit issued and outstanding against the EDC Letter of Credit Facility (December 31, 2022 – \$13.7 million). Letters of credit

issued under the EDC Letter of Credit Facility did not impact Pipestone Energy's borrowing capacity under the RBL, and as such provided the Company with additional liquidity.

The EDC Letter of Credit Facility was repaid in full in connection with the Arrangement.

Capital Management

The Company's objective for managing capital is to maintain a strong balance sheet and available funding. Pipestone Energy manages its liquidity risk through its capital structure, cash flow forecasting, available credit and commodity hedging programs.

At September 30, 2023, the Company's net debt to annualized trailing nine months ended adjusted funds flow from operations ratio was 0.7 times (September 30, 2022 – 0.5 times).

The Company has no externally imposed formal capital requirements.

On August 9, 2023, the Company's board of directors declared its third quarterly dividend of \$0.030 per common share, which was paid on September 29, 2023, to shareholders of record at the close of business on September 15, 2023.

On May 10, 2023, the Company's board of directors declared a second quarterly dividend of \$0.030 per common share, which was paid on June 30, 2023, to shareholders of record at the close of business on June 15, 2023.

On November 9, 2022, the Company's board of directors declared an inaugural quarterly dividend of \$0.030 per common share, which was paid on March 31, 2023, to shareholders of record at the close of business on March 15, 2023.

The Company reviews the appropriateness of dividends on a quarterly basis taking into account, among other considerations, the applicable solvency requirements under corporate legislation.

(\$ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Adjusted funds flow from operations ⁽¹⁾	\$ 67,974	\$ 86,466	\$ 206,214	\$ 283,221
Annualized trailing period adjusted funds flow from operations ⁽¹⁾⁽²⁾	271,896	345,864	274,952	377,628
Net debt ⁽¹⁾	199,607	180,234	199,607	180,234
Net debt to annualized adjusted funds flow from operations for the trailing period ⁽¹⁾	0.7x	0.5x	0.7x	0.5x

(1) See "Specified financial measures" section of this MD&A for description.

(2) Annualized factor 4x for the three months ended September 30, 2023 and 2022. Annualized factor 1.33x for the nine months ended September 30, 2023 and 2022.

The net debt to adjusted funds flow from operations ratio provides useful information to investors and management as it represents the time period in years that it would take Pipestone Energy to repay its net debt if no further capital expenditures and shareholder distributions, such as dividends and share buybacks, were incurred and if adjusted funds flow from operations remained constant.

Commitments and Contingencies

The following is a summary of when Pipestone Energy's financial liabilities and commitments become due at September 30, 2023:

	2023	2024	2025	2026	2027	Thereafter	Total
	\$	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	80,103	-	-	-	-	-	80,103
Bank debt ⁽¹⁾	-	-	178,936	-	-	-	178,936
Lease payments ⁽²⁾	4,900	19,590	18,906	18,984	19,088	80,439	161,907
Gathering agreements	3,412	12,251	12,245	12,245	12,245	22,358	74,756
Processing agreements	10,046	40,104	40,142	40,290	40,438	102,442	273,462
Transport agreements	8,435	32,658	30,270	30,282	29,897	130,786	262,328
Total	106,896	104,603	280,499	101,801	101,668	336,025	1,031,492

(1) Excludes future interest payable on bank debt balances drawn as these amounts are variable and indeterminable.

(2) Represents total undiscounted future lease payments due. Includes \$60.9 million of lease interest expense and \$101.0 million of lease liability principal.

Financial and lease liabilities are recognized on the Company's consolidated statement of financial position. Lease liabilities are recorded at their net present value. The gathering commitments, processing commitments, transportation commitments and interest on the lease liabilities are off-balance sheet arrangements in accordance with IAS 1, Presentation of Financial Statements. The amounts disclosed represent future expenses that will be payable by Pipestone Energy as part of its normal, ongoing operations.

Critical Accounting Judgments, Estimates and Policies

The Company's critical accounting judgements, estimates and policies are described in notes 2 and 3 to the December 31, 2022 annual consolidated financial statements and in notes 2 and 3 to the September 30, 2023 interim condensed consolidated financial statements. Certain accounting policies are identified as critical because they require management to make judgments and estimates based on conditions and assumptions that are inherently uncertain, and because the estimates are of material magnitude to revenue, expenses, adjusted funds flow from operations,⁽¹⁾ income or loss and/or other important financial results. These accounting policies could result in materially different results should the underlying conditions change or the assumptions prove incorrect.

Critical accounting estimates are those requiring management to make particularly subjective or complex judgments about inherently uncertain matters. Estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to accounting estimates are recognized in the same period. Management's assumptions are based on factors that, in management's opinion, are relevant and appropriate and may change over time as operating conditions change.

Pipestone Energy's financial and operating results may incorporate certain estimates including:

- revenues, royalties and operating expenses on production as at a specific reporting date but for which actual revenues and expenses have not yet been received;
- expenditures on property, plant and equipment on projects that are in progress;
- depletion and depreciation expense that is based on estimates of oil and gas reserves that the Company expects to recover in the future, commodity prices, estimated future salvage values and estimated future capital costs;

(1) See "Specified financial measures" section of this MD&A for description.

- fair values of risk management contracts that are subject to fluctuation depending upon the underlying commodity prices and foreign exchange rates;
- value of decommissioning liabilities that are dependent upon estimates of future costs, timing of expenditures and the risk-free rate;
- estimate of deferred income taxes requiring interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment;
- share-based compensation expense using the Black-Scholes option pricing model; and
- recoverable amount of the Company's liquids and natural gas assets that are based on estimated 2P oil and natural gas reserves, production rates, benchmark commodity prices, future costs, discount rates and other relevant assumptions.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Company is required to comply with National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*. This instrument requires Pipestone to disclose in its interim MD&A any weaknesses in or changes to the Company's internal control over financial reporting during the period that may have materially affected, or are reasonably likely to materially affect, Pipestone's internal controls over financial reporting. During the three and nine months ended September 30, 2023, no such weaknesses were identified in, or changes were made to, Pipestone's internal controls over financial reporting.

Specified financial measures

This MD&A includes references to financial measures and ratios commonly used in the oil and natural gas industry. The terms "adjusted funds flow from operations", "operating netback", "available funding", "adjusted working capital", "free cash flow", "net debt", "adjusted EBITDA", "CROIC" and "ROCE" do not have a standardized meaning under IFRS, which have been incorporated into Canadian GAAP, as set out in Part 1 of the *Chartered Professional Accountants Canada Handbook – Accounting*, are not separately defined under GAAP, and may not be comparable with similar measures presented by other companies.

Management believes the presentation of the non-GAAP measures provide useful information to investors and shareholders as the measures provide increased transparency and the opportunity to better analyze and compare performance against prior periods.

Adjusted funds flow from operations

Pipestone Energy uses "adjusted funds flow from operations" (cash from operating activities before changes in non-cash working capital, cash share-based compensation, decommissioning provision costs incurred and transaction costs, if applicable) and "adjusted funds flow from operations per share", measures that are not defined under IFRS. Adjusted funds flow from operations should not be considered an alternative to, or more meaningful than, cash from operating activities, income (loss) or other measures determined in accordance with IFRS as an indicator of the Company's performance. Management uses adjusted funds flow from operations to analyze operating performance and leverage and believes it is a useful supplemental measure as it provides an indication of the funds generated by Pipestone Energy's principal business activities prior to consideration of changes in working capital, decommissioning provision costs incurred, cash share-based compensation and transaction costs.

The following table reconciles cash from operating activities, the most directly comparable GAAP financial measure, to adjusted funds flow from operations:

(\$ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Cash from operating activities	50,207	89,075	169,164	282,686
Change in non-cash working capital	(11,703)	(2,609)	7,505	(3,760)
Cash share-based compensation	14,733	-	14,733	4,295
Decommissioning provision costs incurred	124	-	199	-
Transaction costs	14,613	-	14,613	-
Adjusted funds flow from operations	67,974	86,466	206,214	283,221

Operating netback and adjusted funds flow

Operating netback is calculated on either a total dollar or per-unit-of-production basis and is determined by deducting royalties, operating and transportation expense from liquids and natural gas sales adjusted for realized gains/losses on commodity risk management contracts.

The following table details the calculation of operating netback on a total dollar basis:

(\$ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Sales of liquids and natural gas	134,686	174,440	405,041	538,350
Realized gain (loss) on commodity risk management contracts	115	(7,436)	11,921	(49,120)
Royalties	(6,870)	(22,891)	(29,279)	(50,038)
Operating expense	(40,349)	(39,831)	(123,968)	(103,249)
Transportation expense	(11,739)	(10,100)	(33,712)	(30,672)
Operating netback	75,843	94,182	230,003	305,271

The following table reconciles cash from operating activities, the most directly comparable GAAP financial measure, to operating netback and adjusted funds flow:

(\$ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Cash from operating activities	50,207	89,075	169,164	282,686
Change in non-cash working capital	(11,703)	(2,609)	7,505	(3,760)
G&A expense	1,911	3,219	7,898	8,225
Cash share-based compensation	14,733	-	14,733	4,295
Cash financing expense	5,958	4,765	16,533	13,821
Decommissioning provision costs incurred	124	-	199	-
Realized (gain) loss on interest rate risk management contracts	-	(268)	(642)	4
Transaction costs	14,613	-	14,613	-
Operating netback	75,843	94,182	230,003	305,271
G&A expense	1,911	3,219	7,898	8,225
Cash financing expense	5,958	4,765	16,533	13,821
Realized (gain) loss on interest rate risk management contracts	-	(268)	(642)	4
Adjusted funds flow	67,974	86,466	206,214	283,221

Adjusted funds flow is a non-GAAP ratio that reflects adjusted funds flow from operations on a per-unit-of-production basis and is determined by dividing adjusted funds flow from operations by total production on a per-boe basis. Adjusted funds flow can also be determined by deducting G&A, cash financing expense and adjusting for realized gains/losses on interest rate risk management contracts on a per-unit-of-production basis from the operating netback. Refer to “*Financial and Operating Results*” and “*Netback Analysis*” sections above for further details on the inputs and calculation of operating netback and adjusted funds flow netback on a per-unit-of-production basis.

Operating netback and adjusted funds flow netback are common metrics used in the oil and natural gas industry and are used by the Company’s management to measure operating results on a per boe basis to better analyze and compare performance against prior periods, as well as formulate comparisons against peers. These measures should not be considered an alternative to or more meaningful than cash from operating activities defined under IFRS.

Adjusted working capital and available funding

Adjusted working capital is a non-GAAP measure and is comprised of current assets less current liabilities on the Company’s consolidated statement of financial position and excludes the current portion of risk management contracts and lease liabilities. Adjusted working capital should not be considered an alternative to, or more meaningful than, working capital as defined under IFRS. Available funding is comprised of adjusted working capital and undrawn portions of the Company’s RBL. The adjusted working capital and available funding measures allow management and others to evaluate the Company’s short-term liquidity. Also refer to the “*Liquidity and Capital Resources*” section of this MD&A for additional information and reconciliations.

Free Cash Flow

Free cash flow should not be considered an alternative to, or more meaningful than, cash from operating activities as determined in accordance with IFRS as an indicator of financial performance. Free cash flow is presented to assist management and investors in analyzing operating performance by the business and how much cash flow is available for deleveraging and / or shareholder returns in the stated period after capital expenditures have been incurred. Free cash flow equals cash from operating activities plus the change in non-cash working capital, decommissioning provision costs incurred, cash share-based compensation and transaction costs less capital expenditures.

The following table reconciles cash from operating activities to free cash flow:

(\$ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Cash from operating activities	50,207	89,075	169,164	282,686
Change in non-cash working capital	(11,703)	(2,609)	7,505	(3,760)
Cash share-based compensation	14,733	-	14,733	4,295
Transaction costs	14,613	-	14,613	-
Capital expenditures	(54,491)	(60,375)	(226,832)	(216,124)
Decommissioning provision costs incurred	124	-	199	-
Free cash flow (deficit)	13,483	26,091	(20,618)	67,097

Net debt (cash)

Net debt (cash) is a capital management measure that equals bank debt outstanding plus adjusted working capital deficit and excluding dividends payable. Net debt is considered to be a useful measure in assisting management and investors to evaluate Pipestone Energy's financial strength. Also refer to the "Liquidity and Capital Resources" section of this MD&A for additional information and reconciliations.

Adjusted EBITDA, CROIC and ROCE

Adjusted EBITDA is a non-GAAP financial measure and is calculated as profit or loss before interest, income taxes, depletion and depreciation, adjusted for other non-cash and extraordinary items including unrealized gains and losses on risk management contracts, realized gains and losses on interest rate risk management contracts, share-based compensation, E&E expense and transaction costs. Adjusted EBITDA is considered a useful measure by management to understand and compare the profitability of Pipestone Energy to other companies excluding the effects of capital structure, taxation and depreciation. Adjusted EBITDA is not defined under IFRS and therefore may not be comparable with the calculation of similar measures by other entities and should not be considered an alternative to, or more meaningful than, income (loss) and comprehensive income (loss). Adjusted EBITDA is also used to calculate CROIC. Adjusted EBIT is calculated as adjusted EBITDA less depletion and depreciation. Adjusted EBIT is used to calculate ROCE.

The following table reconciles income (loss) and comprehensive income (loss), the most directly comparable GAAP financial measure, to adjusted EBITDA:

(\$ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Net income and comprehensive income	6,545	57,533	52,667	166,680
Deferred income tax expense (recovery)	(1,941)	18,118	13,220	50,781
Financing expense	6,662	6,532	17,920	18,772
D&D expense	35,485	20,766	105,457	58,516
Transaction costs	14,613	-	14,613	-
Share-based compensation	5,468	1,447	8,199	7,524
Unrealized (gain) loss on commodity risk management contracts	7,100	(13,973)	9,208	(5,391)
Unrealized (gain) loss on interest rate risk management contracts	-	(21)	634	(1,498)
Realized (gain) loss on interest rate risk management contracts	-	(268)	(642)	4
E&E expense	-	829	829	1,658
Adjusted EBITDA	73,932	90,963	222,105	297,046

CROIC is determined by dividing annualized adjusted EBITDA by the gross carrying value of the Company's oil and gas assets at a point in time. For the purposes of the CROIC calculation, the net carrying value of the Company's exploration and evaluation assets, property and equipment and ROU assets, is taken from the Company's consolidated statement of financial position, and excludes accumulated depletion and depreciation as disclosed in the financial statement notes to determine the gross carrying value.

ROCE is determined by dividing annualized adjusted EBIT by the carrying value of the Company's net assets. For the purposes of the ROCE calculation, net assets are defined as total assets on the Company's consolidated statement of financial position less current liabilities at a point in time.

CROIC and ROCE allow management and others to evaluate the Company’s capital spending efficiency and ability to generate profitable returns by measuring profit or loss relative to the capital employed in the business. Also refer to the “*Liquidity and Capital Resources*” section of this MD&A for additional information.

The Company has calculated its CROIC and ROCE using annualized results for the three and nine months ended September 30, 2023 and balances as at September 30, 2023 and 2022 as follows:

(\$ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Adjusted EBITDA	\$ 73,932	\$ 90,963	\$ 222,105	\$ 297,046
Annualized Adjusted EBITDA ⁽¹⁾	295,728	363,852	296,140	396,061

(1) Annualized factor 4x for the three months ended September 30, 2023 and 2022. Annualized factor 1.33x for the nine months ended September 30, 2023 and 2022.

(\$ thousands)	As at September 30,	
	2023	2022
Exploration and evaluation (E&E) assets – gross carrying value	\$ 17,676	\$ 28,212
Property and equipment (P&E) – net carrying value	1,024,056	885,001
P&E – accumulated D&D	302,139	174,088
E&E assets and P&E – gross carrying value	1,343,871	1,087,301
ROU assets – net carrying value	89,243	75,485
ROU assets – accumulated depreciation	34,750	22,174
E&E, P&E and ROU assets – gross carrying value	1,467,864	1,184,960
Annualized CROIC (three months ended September 30)	20%	31%
Annualized CROIC (nine months ended September 30)	20%	33%

(\$ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Adjusted EBITDA	\$ 73,932	\$ 90,963	\$ 222,105	\$ 297,046
D&D expense	(35,485)	(20,766)	(105,457)	(58,516)
Adjusted EBIT	38,447	70,197	116,648	238,530
Annualized Adjusted EBIT ⁽¹⁾	153,788	280,788	155,531	318,040

(1) Annualized factor 4x for the three months ended September 30, 2023 and 2022. Annualized factor 1.33x for the nine months ended September 30, 2023 and 2022.

(\$ thousands)	As at September 30,	
	2023	2022
Total assets	\$ 1,190,407	\$ 1,064,129
Total current liabilities	(91,489)	(208,239)
Net Assets	1,098,918	855,890
Annualized ROCE (three months ended September 30)	14%	33%
Annualized ROCE (nine months ended September 30)	14%	37%

Oil and Gas Measures

Basis of barrel of oil equivalent

Petroleum and natural gas reserves and production volumes are stated as a “barrel of oil equivalent” (boe), derived by converting natural gas to oil equivalency in the ratio of 6,000 cubic feet of gas to one barrel of oil. Readers are cautioned that boe figures may be misleading, particularly if used in isolation. A boe conversion ratio of 6,000 cubic feet of gas to one barrel of oil is based on energy equivalency, which is primarily applicable at the burner tip, and does not represent a value equivalency at the wellhead.

Any reserves information included herein was prepared by an independent qualified reserves evaluator with an effective date of December 31, 2022 unless otherwise stated and are stated on a company gross basis (working interest before deduction of royalties without the inclusion of any royalty interest) unless otherwise noted. In addition to the information disclosed in this MD&A, more detailed information is included in Pipestone Energy’s annual information form for the year ended December 31, 2022, which is available on the Company’s website at www.pipestonecorp.com and on SEDAR+ at www.sedarplus.ca.

Production

References to natural gas and condensate production in this MD&A refer to the shale gas and natural gas liquids (which includes condensate), respectively, product types as defined in National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*. References to liquids include tight oil and natural gas liquids (including condensate, butane and propane).

See “*Financial and Operating Highlights*” section in this MD&A for production by product type in the periods disclosed.

Risk Factors

Management has identified the primary risk factors that could have a material impact on the financial results and operations of Pipestone Energy. Such risk factors are presented in the “*Risk Factors*” sections of Pipestone Energy’s management’s discussion and analysis and annual information form for the year ended December 31, 2022.

Forward-Looking Statements

This MD&A contains certain forward-looking statements. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could influence actual results or events and cause them to differ materially from those stated, anticipated or implied. Forward-looking statements necessarily involve risks including, without limitation, those associated with liquids and natural gas exploration, development, production, marketing and transportation, such as dry holes and non-commercial wells, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, production declines, health, safety and environmental risks, competition from other producers and the ability to access sufficient capital from internal and external sources. Forward-looking statements may include statements with words such as “anticipate”, “believe”, “expect”, “plan”, “intend”, “estimate”, “propose”, “project”, “scheduled”, or similar words suggesting future outcomes. Readers are cautioned not to place undue reliance on forward-looking statements as, by its nature, it is based on current expectations regarding future events that involve a number of assumptions, inherent risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Company.

In particular, but without limiting the foregoing, this document contains forward-looking statements pertaining to: amounts payable in respect of financial liabilities and commitments, including the timing thereof; the ability of the Company to manage its liquidity risk through its capital structure, cash flow,

available credit and commodity hedging programs and the Company's ability to meet its foreseeable liquidity requirements.

With respect to the forward-looking statements contained in this MD&A, Pipestone Energy has assessed material factors and made assumptions regarding, among other things: future commodity prices and currency exchange rates, including consistency of future oil, NGLs and natural gas prices with current commodity price forecasts; the Company's ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the predictability of future results based on past and current experience; the predictability and consistency of the legislative and regulatory regime governing royalties, taxes, environmental matters and oil and gas operations, both provincially and federally; the Company's ability to successfully market its production of oil, NGLs and natural gas; the timing and success of drilling and completion activities (and the extent to which the results thereof meet expectations); production levels and amount of future capital investment, and their consistency with development plans and budget; future capital expenditure requirements and the sufficiency thereof to achieve the Company's objectives; the successful application of drilling and completion technology and processes; the applicability of new technologies for recovery and production of Pipestone Energy's reserves and other resources, and their ability to improve capital and operational efficiencies in the future; the recoverability of Pipestone Energy's reserves and other resources; the ability to economically produce oil and gas from Pipestone Energy's properties and the timing and cost to do so; the performance of both new and existing wells; future cash flows from production; future sources of funding and the ability to obtain external financing when required and on acceptable terms; future debt levels; geological and engineering estimates in respect of Pipestone Energy's reserves and other resources; the accuracy of geological and geophysical data and the interpretation thereof; the geography of the areas in which Pipestone Energy conducts exploration and development activities; the timely receipt of required regulatory approvals; and the impact of industry competition.

The forward-looking statements contained herein reflect management's views, but the assessments and assumptions upon which they are based may prove to be incorrect. Although Pipestone Energy believes that its underlying assessments and assumptions are reasonable based on currently available information, undue reliance should not be placed on forward-looking statements, which are inherently uncertain, depend upon the accuracy of such assessments and assumptions, and are subject to known and unknown risks, uncertainties and other factors, both general and specific, many of which are beyond Pipestone Energy's control, that may cause actual results or events to differ materially from those indicated or suggested in the forward-looking statements. Such risks and uncertainties include, but are not limited to, volatility in market prices and demand for oil, NGLs and natural gas and hedging activities related thereto; general economic, business and industry conditions; variance of actual capital costs, operating costs and economic returns from those anticipated; the ability to find, develop or acquire additional reserves and the availability of the capital or financing necessary to do so on satisfactory terms; and risks related to the exploration, development and production of oil and natural gas reserves and resources. Additional risks, uncertainties and other factors are discussed under the heading "*Risk Factors*" and in Pipestone Energy's annual information form dated March 8, 2023, a copy of which is available electronically on SEDAR+ at www.sedarplus.ca.

The forward-looking statements contained in this document are made as of the date hereof and Pipestone Energy and Strathcona assume no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. All forward-looking statements herein are expressly qualified by this advisory.

Abbreviations

The following summarizes the abbreviations used in this document:

Crude Oil, Condensate and other Natural Gas Liquids		Natural Gas	
bbl	barrel	Mcf	thousand cubic feet
bbls/d	barrels per day	MMcf	million cubic feet
boe	barrel of oil equivalent	Mcf/d	thousand cubic feet per day
boe/d	barrel of oil equivalent per day	GJ	Gigajoule; 1 Mcf of natural gas is about 1.05 GJ
NGL	natural gas liquids, consisting of ethane (C ₂), propane (C ₃), butane (C ₄) and pentanes plus (C ₅ +) included with the NGL stream at the facility level	MMcf/d	million cubic feet per day
condensate	Pentanes plus (C ₅ +) separated at the field level		

Other Abbreviations	
Adjusted working capital	working capital (current assets less current liabilities), excluding financial derivative instruments and lease liabilities
AECO	the AECO Hub, a natural gas storage facility located in Suffield and Countess, Alberta, part of the NOVA Pipeline System
Alliance Pipeline	a natural gas pipeline running from northeastern British Columbia to Illinois, in the United States
C\$	Canadian dollars
Chicago Citygate	Chicago Index Futures natural gas price
COVID-19	Novel Coronavirus and its variants
Credit Agreement	the third amended and restated credit agreement dated June 12, 2020 and amendments thereto on April 30, 2021 between the Company and National Bank of Canada as administrative agent that outlines the specific terms and conditions of the RBL
CROIC	cash return on invested capital
D&D	depletion and depreciation
DC&P	Disclosure Controls and Procedures
DCE&T	drilling, completion, equip and tie-in
E&E	exploration and evaluation
EBIT	earnings before interest and taxes
EBITDA	earnings before interest, taxes, depreciation and amortization
EdCon	Edmonton Condensate
ESG	Environmental, Social & Governance
G&A	general and administrative
GAAP	generally accepted accounting principles
GCA	gas cost allowance
IAS	International Accounting Standard
IASB	International Accounting Standards Board
ICFR	internal controls over financial reporting
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
Keyera	Keyera Corp. and its affiliates
NGTL	Nova Gas Transmission Ltd. refers to a natural gas gathering system for the Western Canadian Sedimentary Basin
Pembina	Pembina Pipeline Corporation and its affiliates

Other Abbreviations	
Pembina Peace	the Pembina Peace natural gas liquids and condensate pipeline located in Alberta
PSU	performance share unit
Q1	first quarter ended March 31 st
Q2	second quarter ended June 30 th
Q3	third quarter ended September 30 th
ROCE	return on capital employed
ROU	right-of-use
RSU	restricted share unit
Sour Gas	natural gas containing H ₂ S in quantities greater than 100 ppm
swap	over-the-counter contracts relating to interest rates, foreign exchange or commodities. Entered into by the Company to reduce variability and manage risk via fixing that variable
Tidewater	Tidewater Midstream and Infrastructure Ltd. and its affiliates
TSX	Toronto Stock Exchange
US\$	United States dollars
WTI	West Texas Intermediate