

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian dollars, 000s)
(unaudited)

	Note	As at September 30, 2021	As at December 31, 2020
ASSETS			
Current assets			
Cash		12,802	7,878
Trade and other receivables	3	16,440	14,863
Prepaid expenses and deposits		2,396	2,484
Investments	4	255	-
Total current assets		31,893	25,225
Exploration and evaluation	6	7,908	8,731
Property, plant and equipment	7	233,089	254,943
Total assets		272,890	288,899
LIABILITIES			
Current liabilities			
Trade and other payables	3	31,306	27,275
Lease liabilities	8	1,093	1,120
Decommissioning provision	12	1,500	1,500
Total current liabilities		33,899	29,895
Lease liabilities	8	1,721	2,069
Due to related party	9	6,000	6,000
Subordinated promissory notes	10	6,000	6,000
Term debt	11	29,895	48,747
Decommissioning provision	12	230,961	233,505
Total liabilities		308,476	326,216
SHAREHOLDERS' DEFICIT			
Share capital	13	275,618	274,964
Warrants	13	-	288
Contributed surplus		15,126	14,540
Accumulated other comprehensive loss	4	(120)	-
Deficit		(326,210)	(327,109)
Total shareholders' deficit		(35,586)	(37,317)
Total liabilities and shareholders' deficit		272,890	288,899

Commitments (Note 16)

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME OR LOSS**

(Canadian dollars, 000s except per share data)

(unaudited)

		Three months ended September 30,		Nine months ended September 30,	
	Note	2021	2020	2021	2020
REVENUE					
Commodity sales	14	39,890	24,744	109,572	71,878
Royalty expense		(4,097)	(1,162)	(11,141)	(3,919)
Oil and gas sales, net of royalties		35,793	23,582	98,431	67,959
Processing and gathering	14	954	1,119	2,876	2,856
Total revenue		36,747	24,701	101,307	70,815
EXPENSES					
Operating		18,924	19,225	53,667	55,649
Transportation		2,296	2,209	6,764	6,951
Depletion and depreciation	7	10,087	11,379	30,333	34,379
Impairment	7	-	-	-	7,900
Gain on disposition	6	-	-	(169)	-
Site decommissioning grants	12	(841)	-	(3,069)	-
Share-based payments	13	333	174	660	569
Finance	15	2,608	2,653	7,961	8,000
General and administrative		1,017	1,171	4,261	3,652
Total expenses		34,424	36,811	100,408	117,100
EARNINGS/(LOSS) FOR THE PERIOD		2,323	(12,110)	899	(46,285)
OTHER COMPREHENSIVE LOSS					
Unrealized gain (loss) on investments	4	(62)	-	(115)	-
Realized gain (loss) on investments	4	(5)	-	(5)	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		2,256	(12,110)	779	(46,285)
Earnings/(Loss) per share (\$)					
Basic	13	0.01	(0.04)	0.00	(0.14)
Diluted	13	0.01	(0.04)	0.00	(0.14)

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 September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
CASH PROVIDED BY (USED IN):					
OPERATING ACTIVITIES					
Earnings (Loss) for the period		2,323	(12,110)	899	(46,285)
Items not affecting cash:					
Depletion and depreciation	7	10,087	11,379	30,333	34,379
Impairment	7	-	-	-	7,900
Gain on disposition	6	-	-	(169)	-
Site decommissioning grants	12	(841)	-	(3,069)	-
Share-based payments	13	333	174	660	569
Finance	15	2,608	2,653	7,961	8,000
Interest and bank charges	15	(1,177)	(1,287)	(3,788)	(3,830)
Decommissioning obligations settled	12	(674)	(70)	(905)	(743)
Changes in non-cash working capital accounts	15	(248)	3,206	(2,869)	6,131
Cash provided by operating activities		12,411	3,945	29,053	6,121
INVESTING ACTIVITIES					
Property, plant and equipment	7	(8,865)	(2,186)	(10,724)	(6,173)
Exploration and evaluation	6	(38)	(27)	(103)	(37)
Acquisitions	7	(11)	(10)	(11)	(5)
Dispositions	7	10	181	187	216
Proceeds on sale of investments	6	25	-	25	-
Changes in non-cash working capital accounts	15	5,937	(81)	6,106	(2,638)
Cash used in investing activities		(2,942)	(2,123)	(4,520)	(8,637)
FINANCING ACTIVITIES					
Exercise of stock options	13	135	-	292	-
Issuance of common shares, net of share issue cost	13	-	1,543	-	1,543
Payments on lease obligations	8	(291)	(279)	(901)	(808)
Repayment of Term debt	11	(19,000)	-	(19,000)	-
Cash provided by (used in) financing activities		(19,156)	1,264	(19,609)	735
Increase (decrease) in cash		(9,687)	3,086	4,924	(1,781)
Cash - beginning of period		22,489	3,794	7,878	8,661
CASH - END OF PERIOD		12,802	6,880	12,802	6,880

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

(Canadian dollars, 000s)
(unaudited)

	Note	Share capital	Contributed surplus ¹	Warrants	Accumulated other comprehensive income (loss) ²	Deficit	Total equity (deficit)
BALANCE AT JANUARY 1, 2020		273,421	13,631	460	-	(277,002)	10,510
Loss for the period		-	-	-	-	(46,285)	(46,285)
Share-based payments		-	569	-	-	-	569
Exercise of warrants		-	172	(172)	-	-	-
Issuance of common shares, on exercise of warrants		1,543	-	-	-	-	1,543
BALANCE AT SEPTEMBER 30, 2020		274,964	14,372	288	-	(323,287)	(33,663)
Loss for the period		-	-	-	-	(3,822)	(3,822)
Share-based payments		-	168	-	-	-	168
BALANCE AT DECEMBER 31, 2020		274,964	14,540	288	-	(327,109)	(37,317)
Earnings for the period		-	-	-	-	899	899
Share-based payments	13	-	660	-	-	-	660
Unrealized loss on investments	6	-	-	-	(115)	-	(115)
Realized loss on investments	6	-	-	-	(5)	-	(5)
Exercise of stock options	13	654	(362)	-	-	-	292
Expiry of warrants	13	-	288	(288)	-	-	-
BALANCE AT SEPTEMBER 30, 2021		275,618	15,126	-	(120)	(326,210)	(35,586)

¹Contributed surplus is comprised of share-based payments.

²Accumulated other comprehensive income (loss) is comprised of unrealized gains and losses on available-for-sale investments.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at September 30, 2021 and December 31, 2020 and for the three and nine month periods ended September 30, 2021 and 2020. (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. Common shares of the Company (“**Common Shares**”) are listed for trading on the Toronto Stock Exchange (“**TSX**”) under the symbol “**PNE**”.

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

2. BASIS OF PREPARATION

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 of 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, 2020 (“**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, 2020 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 November 4, 2021.

3. FINANCIAL INSTRUMENTS

Financial instruments and fair value measurement

Financial instruments of the Company consist of cash, trade and other receivables, investments, trade and other payables, due to related party, subordinated promissory notes, and Term debt. 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. The carrying values of due to related party, subordinated promissory notes, and Term debt approximate their respective fair values due to their interest rates reflecting current market conditions.

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 judgment 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 September 30, 2021 and December 31, 2020:

(\$000s) Description	September 30, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
Cash	12,802	12,802	7,878	7,878
Trade and other receivables	16,440	16,440	14,863	14,863
Investments	255	255	-	-
Trade and other payables	(31,306)	(31,306)	(27,275)	(27,275)
Due to related party	(6,000)	(6,000)	(6,000)	(6,000)
Subordinated promissory notes	(6,000)	(6,000)	(6,000)	(6,000)
Term debt	(29,895)	(29,895)	(48,747)	(48,747)

4. INVESTMENTS

As at September 30, 2021, the Company had an investment in a public company of \$0.3 million, which was received as partial consideration of \$0.4 million (see Note 6). During the period, 25,000 common shares were sold and a decrease in fair value and realized loss on sale were recorded to Other Comprehensive Income (Loss).

5. 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. The Company's exposure to market risk, credit risk and liquidity risk are consistent with those disclosed in the Annual Financial Statements, except as described in this note.

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. As a result of the spread of the novel coronavirus ("COVID-19") global pandemic, crude oil and NGL demand dropped sharply. Changes in oil, NGL's and natural gas 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 oil, NGL or natural gas prices could result in a reduction of net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil, NGL's or natural gas and a reduction in the volumes of Pine Cliff's reserves. Management may also elect not to produce from certain wells at lower prices. The Company does not currently hedge its crude oil or NGL commodity price risk. During the nine months ended September 30, 2021, Pine Cliff's average sales volumes were 91% natural gas.

Physical Sales Contracts

At September 30, 2021, the Company had the following physical natural gas sales contracts in place:

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Fixed Sale Price (\$CAD/GJ) ²	Fixed Sale Price (\$CAD/Mcf) ¹
October 1, 2021 to October 31, 2021	AECO	29,100	\$2.44	\$2.56
October 1, 2021 to October 31, 2021	TransGas ³	6,000	\$3.11	\$3.26
October 1, 2021 to October 31, 2021	Dawn ⁴	5,000	\$3.24	\$3.40
October 1, 2021 to December 31, 2021	AECO	2,500	\$3.54	\$3.71
November 1, 2021 to December 31, 2021	AECO	5,000	\$4.00	\$4.20
November 1, 2021 to March 31, 2022	AECO	5,000	\$3.67	\$3.85
April 1, 2022 to October 31, 2022	AECO	7,500	\$3.05	\$3.20
November 1, 2021 to October 31, 2022	TransGas	4,000	\$4.62	\$4.85
November 1, 2021 to October 31, 2022	TransGas ⁵	5,500		
November 1, 2021 to October 31, 2022	Suffield#2 ⁶	5,500		

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 Subsidiary of SaskEnergy, Saskatchewan.

⁴ Dawn Hub into Dawn Township, Ontario.

⁵ The contract terms of the physical fixed price natural gas sales contract to TransGas delivery point are AECO 5A plus \$0.22/GJ.

⁶ The contract terms of the physical fixed price natural gas sales contract to Suffield#2 delivery point (Suffield, Alberta) are AECO 5A plus \$0.58/GJ.

Financial Derivative Contracts

Pine Cliff had no financial derivative contracts in place during the nine months ended September 30, 2021 or subsequent to.

6. EXPLORATION AND EVALUATION

Exploration and evaluation assets (\$000s):	Oil and gas properties	Mineral properties	Total
Balance at December 31, 2019	5,521	3,173	8,694
Additions	(14)	51	37
Balance at December 31, 2020	5,507	3,224	8,731
Additions	54	49	103
Dispositions	-	(926)	(926)
Balance at September 30, 2021	5,561	2,347	7,908

On February 17, 2021, Pine Cliff entered into an option agreement with Nighthawk Gold Corp. (“Nighthawk”) for the disposition of its Kim Cass gold property located in the Northwest Territories. Pine Cliff received a 2.5% net smelter royalty (of which 100% can be repurchased by Nighthawk for \$2.5 million) and \$1.1 million, with payments payable over the next two years. The first payment of \$0.4 million was received on February 17, 2021 (340,000 common shares of Nighthawk). Nighthawk will not earn an interest in the property until all amounts have been paid. The present value of future payments has been recorded as a receivable from Nighthawk. Pine Cliff has recognized a gain of \$0.2 million on the disposition of these assets.

7. PROPERTY, PLANT AND EQUIPMENT

Cost:	(\$000s)
Balance at December 31, 2019	623,829
Additions	7,481
Lease Obligations	576
Acquisitions	(6)
Dispositions	(829)
Decommissioning provision	10,467
Balance at December 31, 2020	641,518
Additions	10,724
Lease obligations	525
Acquisitions	11
Dispositions	(187)
Decommissioning provision	(2,594)
Balance at September 30, 2021	649,997
Accumulated depletion and depreciation:	(\$000s)
Balance at December 31, 2019	(333,264)
Depletion and depreciation	(45,411)
Impairment	(7,900)
Balance at December 31, 2020	(386,575)
Depletion and depreciation	(30,333)
Balance at September 30, 2021	(416,908)
Carrying value at:	(\$000s)
December 31, 2020	254,943
September 30, 2021	233,089

Impairment Assessment

As at September 30, 2021, the Company had four cash generating units (“CGU”) being the Southern CGU, Central CGU, Edson CGU and Coal Bed Methane CGU. The Company reviewed each CGU’s property and equipment at September 30, 2021 for indicators of impairment and determined that no indicators for impairment were present.

The following cash generating units (the “CGU”) were impaired as of September 30:

CGU	2021	2020
Edson	-	7,900
Total Impairment	-	7,900

8. LEASE LIABILITIES

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

	(\$000s)
2021	805
2022	1,166
2023	990
2024	346
2025	184
Thereafter	-
Total lease payments as at September 30, 2021	3,491
Amounts representing interest	(677)
Present value of lease payments	2,814
Current portion of lease obligations	(1,093)
Non-current portion of lease obligations	1,721

For the nine months ended September 30, 2021, interest expense of \$0.1 million (September 30, 2020 - \$0.1 million) and a total cash outflow of \$0.7 million (September 30, 2020 - \$0.8 million) was recognized relating to lease obligations.

The Right-of-use asset ("ROU") and lease obligation relates to the Company's vehicle/head office leases in Calgary. An ROU asset of \$3.0 million is included in Property plant & equipment. Refer to Note 7.

9. DUE TO RELATED PARTY

Pine Cliff has a \$6.0 million subordinated promissory note to the Company's Chairman of the Board. This promissory note matures on December 31, 2024, bears interest at 6.5% per annum and is payable monthly. This promissory note is secured by a \$6.0 million floating charge debenture over all of the Company's assets and is subordinated to any and all claims in favor of the holder of the Term Debt, as defined herein. Interest paid on this promissory note for the three and nine months ended September 30, 2021 was \$0.1 million and \$0.3 million (September 30, 2020 - \$0.1 million and \$0.3 million).

The Company has established a \$4.0 million borrowing facility (the "Facility") with the Company's Chairman of the Board (the "Lender"), whereby the Lender will provide up to \$4.0 million of borrowings at an interest rate of 6.5% per annum, payable monthly. The term (the "Term") of the Facility expires on the later of: (i) December 31, 2024; or (ii) the date of full repayment of any outstanding borrowings. Amounts can be drawn, repaid and redrawn by the Company at any time during the Term and borrowings under the Facility are payable on demand to the Lender on 60 days written notice. The Facility can be cancelled at any time by the Lender on 60 days written notice, while the Term may also be extended by mutual consent of the Company and the Lender. There was no amount drawn on the Facility during the three or nine months ended September 30, 2021.

10. SUBORDINATED PROMISSORY NOTES

Pine Cliff has issued \$6.0 million subordinated promissory notes to a shareholder and a relative of that shareholder, owning directly or by discretion and control, greater than 10% of the Common Shares. These subordinated promissory notes mature on December 31, 2024, bear interest at 6.5% per annum and are payable monthly. These subordinated promissory notes are secured by a \$6.0 million floating charge debenture over all of the Company's assets and are subordinated to any and all claims in favor of the holder of the Term Debt.

11. TERM DEBT

	As at September 30,	
(\$000s)	2021	As at September 30, 2020
Term Debt – beginning of period	48,801	48,642
Accretion expense	94	78
Repayment of Term Debt	(19,000)	-
Term Debt - end of period	29,895	48,720

The non-revolving credit facility ("Term Debt") with Alberta Investment Management Corporation ("AIMCO"), acting on behalf of its clients, consists of a first tranche with a principal amount of \$30.0 million that matures on December 31, 2024 (the "2024 Tranche") and a second tranche with a principal amount of \$19.0 million that matures on July 31, 2022 (the "2022 Tranche"). Interest on the 2024 Tranche is payable at a rate of 9.75% per annum until September 30, 2021 and thereafter such interest rate will increase by 1% per annum up to 12.75% and interest was payable on the 2022 Tranche at a rate of 7.05% per annum. All or a portion of the principal amount outstanding can be repaid at any time, but without any penalty or premium after September 30, 2022 with respect to the 2024

Tranche and, July 13, 2021 with respect to the 2022 Tranche. During the three months ended September 30, 2021, the Company repaid in full the 2022 Tranche. The security for the Term Debt consists of floating demand debentures totaling \$150.0 million and a general security agreement with first ranking over all current and acquired properties.

Non-Financial Covenants

The Term Debt contains various covenants on the part of the Company and its subsidiaries, including covenants that place limitations on certain types of activities, including restrictions or requirements with respect to additional debt, liens, assets sales, hedging activities, management of environmental liabilities, investments, distributions, and mergers and acquisitions. The Term Debt does not include any financial covenants.

Letter of Credit Facility

As at September 30, 2021 the Company had a \$2.6 million letter of credit facility (“**LC Facility**”) with a Canadian bank which is supported by a performance guarantee from Export Development Canada (December 31, 2020 - \$2.6 million). The LC Facility is for issuing letters of credit to counterparties and is available on a demand basis. Letters of credit issued under the LC Facility incur an issuance fee of 4.5% per annum. The LC Facility does not contain any financial covenants. As at September 30, 2021, The Company had \$2.5 million in letters of credit issued against the LC Facility (December 31, 2020 - \$2.5 million)

12. DECOMMISSIONING PROVISION

The total current and long-term decommissioning provision of \$232.5 million was estimated by management based on the Company’s working interest and estimated costs to remediate, reclaim and abandon all of its wells, pipelines, and facilities and estimated timing of the costs to be incurred in future periods.

At September 30, 2021 the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was \$240.6 million (December 31, 2020 - \$247.5 million). The discounted and inflated amount required to settle the decommissioning liabilities of \$232.5 million has been calculated assuming a 2.00% inflation rate (December 31, 2020 - 2.00%) and discounted using a risk-free nominal rate of 2.30% (December 31, 2020 - 2.30%). These obligations are currently expected to be settled based on the useful lives of the underlying assets, some of which extend beyond 35 years into the future.

Changes in the measurement of the decommissioning provision were as follows:

	(\$000s)
Decommissioning provision, January 1, 2020	221,360
Development activities	125
Provisions related to acquisitions	875
Provisions related to dispositions	(493)
Decommissioning expenditures	(1,503)
Site decommissioning grants	(772)
Revisions (changes in estimates, inflation rate, and discount rates)	9,958
Accretion	5,455
Decommissioning provision, December 31, 2020	235,005
Increase in liabilities relating to development activities	144
Provisions related to acquisitions	1,032
Decommissioning expenditures	(905)
Site decommissioning grants	(3,069)
Revisions (changes in estimates, inflation rate, and discount rates)	(3,771)
Accretion	4,025
Decommissioning provision, September 30, 2021	232,461
Less current portion of decommissioning provision	(1,500)
Non-current portion of decommissioning provision	230,961

13. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value. 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

Issued and outstanding share capital continuity:	Common Shares (000s)	Share capital (\$000s)
Balance, January 1, 2020	327,784	273,421
Shares issued pursuant to exercise of warrants	7,500	1,543
Balance, December 31, 2020	335,284	274,964
Exercise of stock options	3,359	654
Balance, September 30, 2021	338,643	275,618

Stock Options

The Company provides an equity settled stock option plan (the “**Option Plan**”) for its directors, employees and consultants. 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 and the Board. The exercise price of each option granted equals the market price of the Company’s stock immediately preceding the date of grant and the option’s maximum term is five years.

Stock options issued and outstanding:	Stock options (000s)	Weighted-average exercise price (\$ per share)
Outstanding, January 1, 2020	25,829	0.40
Granted	8,657	0.14
Expired	(6,782)	0.78
Forfeited	(2,142)	0.35
Outstanding, December 31, 2020	25,562	0.22
Granted	11,192	0.33
Exercised	(5,443)	0.19
Expired	(3,137)	0.51
Forfeited	(1,990)	0.22
Outstanding, September 30, 2021	26,184	0.24
Exercisable, September 30, 2021	4,704	0.22

Exercise price:	Stock options outstanding (000s)	Weighted-average remaining term (years)	Stock options exercisable (000s)	Weighted-average remaining term (years)
\$0.10-\$0.15	10,079	1.7	1,777	0.6
\$0.16-\$0.21	3,355	1.2	1,431	0.6
\$0.22-\$0.33	12,742	2.4	1,488	0.6
\$0.34-\$0.79	8	0.1	8	0.1
	26,184	2.0	4,704	0.6

The Company records share-based payment expense over the vesting period, based on the fair value of the options granted to employees, directors and consultants. 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 nine months ended September 30, 2021, the Company granted 11,191,600 stock options (September 30, 2020 – 8,656,850) with a fair value of \$0.16 (September 30, 2020 - \$0.07) per option using the Black-Scholes option pricing model using the following key assumptions:

Assumptions (weighted average):	Nine months ended September 30,	
	2021	2020
Exercise price (\$)	0.33	0.14
Estimated volatility of underlying Common Shares (%)	78.4	69.6
Expected life (years)	3.0	3.0
Risk-free rate (%)	0.5	0.3
Forfeiture rate (%)	3.9	3.9
Expected dividend yield (%)	-	-

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.

Warrants

Warrants outstanding:	Warrants (000s)	Weighted-average exercise price (\$ per Common Share)
Outstanding, January 1, 2020	10,350	0.29
Exercised	(7,500)	0.21
Outstanding, December 31, 2020	2,850	0.51
Expired	(2,850)	0.51
Outstanding, September 30, 2021	Nil	Nil

Per Share Calculations

The average market value of the Common Shares for the purposes of calculating the dilutive effect of stock options and warrants was based on quoted market prices for the period that such securities were outstanding. In calculating the weighted average number of diluted Common Shares outstanding for the three and nine months ended September 30, 2020, all stock options and warrants were excluded as they were not dilutive.

Earnings/(Loss) per share calculation:	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Numerator				
Earnings/(Loss) for the period	2,323	(12,110)	899	(46,285)
Denominator (000s)				
Weighted-average Common Shares outstanding – basic	337,921	330,230	336,760	328,605
Effect of options outstanding	8,811	-	8,811	-
Weighted-average Common Shares outstanding – diluted	346,732	330,230	345,571	328,605
Earnings (Loss) per share – basic (\$)	0.01	(0.04)	0.00	(0.14)
Earnings (Loss) per share – diluted (\$)	0.01	(0.04)	0.00	(0.14)

14. REVENUES

The Company's commodity sales revenue is determined pursuant to the terms of the marketing agreements. The revenue for natural gas, NGL and crude oil 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. Processing and gathering revenue is generally negotiated under multi-year contracts that vary by volume.

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Natural gas	31,698	20,673	87,178	60,802
NGL	5,478	2,701	15,552	6,665
Crude oil	2,714	1,370	6,842	4,411
Total commodity sales	39,890	24,744	109,572	71,878
Processing and gathering	954	1,119	2,876	2,856
Total commodity sales and processing and gathering	40,844	25,863	112,448	74,734

15. SUPPLEMENTAL CASH FLOW INFORMATION

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Changes in non-cash working capital:				
Trade and other receivables	(1,096)	(1,166)	(882)	1,463
Prepaid expenses and deposits	81	(6)	88	(206)
Trade and other payables and accrued liabilities	6,704	4,297	4,031	2,236
	5,689	3,125	3,237	3,493
Changes related to:				
Operating activities	(248)	3,206	(2,869)	6,131
Investing activities	5,937	(81)	6,106	(2,638)
	5,689	3,125	3,237	3,493

Changes in non-cash working capital excludes the receivable amount referred to in Note 6.

Finance expenses:	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Interest expense and bank charges	1,177	1,287	3,788	3,830
Non cash:				
Accretion on decommissioning provision	1,337	1,340	4,025	4,092
Accretion on subordinated promissory notes	94	26	148	78
Total finance expenses	2,608	2,653	7,961	8,000

Cash interest paid in the three and nine months ended September 30, 2021, was \$2.4 million and \$2.5 million (three and nine months ended September 30, 2020 - \$2.2 million and \$3.9 million).

16. COMMITMENTS

As at September 30, 2021, the Company has the following commitments and other contractual obligations:

	2021	2022	2023	2024	2025	Thereafter
(\$000s)						
Trade and other payables	31,306	-	-	-	-	-
Term Debt ¹	-	-	-	30,000	-	-
Due to related party	-	-	-	6,000	-	-
Subordinated promissory notes	-	-	-	6,000	-	-
Future interest	1,928	4,080	4,380	4,605	-	-
Lease obligations ²	805	1,166	990	346	184	-
Transportation ³	2,959	8,085	5,204	4,387	3,973	6,295
Total commitments and contingencies	36,998	13,331	10,574	51,338	4,157	6,295

¹Principal amount.

²See Note 8

³Firm transportation agreements.

BOARD OF DIRECTORS

George F. Fink - Chairman
Philip B. Hodge
Robert B. Fryk
Jacqueline R. Ricci
William S. Rice

OFFICERS

Philip B. Hodge
President and Chief Executive Officer
Terry L. McNeill
Chief Operating Officer
Alan MacDonald
Chief Financial Officer and Corporate Secretary
Christopher S. Lee
Vice President, Exploration

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AUDITORS

Deloitte LLP

STOCK EXCHANGE LISTING

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