

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian dollars, 000s)
(unaudited)

	Note	As at September 30, 2022	As at December 31, 2021
ASSETS			
Current assets			
Cash		43,737	6,874
Trade and other receivables	3	27,772	21,613
Prepaid expenses and deposits		6,070	3,446
Investments	4	138	-
Total current assets		77,717	31,933
Exploration and evaluation	6	2,413	2,350
Property, plant and equipment	7	253,733	294,073
Deferred income taxes	9	42,289	50,641
Total assets		376,152	378,997
LIABILITIES			
Current liabilities			
Trade and other payables	3	42,649	39,585
Lease liabilities	8	977	1,050
Decommissioning provision	13	4,950	3,900
Total current liabilities		48,576	44,535
Lease liabilities	8	2,464	2,618
Term debt	10	-	29,903
Due to related party	11	-	6,000
Promissory notes	12	-	6,000
Decommissioning provision	13	206,103	244,523
Total liabilities		257,143	333,579
SHAREHOLDERS' EQUITY			
Share capital	14	277,484	275,766
Contributed surplus		15,981	15,400
Accumulated other comprehensive loss		(245)	(60)
Deficit		(174,211)	(245,688)
Total shareholders' equity		119,009	45,418
Total liabilities and shareholders' equity		376,152	378,997

Commitments (Note 17)
Subsequent Events (Note 18)

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
NET EARNINGS AND COMPREHENSIVE INCOME**

(Canadian dollars, 000s except per share data)

(unaudited)

		Three months ended September 30,		Nine months ended September 30,	
	Note	2022	2021	2022	2021
REVENUE					
Commodity sales	15	72,674	39,890	229,280	109,572
Royalty expense		(10,762)	(4,097)	(27,206)	(11,141)
Commodity sales, net of royalties		61,912	35,793	202,074	98,431
Processing and gathering	15	692	954	2,734	2,876
Interest income		174	-	174	-
Total revenue		62,778	36,747	204,982	101,307
EXPENSES					
Operating		23,359	18,924	65,592	53,667
Transportation		2,727	2,296	8,063	6,764
Depletion and depreciation	7	11,124	10,087	33,239	30,333
Impairment reversal	7	-	-	(4,500)	-
Site decommissioning grants	13	(2,629)	(841)	(4,705)	(3,069)
Share-based payments		839	333	1,731	660
Finance	16	1,769	2,608	6,905	7,961
General and administrative		1,720	1,017	6,026	4,261
Gain on disposition		-	-	-	(169)
Total expenses		38,909	34,424	112,351	100,408
Earnings before income taxes		23,869	2,323	92,631	899
Deferred income tax	9	(5,240)	-	(8,377)	-
NET EARNINGS FOR THE PERIOD		18,629	2,323	84,254	899
OTHER COMPREHENSIVE LOSS					
Unrealized loss on investments		(62)	(62)	(210)	(115)
Deferred income tax on unrealized loss on investments		7	(5)	25	(5)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		(55)	(67)	(185)	(120)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		18,574	2,256	84,069	779
Net earnings per share (\$)					
Basic	14	0.05	0.01	0.24	0.00
Diluted	14	0.05	0.01	0.23	0.00

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,	
		2022	2021	2022	2021
CASH PROVIDED BY (USED IN):					
OPERATING ACTIVITIES					
Net earnings for the period		18,629	2,323	84,254	899
Items not affecting cash:					
Depletion and depreciation	7	11,124	10,087	33,239	30,333
Impairment reversal	7	-	-	(4,500)	-
Site decommissioning grants		(2,629)	(841)	(4,705)	(3,069)
Share-based payments		839	333	1,731	660
Finance expenses	16	1,769	2,608	6,905	7,961
Deferred income tax	9	5,240	-	8,377	-
Gain on disposition		-	-	-	(169)
Interest and bank charges	16	(89)	(1,177)	(2,295)	(3,788)
Decommissioning obligations settled	13	(1,670)	(674)	(4,600)	(905)
Changes in non-cash working capital accounts	16	9,045	(248)	(1,745)	(2,869)
Cash provided by operating activities		42,258	12,411	116,661	29,053
INVESTING ACTIVITIES					
Property, plant and equipment	7	(12,564)	(8,865)	(22,377)	(10,724)
Exploration and evaluation		(27)	(38)	(63)	(103)
Acquisitions		-	(11)	(591)	(11)
Dispositions		2,097	10	2,512	187
Proceeds on sale of investment		-	25	-	25
Changes in non-cash working capital accounts	16	3,321	5,937	(4,323)	6,106
Cash used in investing activities		(7,173)	(2,942)	(24,842)	(4,520)
FINANCING ACTIVITIES					
Exercise of stock options		51	135	568	292
Repayment of term debt	10	-	(19,000)	(30,000)	(19,000)
Repayment of related party debt	11	-	-	(6,000)	-
Repayment of promissory notes	12	-	-	(6,000)	-
Dividends	14	(9,888)	-	(12,777)	-
Payments on lease obligations		(247)	(291)	(747)	(901)
Cash used in financing activities		(10,084)	(19,156)	(54,956)	(19,609)
Increase (decrease) in cash		25,001	(9,687)	36,863	4,924
Cash - beginning of period		18,736	22,489	6,874	7,878
CASH - END OF PERIOD		43,737	12,802	43,737	12,802

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)**

(Canadian dollars, 000s)
(unaudited)

	Note	Share capital	Contributed surplus ¹	Warrants	Accumulated other comprehensive loss ²	Deficit	Total Shareholders' equity (deficit)
BALANCE AT JANUARY 1, 2021		274,964	14,540	288	-	(327,109)	(37,317)
Net earnings for the period		-	-	-	-	899	899
Share-based payments		-	660	-	-	-	660
Other comprehensive loss for the period		-	-	-	(120)	-	(120)
Exercise of stock options		654	(362)	-	-	-	292
Expiry of warrants		-	288	(288)	-	-	-
BALANCE AT SEPTEMBER 30, 2021		275,618	15,126	-	(120)	(326,210)	(35,586)
Net earnings for the period		-	-	-	-	80,522	80,522
Share-based payments		-	337	-	-	-	337
Other comprehensive gain for the period		-	-	-	60	-	60
Exercise of stock options		148	(63)	-	-	-	85
BALANCE AT DECEMBER 31, 2021		275,766	15,400	-	(60)	(245,688)	45,418
Net earnings for the period		-	-	-	-	84,254	84,254
Dividends	14	-	-	-	-	(12,777)	(12,777)
Share-based payments	14	-	1,731	-	-	-	1,731
Other comprehensive loss for the period		-	-	-	(185)	-	(185)
Exercise of stock options	14	1,718	(1,150)	-	-	-	568
BALANCE AT SEPTEMBER 30, 2022		277,484	15,981	-	(245)	(174,211)	119,009

¹Contributed surplus is comprised of share-based payments.

²Accumulated other comprehensive loss is comprised of realized 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, 2022 and December 31, 2021 and for the three and nine month periods ended September 30, 2022 and 2021 (unaudited), all tabular amounts are 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 natural gas and oil in the Western Canadian Sedimentary Basin and conducts many of its activities jointly with others; these unaudited interim condensed consolidated financial statements (the “**Financial Statements**”) reflect only the Company’s proportionate interest in such activities.

2. BASIS OF PREPARATION

a) Statement of Compliance

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

The Financial Statements do not include all the information required for annual financial statements and should be read in conjunction with the Company’s annual audited consolidated financial statements for the year ended December 31, 2021 (“**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, 2021 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 9, 2022.

3. FINANCIAL INSTRUMENTS

Financial instruments and fair value measurement

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

Assets and liabilities that are measured at fair value are classified into levels, reflecting the method used to make the measurements. Level 1 fair value measurements are based on quoted prices that are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Pine Cliff has no level 2 or level 3 financial instruments. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy level.

The following table sets out the Company’s classification, carrying value and fair value of financial assets and liabilities as at September 30, 2022 and December 31, 2021:

(\$000s)	September 30, 2022		December 31, 2021	
Description	Carrying value	Fair value	Carrying value	Fair value
Cash	43,737	43,737	6,874	6,874
Trade and other receivables	27,772	27,772	21,613	21,613
Investments	138	138	-	-
Trade and other payables	(42,649)	(42,649)	(39,585)	(39,585)
Term debt	-	-	(29,903)	(29,903)
Due to related party	-	-	(6,000)	(6,000)
Promissory notes	-	-	(6,000)	(6,000)

4. INVESTMENTS

As at September 30, 2022, the Company had an investment in a public company of \$0.1 million, which was received as partial consideration of \$0.3 million (see Note 6).

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 with 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.

Commodity Price Risk

The Company is exposed to commodity price risk since its revenues are dependent on the prices of crude oil, natural gas liquids (“NGLs”) and natural gas. Commodity prices have fluctuated widely during recent years due to global and regional factors including, but not limited to, supply and demand, inventory levels, weather, economic changes and geopolitical factors and instability. Changes in 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 commodity sales. 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. During the nine months ended September 30, 2022, Pine Cliff’s average sales volumes were 87% natural gas.

Physical Sales Contracts

At September 30, 2022, the Company had the following physical natural gas sales contracts in place:

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Contract Price (\$CAD/GJ) ¹	Contract Price (\$CAD/Mcf) ^{1,2}
October 1, 2022 to October 31, 2022	AECO	30,100	\$3.70	\$3.89
October 1, 2022 to December 31, 2022	AECO	5,000	\$6.25	\$6.56
October 1, 2022 to October 31, 2022	Dawn ³	5,000	\$4.63	\$4.86
October 1, 2022 to October 31, 2022	TransGas ⁴	4,000	\$4.62	\$4.85
October 1, 2022 to October 31, 2022	TransGas ⁴	5,500	AECO 5A + 0.22/GJ	AECO 5A + 0.23/Mcf
October 1, 2022 to October 31, 2022	Suffield ⁵	5,500	AECO 5A + 0.58/GJ	AECO 5A + 0.61/Mcf
November 1, 2022 to March 31, 2023	Suffield ⁵	5,000	AECO 5A + 0.98/GJ	AECO 5A + 1.03/Mcf
November 1, 2022 to October 31, 2023	TransGas ⁴	9,500	AECO 5A + 0.56/GJ	AECO 5A + 0.59/Mcf

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

² Price has been converted from \$/GJ to \$/Mcf by multiplying by 1.05.

³ Dawn Hub into Dawn Township, Ontario

⁴ Subsidiary of SaskEnergy, Saskatchewan.

⁵ The contract terms of the physical fixed price natural gas sales contract to Suffield#2 delivery point (Suffield, Alberta).

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Contract Price (\$CAD/GJ) ¹	Contract Price (\$CAD/Mcf) ^{1,2}
November 1, 2022 to March 31, 2023	AECO	5,000	\$4.75 - \$6.00	\$4.99 - \$6.30
November 1, 2022 to March 31, 2023	AECO	5,000	\$6.00 - \$11.60	\$6.30 - \$12.18
April 1, 2023 to October 31, 2023	AECO	5,000	\$4.00 - \$5.45	\$4.20 - \$5.72

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

² Price has been converted from \$/GJ to \$/Mcf by multiplying by 1.05.

At September 30, 2022, the Company had the following physical crude oil sales contract in place:

Contractual Term	Crude Oil	Physical Delivery Quantity (Bbl/day)	Contract Price (\$CAD/Bbl) ¹
October 1, 2022 to December 31, 2022	WTI Fixed Price	250	\$113.10

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

Subsequent to September 30, 2022, the Company had the following additional physical natural gas sales contract in place:

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Contract Price (\$CAD/GJ) ¹	Contract Price (\$CAD/Mcf) ^{1,2}
April 1, 2023 – October 31, 2023	AECO	2,500	\$4.07	\$4.27

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

² Price has been converted from \$/GJ to \$/Mcf by multiplying by 1.05.

Subsequent to September 30, 2022, the Company had the following additional physical crude oil sales contract in place:

Contractual Term	Crude Oil	Physical Delivery Quantity (Bbl/day)	Contract Price (\$CAD/Bbl) ¹
January 1, 2023 to March 31, 2023	WTI Fixed Price	250	\$117.50

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

Financial Derivative Contracts

Pine Cliff had no financial derivative contracts in place during the nine months ended September 30, 2022 or subsequent thereto.

6. EXPLORATION AND EVALUATION

Cost:	(\$000s)
Balance at December 31, 2021	2,350
Additions	63
Balance at September 30, 2022	2,413

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. If the full option is exercised, Pine Cliff will receive 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) and all of these shares were subsequently sold in 2021. The second payment of \$0.3 million was received February 17, 2022 (475,996 common shares of Nighthawk). Nighthawk will not earn an interest in the property until all amounts have been paid. The present value of the remaining payment has been recorded as a receivable from Nighthawk.

At September 30, 2022, there were no indicators of impairment on exploration and evaluation.

7. PROPERTY, PLANT AND EQUIPMENT

Cost:	(\$000s)
Balance at December 31, 2021	707,663
Additions	22,377
Lease obligations	521
Acquisitions	591
Dispositions	(5,216)
Decommissioning provision	(32,579)
Balance at September 30, 2022	693,357
Accumulated depletion and depreciation:	(\$000s)
Balance at December 31, 2021	(413,590)
Depletion and depreciation	(33,239)
Impairment reversal	4,500
Dispositions	2,705
Balance at September 30, 2022	(439,624)
Carrying value at:	(\$000s)
December 31, 2021	294,073
September 30, 2022	253,733

At September 30, 2022, there were no indicators of impairment on property, plant and equipment (“**PP&E**”).

PP&E Impairment Reversal Assessment

At June 30, 2022, the Company determined that the recoverable amount of the Company's Edson CGU exceeded its carrying value. A total impairment recovery of \$4.5 million was recognized in the Company's PP&E.

8. LEASE LIABILITIES

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

	(\$000s)
2022	288
2023	1,113
2024	975
2025	823
2026	584
Thereafter	1
Total lease payments as at September 30, 2022	3,784
Amounts representing interest	(343)
Present value of lease payments	3,441
Current portion of lease obligations	(977)
Non-current portion of lease obligations	2,464

For the nine months ended September 30, 2022, interest expense of \$0.1 million (September 30, 2022 - \$0.1 million) and a total cash outflow of \$0.7 million (September 30, 2021 - \$0.7 million) was recognized relating to lease obligations.

The right-of-use ("ROU") asset and lease obligation relates to the Company's vehicle and head office lease in Calgary. An ROU asset of \$7.2 million and \$3.5 million in depreciation on the ROU asset are included in PP&E. Refer to Note 7.

9. DEFERRED INCOME TAXES

The Company has recorded a deferred tax asset of \$42.3 million (December 31, 2021 - \$50.6 million) related to the benefit of tax pools, as it is probable that they will be recovered.

Deferred income tax assets (\$000s):	As at September 31, 2022	As at December 31, 2021
Share issue costs	23	11
Investments	(12)	-
Decommissioning provision	49,589	58,371
Property and equipment	(6,799)	(15,384)
Lease liabilities	809	862
Capital losses carried forward	469	475
Non-capital losses carried forward	9,846	31,959
Asset before unrecognized deferred income tax	53,925	76,294
Less: unrecognized deferred income tax	(11,636)	(25,653)
Net deferred income tax asset	42,289	50,641

Income tax expense differs from that which would be expected from applying the effective Canadian federal and provincial tax rates to income before income taxes as follows:

(\$000s)	Nine months ended, September 30, 2022
Earnings before income taxes	92,631
Corporate income tax rate	23.5%
Computed income tax expense	21,773
Non-deductible compensation expense	420
Changes in the unrecorded benefit of tax pools	(13,879)
Return to provision true-up	63
Deferred income tax expense	8,377

10. TERM DEBT

(\$000s)	As at September 30, 2022	As at December 31, 2021
Term debt – beginning of period	29,903	48,747
Repayment	(30,000)	(19,000)
Accretion expense	97	156
Term debt - end of period	-	29,903

The non-revolving credit facility (“**Term Debt**”) with Alberta Investment Management Corporation (“**AIMCO**”), acting on behalf of its clients, was repaid in full six months of 2022, resulting in an interest penalty of \$0.7 million paid in the first six months of 2022. The security for the Term Debt consisting of floating demand debentures totaling \$150.0 million and a general security agreement with first ranking over all current and acquired properties was fully discharged during the period.

Borrowing Facility

The Company has a \$4.0 million borrowing facility (the “**Facility**”) with the Company’s Chairman of the Board (the “**Lender**”), whereby the Lender provides 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 as at or during the nine months ended September 30, 2022 (September 30, 2021 - \$nil). Interest paid on the Facility for the nine months ended September 30, 2022 was \$nil (September 30, 2021 - \$nil).

Demand Loan Facility

The Company has a demand operating loan (the “**Demand Loan**”) of \$8.0 million with a Canadian chartered bank, of which no amount was drawn as at September 30, 2022 (September 30, 2021 - \$nil). Borrowings bear interest on the bank’s prime rate plus 2.0%. Letters of credit issued under the Demand Loan are supported by a performance guarantee from Export Development Canada for an amount up to \$2.60 million and incur an issuance fee ranging from 3.12% to 3.62%. At September 30, 2022, the Company had issued \$1.68 million in letters of credit.

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

11. DUE TO RELATED PARTY

On June 30, 2022, Pine Cliff repaid in full the \$6.0 million promissory note to the Company’s Chairman of the Board. Interest paid on this promissory note for the three and nine months ended September 30, 2022 was nil and \$0.2 million (September 30, 2021 - \$0.1 million and \$0.2 million).

12. PROMISSORY NOTES

On June 30, 2022, Pine Cliff repaid in full the \$6.0 million promissory notes.

13. DECOMMISSIONING PROVISION

The total current and long-term decommissioning provision of \$204.8 million was estimated by management based on the Company’s working interest and estimated costs to remediate, reclaim and abandon its wells, pipelines, and facilities and estimated timing of the costs to be incurred in future periods.

At September 30, 2022, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was \$255.1 million (December 31, 2021 - \$263.2 million). The discounted and inflated amount required to settle the decommissioning liabilities of \$204.8 million has been calculated assuming a 2.00% inflation rate (December 31, 2021 - 2.00%) and discounted using an average risk-free interest rate of 3.34% (December 31, 2021 - 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, December 31, 2021	248,423
Increase in liabilities relating to development activities	97
Provisions related to acquisitions	230
Provisions related to dispositions	(1,658)
Site decommissioning grants	(4,705)
Decommissioning expenditures	(4,600)
Revisions (changes in estimates and discount rates)	(31,248)
Accretion	4,514
Decommissioning provision, September 30, 2022	211,053
Less current portion of decommissioning provision	(4,950)
Non-current portion of decommissioning provision	206,103

14. 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 and Outstanding

	Common Shares (000s)	Share capital (\$000s)
Issued and outstanding share capital continuity:		
Balance, December 31, 2021	339,539	275,766
Exercise of stock options	10,209	1,718
Balance, September 30, 2022	349,748	277,484

For the three and nine months ended September 30, 2022, the Company declared and paid dividends of \$9.9 million and \$12.8 million (three and nine months ended September 30, 2021 – nil).

Stock Options

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

	Stock options (000s)	Weighted-average exercise price (\$ per Common Share)
Stock options issued and outstanding:		
Outstanding, December 31, 2021	25,270	0.25
Granted	7,000	1.90
Exercised	(11,659)	0.23
Forfeited	(202)	0.32
Outstanding, September 30, 2022	20,409	0.83
Exercisable, September 30, 2022	1,761	0.23

Exercise price:	Stock options outstanding (000s)	Weighted-average remaining term (years)	Stock options exercisable (000s)	Weighted-average remaining term (years)
\$0.10 - \$0.15	4,907	1.3	795	0.6
\$0.16 - \$0.33	8,317	2.0	966	0.6
\$0.34 - \$0.99	195	2.0	-	-
\$1.00 - \$1.92	6,990	2.9	-	-
	20,409	2.1	1,761	0.6

The Company records share-based payment expense over the vesting period, based on the fair value of the options granted. One third of the stock options granted vest annually on each of the first, second, and third anniversaries of the grant date and expire one year after each respective vesting date. During the nine months ended September 30, 2022, the Company granted 6,999,600 stock options (September 30, 2021 – 11,191,600) with a fair value of \$0.73 (September 30, 2021 - \$0.16) per option using the Black-Scholes option pricing model using the following key assumptions:

Assumptions (weighted average):	Nine months ended September 30,	
	2022	2021
Exercise price (\$)	1.90	0.33
Estimated volatility of underlying common shares (%)	73.3	78.4
Expected life (years)	3.0	3.0
Risk-free rate (%)	2.7	0.5
Forfeiture rate (%)	7.7	3.9
Expected dividend yield (%)	5.0	-

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

Per Share Calculations

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

Net earnings per share calculation (\$000s):	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Numerator				
Net earnings for the period	18,629	2,323	84,254	899
Denominator (000s)				
Weighted-average Common Shares outstanding – basic	349,187	337,921	345,172	336,760
Effect of stock options outstanding	11,467	8,811	14,719	8,811
Weighted-average Common Shares outstanding – diluted	360,654	346,732	359,891	345,571
Net earnings per Common Share – basic (\$)	0.05	0.01	0.24	0.00
Net earnings per Common Share – diluted (\$)	0.05	0.01	0.23	0.00

15. REVENUES

The Company's commodity sales revenue is determined pursuant to the terms of the marketing agreements. The revenue for natural gas, NGLs 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,	
	2022	2021	2022	2021
Natural gas	49,026	31,698	162,124	87,178
NGL	10,253	5,478	29,677	15,552
Crude oil	13,395	2,714	37,479	6,842
Total commodity sales	72,674	39,890	229,280	109,572
Processing and gathering	692	954	2,734	2,876
Total commodity sales and processing and gathering	73,366	40,844	232,014	112,448

16. SUPPLEMENTAL CASH FLOW INFORMATION

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Changes in non-cash working capital:				
Trade and other receivables ¹	5,779	(1,096)	(6,159)	(882)
Prepaid expenses and deposits	(545)	81	(2,624)	88
Trade and other payables and accrued liabilities	7,133	6,704	3,064	4,031
	12,367	5,689	(5,719)	3,237
Changes related to:				
Operating activities	9,045	(248)	(1,745)	(2,869)
Investing activities	3,322	5,937	(3,974)	6,106
	12,367	5,689	(5,719)	3,237

¹ Changes in non-cash working capital excludes the receivable amount referred to in Note 6.

Finance expenses (\$000s):	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Interest expense and bank charges	89	1,177	2,295	3,788
Non-cash:				
Accretion on decommissioning provision	1,680	1,337	4,513	4,025
Accretion on promissory notes and term debt	-	94	97	148
Total finance expenses	1,769	2,608	6,905	7,961

Cash interest paid in the three and nine months ended September 30, 2022, was \$0.1 million and \$3.5 million (three and nine months ended September 30, 2021 - \$2.4 million and \$2.5 million).

17. COMMITMENTS

As at September 30, 2022, the Company has the following commitments and other contractual obligations:

(\$000s)	2022	2023	2024	2025	2026	Thereafter
Trade and other payables	42,649	-	-	-	-	-
Lease obligations ¹	288	1,113	975	823	584	1
Transportation ²	3,310	8,697	6,488	6,122	5,455	4,148
Total commitments and contingencies	46,247	9,810	7,463	6,945	6,039	4,149

¹ See Note 8.

² Firm transportation agreements.

18. SUBSEQUENT EVENTS

Dividends

On October 31, 2022, the Company paid a monthly dividend of \$0.01 per Common Share. The dividend was paid to all shareholders of record on October 14, 2022.

On November 2, 2022, the Company declared a monthly dividend of \$0.01 per Common Share. The dividend is payable November 30, 2022, to all shareholders of record on November 15, 2022.

BOARD OF DIRECTORS

George F. Fink - Chairman
Philip B. Hodge
Robert B. Fryk
Calvin B. Jacober
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

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Odyssey Trust Company of Canada

AUDITORS

Deloitte LLP

STOCK EXCHANGE LISTING

TSX Exchange
Trading Symbol: PNE

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