

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Canadian dollars, 000s)  
(unaudited)

	Note	As at September 30, 2023	As at December 31, 2022
<b>ASSETS</b>			
Current assets			
Cash		50,538	54,428
Trade and other receivables	5	20,749	27,187
Prepaid expenses and deposits		8,297	3,767
Investments	7	253	171
<b>Total current assets</b>		<b>79,837</b>	<b>85,553</b>
Exploration and evaluation		2,446	2,413
Property, plant and equipment	9	218,787	250,045
Deferred income taxes		34,490	37,042
<b>Total assets</b>		<b>335,560</b>	<b>375,053</b>
<b>LIABILITIES</b>			
Current liabilities			
Trade and other payables	5	33,335	29,640
Lease liabilities	10	1,162	1,002
Decommissioning provision	13	7,000	6,900
<b>Total current liabilities</b>		<b>41,497</b>	<b>37,542</b>
Lease liabilities	10	2,249	2,296
Decommissioning provision	13	182,027	201,487
<b>Total liabilities</b>		<b>225,773</b>	<b>241,325</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	14	278,517	277,650
Contributed surplus		17,952	16,617
Accumulated other comprehensive loss		(191)	(216)
Deficit		(186,491)	(160,323)
<b>Total shareholders' equity</b>		<b>109,787</b>	<b>133,728</b>
<b>Total liabilities and shareholders' equity</b>		<b>335,560</b>	<b>375,053</b>

Commitments (Note 17)  
Subsequent events (Note 18)

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

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

	Note	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
<b>REVENUE</b>					
Commodity sales	15	48,176	72,674	143,387	229,280
Royalty expense		(3,931)	(10,762)	(14,767)	(27,206)
Commodity sales, net of royalties		44,245	61,912	128,620	202,074
Processing and gathering		980	692	3,678	2,734
Interest income		606	174	1,889	174
<b>Total revenue</b>		<b>45,831</b>	<b>62,778</b>	<b>134,187</b>	<b>204,982</b>
<b>EXPENSES</b>					
Operating		24,048	23,359	71,579	65,592
Transportation		2,631	2,727	7,944	8,063
Depletion and depreciation	9	10,344	11,124	31,108	33,239
Impairment reversal		-	-	-	(4,500)
Site decommissioning grants		-	(2,629)	-	(4,705)
Share-based compensation		723	839	2,012	1,731
Finance	16	1,805	1,769	5,277	6,905
General and administrative		1,942	1,720	5,459	6,026
<b>Total expenses</b>		<b>41,493</b>	<b>38,909</b>	<b>123,379</b>	<b>112,351</b>
<b>Earnings before income taxes</b>		<b>4,338</b>	<b>23,869</b>	<b>10,808</b>	<b>92,631</b>
<b>Deferred income taxes</b>	11	<b>(101)</b>	<b>(5,240)</b>	<b>(2,528)</b>	<b>(8,377)</b>
<b>NET EARNINGS FOR THE PERIOD</b>		<b>4,237</b>	<b>18,629</b>	<b>8,280</b>	<b>84,254</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
Unrealized gain (loss) on investments		(145)	(62)	130	(210)
Realized gain (loss) on investments		19	-	(102)	-
Deferred income tax on unrealized loss (gain) on investments		11	7	(3)	25
<b>OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX</b>		<b>(115)</b>	<b>(55)</b>	<b>25</b>	<b>(185)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>4,122</b>	<b>18,574</b>	<b>8,305</b>	<b>84,069</b>
<b>Net earnings per share (\$)</b>					
Basic	14	0.01	0.05	0.02	0.24
Diluted	14	0.01	0.05	0.02	0.23

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, 2023	2022	Nine months ended September 30, 2023	2022
<b>CASH PROVIDED BY (USED IN):</b>					
<b>OPERATING ACTIVITIES</b>					
Net earnings for the period		4,237	18,629	8,280	84,254
Items not affecting cash:					
Depletion and depreciation	9	10,344	11,124	31,108	33,239
Impairment reversal		-	-	-	(4,500)
Site decommissioning grants		-	(2,629)	-	(4,705)
Share-based compensation		723	839	2,012	1,731
Finance expenses	16	1,805	1,769	5,277	6,905
Deferred income taxes	11	101	5,240	2,528	8,377
Interest and bank charges		(87)	(89)	(218)	(2,295)
Decommissioning obligations settled	13	(3,501)	(1,670)	(5,999)	(4,600)
Changes in non-cash working capital accounts	16	1,616	9,045	7,080	(1,745)
Cash provided by operating activities		15,238	42,258	50,068	116,661
<b>INVESTING ACTIVITIES</b>					
Property, plant and equipment	9	(4,687)	(12,564)	(17,317)	(22,377)
Exploration and evaluation		(28)	(27)	(33)	(63)
Acquisitions		-	-	(312)	(591)
Dispositions		261	2,097	261	2,512
Proceeds on sale of investments		88	-	315	-
Changes in non-cash working capital accounts	16	(3,420)	3,321	(1,825)	(4,323)
Cash used in investing activities		(7,786)	(7,173)	(18,911)	(24,842)
<b>FINANCING ACTIVITIES</b>					
Exercise of stock options		7	51	190	568
Repayment of term debt		-	-	-	(30,000)
Repayment of related party debt		-	-	-	(6,000)
Repayment of promissory notes		-	-	-	(6,000)
Dividends	14	(11,557)	(9,888)	(34,448)	(12,777)
Payments on lease obligations	10	(291)	(247)	(789)	(747)
Cash used in financing activities		(11,841)	(10,084)	(35,047)	(54,956)
Increase (decrease) in cash		(4,389)	25,001	(3,890)	36,863
Cash - beginning of period		54,927	18,736	54,428	6,874
<b>CASH - END OF PERIOD</b>		<b>50,538</b>	<b>43,737</b>	<b>50,538</b>	<b>43,737</b>

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 <sup>1</sup>	Accumulated other comprehensive income (loss) <sup>2</sup>	Deficit	Total Shareholders' equity
<b>BALANCE AT JANUARY 1, 2022</b>		<b>275,766</b>	<b>15,400</b>	<b>(60)</b>	<b>(245,688)</b>	<b>45,418</b>
Net earnings for the period		-	-	-	84,254	84,254
Dividends		-	-	-	(12,777)	(12,777)
Share-based compensation		-	1,731	-	-	1,731
Other comprehensive loss, net of tax		-	-	(185)	-	(185)
Exercise of stock options	14	1,718	(1,150)	-	-	568
<b>BALANCE AT SEPTEMBER 30, 2022</b>		<b>277,484</b>	<b>15,981</b>	<b>(245)</b>	<b>(174,211)</b>	<b>119,009</b>
Net earnings for the period		-	-	-	24,685	24,685
Dividends		-	-	-	(10,797)	(10,797)
Share-based compensation		-	725	-	-	725
Other comprehensive income, net of tax		-	-	29	-	29
Exercise of stock options	14	166	(89)	-	-	77
<b>BALANCE AT DECEMBER 31, 2022</b>		<b>277,650</b>	<b>16,617</b>	<b>(216)</b>	<b>(160,323)</b>	<b>133,728</b>
Net earnings for the period		-	-	-	8,280	8,280
Dividends	14	-	-	-	(34,448)	(34,448)
Share-based compensation		-	2,012	-	-	2,012
Other comprehensive income, net of tax		-	-	25	-	25
Exercise of stock options	14	867	(677)	-	-	190
<b>BALANCE AT SEPTEMBER 30, 2023</b>		<b>278,517</b>	<b>17,952</b>	<b>(191)</b>	<b>(186,491)</b>	<b>109,787</b>

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

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

**1. NATURE OF BUSINESS**

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

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

**2. BASIS OF PREPARATION****Statement of Compliance**

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

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

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

The Financial Statements were authorized for issue by the Company's board of directors (the "**Board**") on November 13, 2023.

**3. SIGNIFICANT ACCOUNTING POLICIES***IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors*

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

*IAS 12 – Income Taxes*

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

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

**4. FUTURE ACCOUNTING PRONOUNCEMENTS**

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

*IAS 1 – Presentation of Financial Statements*

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

## 5. FINANCIAL INSTRUMENTS

### Financial instruments and fair value measurement

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

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

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

(\$000s)	September 30, 2023		December 31, 2022	
Description	Carrying value	Fair value	Carrying value	Fair value
Cash	50,538	50,538	54,428	54,428
Trade and other receivables	20,749	20,749	27,187	27,187
Investments	253	253	171	171
Trade and other payables	(33,335)	(33,335)	(29,640)	(29,640)

## 6. RISK MANAGEMENT

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

### Market Risk

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

#### *Commodity Price Risk*

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

#### *Physical Sales Contracts*

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

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

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Contract Price (\$CAD/GJ) <sup>1</sup>	Contract Price (\$CAD/Mcf) <sup>1,2</sup>
October 1, 2023 to October 31, 2023	AECO	20,000	\$3.08	\$3.23
April 1, 2024 to October 31, 2024	AECO	10,500	\$2.76	\$2.90
October 1, 2023 to October 31, 2023	Dawn <sup>3</sup>	2,500	\$6.27	\$6.58
October 1, 2023 to October 31, 2023	TransGas <sup>4</sup>	2,500	\$3.00	\$3.15
October 1, 2023 to October 31, 2023	TransGas <sup>4</sup>	7,000	AECO 5A + 0.54/GJ	AECO 5A + 0.57/Mcf
November 1, 2023 to October 31, 2024	TransGas <sup>4</sup>	13,000	AECO 5A + 0.46/GJ	AECO 5A + 0.48/Mcf

<sup>1</sup> Prices reported are the weighted average prices of the periods.

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

<sup>3</sup> Dawn Hub into Dawn Township, Ontario.

<sup>4</sup> Subsidiary of SaskEnergy, Saskatchewan.

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

<sup>1</sup> Prices reported are the weighted average prices of the periods.

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

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

<sup>1</sup> One Mcf of natural gas is approximately 1.02 Mmbtu.

<sup>2</sup> Prices reported are the weighted average prices of the periods.

<sup>3</sup> AECO basis differential.

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

Contractual Term	Crude Oil	Physical Delivery Quantity (Bbl/day)	Contract Price (\$CAD/Bbl) <sup>1</sup>
October 1, 2023 to December 31, 2023	WTI Fixed Price	250	\$100.50
January 1, 2024 to December 31, 2024	WTI Fixed Price	250	\$107.00

<sup>1</sup> Prices reported are the weighted average prices of the periods.

Contractual Term	Crude Oil	Physical Delivery Quantity (Bbl/month)	Contract Price (\$USD/Bbl) <sup>1</sup>
October 1, 2023 to September 30, 2024	WTI Fixed Price	5,000	\$81.25

<sup>1</sup> Prices reported are the weighted average prices of the periods.

## 7. INVESTMENTS

On February 17, 2023, Pine Cliff received the final payment of \$0.35 million on the sale of a gold property to a publicly traded company, Nighthawk Gold Corp. (“**Nighthawk**”). This amount was previously recorded as trade and other receivables from Nighthawk and was settled by the issuance of 865,693 Nighthawk common shares to Pine Cliff. At September 30, 2023, the Company owned 692,193 Nighthawk common shares (December 31, 2022 - 475,996), with a fair value of \$0.3 million (December 31, 2022 - \$0.2 million).

## 8. EXPLORATION AND EVALUATION

### E&E Impairment Assessment

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

## 9. PROPERTY, PLANT AND EQUIPMENT

Cost:	(\$000s)
<b>Balance at December 31, 2022</b>	<b>695,955</b>
Additions	17,317
Right-of-use assets	966
Acquisitions	312
Dispositions	(1,319)
Decommissioning provision	(18,420)
<b>Balance at September 30, 2023</b>	<b>694,811</b>

Accumulated depletion and depreciation:	(\$000s)
<b>Balance at December 31, 2022</b>	<b>(445,910)</b>
Depletion and depreciation	(31,108)
Dispositions	994
<b>Balance at September 30, 2023</b>	<b>(476,024)</b>

Carrying value at:	(\$000s)
December 31, 2022	250,045
<b>September 30, 2023</b>	<b>218,787</b>

### PP&E Impairment Assessment

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

## 10. LEASE LIABILITIES

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

	(\$000s)
2023	343
2024	1,252
2025	1,082
2026	819
2027	229
Thereafter	7
<b>Total lease payments as at September 30, 2023</b>	<b>3,732</b>
Amounts representing interest	(321)
<b>Present value of lease payments</b>	<b>3,411</b>
Current portion of lease obligations	(1,162)
<b>Non-current portion of lease obligations</b>	<b>2,249</b>

For the three and nine months ended September 30, 2023, interest expense of \$0.05 million and \$0.1 million (three and nine months ended September 30, 2022 - \$0.05 million and \$0.1 million) and a total cash outflow of \$0.3 million and \$1.0 million (three and nine months ended September 30, 2022 - \$0.3 million and \$0.7 million) was recognized relating to lease obligations.

The right-of-use assets and lease obligation relates to the Company's leases for vehicles and the head office in Calgary. A right-of-use asset of \$8.2 million and \$5.0 million in accumulated depreciation on the right-of-use-assets are included in PP&E. Refer to Note 9.

### 11. DEFERRED INCOME TAX

For the three and nine months ended September 30, 2023, Pine Cliff recorded a deferred income tax expense of \$0.1 million and \$2.5 million (three and nine months ended September 30, 2022 - \$5.2 million and \$8.4 million deferred income tax expense). The deferred income tax expense reflects the change in temporary timing differences arising from the book basis of Pine Cliff's assets and liabilities relative to the tax basis.

### 12. DEMAND LOAN

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

Effective October 18, 2023 the performance guarantee increased to \$6.7 million and incurs an issuance fee of 2.38%.

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

### 13. DECOMMISSIONING PROVISION

The total decommissioning provision of \$189.0 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, 2023, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was \$273.2 million (December 31, 2022 - \$277.3 million). The discounted and inflated amount required to settle the decommissioning liabilities of \$189.0 million (December 31, 2022 - \$208.4 million) has been calculated assuming a 2.00% inflation rate (December 31, 2022 - 2.00%) and discounted using an average risk-free interest rate of 4.00% (December 31, 2022 - 3.33%). These obligations are currently expected to be settled based on the useful lives of the underlying assets, some of which extend beyond 50 years into the future.

	(\$000s)
<b>Decommissioning provision, December 31, 2022</b>	<b>208,387</b>
Increase in liabilities relating to development activities	111
Increase in liabilities relating to acquisitions	1,137
Decommissioning expenditures	(5,999)
Revisions (changes in estimates and discount rates)	(19,668)
Accretion	5,059
<b>Decommissioning provision, September 30, 2023</b>	<b>189,027</b>
Less current portion of decommissioning provision	(7,000)
<b>Non-current portion of decommissioning provision</b>	<b>182,027</b>

### 14. SHARE CAPITAL

#### Authorized

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

#### Issued and outstanding

	Common Shares (000s)	Share capital (\$000s)
Issued and outstanding share capital continuity:		
<b>Balance, December 31, 2022</b>	<b>350,909</b>	<b>277,650</b>
Exercise of stock options	4,857	867
<b>Balance, September 30, 2023</b>	<b>355,766</b>	<b>278,517</b>

#### 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. The exercise price of each option granted equals the market price of the Common Shares immediately preceding the date of grant and the option's maximum term is five years.

Stock options issued and outstanding:	Options (000s)	Weighted-average exercise price (\$ per Common Share)
<b>Outstanding, December 31, 2022</b>	<b>18,324</b>	<b>0.87</b>
Granted	10,991	1.32
Exercised	(5,728)	0.25
Cancelled	(596)	1.03
Forfeited	(2,211)	1.12
<b>Outstanding, September 30, 2023</b>	<b>20,780</b>	<b>1.25</b>
<b>Exercisable, September 30, 2023</b>	<b>3,524</b>	<b>1.12</b>

Exercise price:	Stock options outstanding (000s)	Weighted-average remaining term (years)	Stock options exercisable (000s)	Weighted-average remaining term (years)
\$0.10 - \$0.15	719	0.5	719	0.5
\$0.16 - \$0.33	3,743	1.4	940	0.6
\$0.34 - \$1.30	9,214	2.6	3	1.5
\$1.31 - \$1.60	1,712	2.6	109	0.6
\$1.61 - \$1.92	5,392	1.7	1,753	0.7
	<b>20,780</b>	<b>2.1</b>	<b>3,524</b>	<b>0.6</b>

The Company records share-based compensation expense over the vesting period, based on the fair value of the options granted. One third of the stock options granted vest annually on each of the first, second, and third anniversaries of the grant date and expire one year after each respective vesting date. During the nine months ended September 30, 2023, the Company granted 10,991,180 stock options (September 30, 2022 - 6,999,600) with a fair value of \$0.34 (September 30, 2022 - \$0.73) per option using the Black-Scholes option pricing model using the following key assumptions:

Assumptions (weighted average):	Nine months ended September 30,	
	2023	2022
Exercise price (\$)	1.32	1.90
Estimated volatility of underlying common shares (%)	61.8	73.3
Expected life (years)	3.0	3.0
Risk-free rate (%)	3.8	2.7
Forfeiture rate (%)	7.5	7.7
Expected dividend yield (%)	9.9	5.0

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

### Per Share Calculations

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

Net earnings per share calculation (\$000s):	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>Numerator</b>				
Net earnings for the period	4,237	18,629	8,280	84,254
<b>Denominator (000s)</b>				
Weighted-average Common Shares outstanding – basic	355,710	349,187	353,413	345,172
Dilutive effect of options outstanding	3,552	11,467	6,030	14,719
Weighted-average Common Shares outstanding – diluted	359,262	360,654	359,443	359,891
Net earnings per Common Share – basic (\$)	0.01	0.05	0.02	0.24
Net earnings per Common Share – diluted (\$)	0.01	0.05	0.02	0.23

Dividends declared and paid for the three and nine months ended September 30, 2023 was \$11.6 million and \$34.4 million (three and nine months ended September 30, 2022 - \$9.9 million and \$12.8 million). Dividends declared and paid for the three and nine months ended September 30, 2023 was \$0.03 and \$0.10 per Common Share (\$0.03 and \$0.04 per Common Share for the three and nine months ended September 30, 2022).

### 15. COMMODITY SALES

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

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Natural gas	28,690	49,026	91,052	162,124
NGLs	7,216	10,253	21,606	29,677
Crude oil	12,270	13,395	30,729	37,479
<b>Total commodity sales</b>	<b>48,176</b>	<b>72,674</b>	<b>143,387</b>	<b>229,280</b>

### 16. SUPPLEMENTAL CASH FLOW INFORMATION

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Changes in non-cash working capital:				
Trade and other receivables <sup>1</sup>	(1,265)	5,779	6,090	(6,159)
Prepaid expenses and deposits	(2,698)	(545)	(4,530)	(2,624)
Trade and other payables and accrued liabilities	2,159	7,133	3,695	3,064
	<b>(1,804)</b>	<b>12,367</b>	<b>5,255</b>	<b>(5,719)</b>
Change related to:				
Operating activities	1,616	9,045	7,080	(1,745)
Investing activities	(3,420)	3,322	(1,825)	(3,974)
	<b>(1,804)</b>	<b>12,367</b>	<b>5,255</b>	<b>(5,719)</b>

<sup>1</sup> Changes in non-cash working capital excludes the receivable amount referred to in note 7.

Finance expenses (\$000s):	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Interest expense and bank charges	87	89	218	2,295
Non-cash:				
Accretion on decommissioning provision	1,718	1,680	5,059	4,513
Accretion on promissory notes and term debt	-	-	-	97
<b>Total finance expenses</b>	<b>1,805</b>	<b>1,769</b>	<b>5,277</b>	<b>6,905</b>

Cash interest paid in the three months and nine months ended September 30, 2023, is \$0.1 million and \$0.2 million (three and nine months ended September 30, 2022- \$0.1 million and \$3.5 million).

### 17. COMMITMENTS

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

(\$000s)	2023	2024	2025	2026	2027	Thereafter
Trade and other payables	33,335	-	-	-	-	-
Lease obligations <sup>1</sup>	343	1,252	1,082	819	229	7
Transportation <sup>2</sup>	1,987	7,009	5,979	5,330	4,135	-
<b>Total commitments and contingencies</b>	<b>35,665</b>	<b>8,261</b>	<b>7,061</b>	<b>6,149</b>	<b>4,364</b>	<b>7</b>

<sup>1</sup> See Note 10.

<sup>2</sup> Firm transportation agreements.

**18. SUBSEQUENT EVENTS****Dividends**

On October 31, 2023, the Company paid a monthly dividend of \$0.01083 per Common Share to all shareholders of record on October 16, 2023.

On October 31, 2023, the Company declared a monthly dividend of \$0.01083 per Common Share. The dividend is payable November 30, 2023, to all shareholders of record on November 15, 2023.

**Acquisition**

On October 31, 2023, the Company announced it had entered into an agreement to acquire all of the common shares of Certus Oil & Gas Inc. for a cash consideration of \$100.0 million (the "**Acquisition**"). The Acquisition will be made by means of a takeover bid circular and is expected to close before the end of the fourth quarter of 2023, subject to customary closing conditions, including the receipt of necessary regulatory approvals. The Acquisition will be financed from the Company's existing cash balance and a new term debt facility. A copy of the Company's press release disclosing the Acquisition may be accessed through the SEDAR+ website ([www.sedarplus.ca](http://www.sedarplus.ca)).

**BOARD OF DIRECTORS**

William S. Rice - Chairman  
Hilary A. Foulkes  
Robert B. Fryk  
Philip B. Hodge  
Calvin B. Jacober  
Jacqueline R. Ricci

**OFFICERS**

Philip B. Hodge  
President and Chief Executive Officer  
Terry L. McNeill  
Chief Operating Officer  
Alan MacDonald  
Chief Financial Officer and Corporate Secretary  
Kristopher B. Zack  
Vice President Finance

**HEAD OFFICE**

805, 1015 - 4<sup>th</sup> Street SW  
Calgary, Alberta T2R 1J4

Phone: (403) 269-2289

Fax (403) 265-7488

**REGISTRAR AND TRANSFER AGENT**

Odyssey Trust Company of Canada

**AUDITORS**

Deloitte LLP

**STOCK EXCHANGE LISTING**

TSX Exchange  
Trading Symbol: PNE

**WEBSITE**

[www.pinecliffenergy.com](http://www.pinecliffenergy.com)

**INVESTOR CONTACT**

[info@pinecliffenergy.com](mailto:info@pinecliffenergy.com)

