

## INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is a review of the operations and current financial position of Pine Cliff Energy Ltd. ("Pine Cliff" or the "Company") for the period ended September 30, 2024. This MD&A is dated and based on information available as at November 13, 2024 and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2024 ("Financial Statements"), the audited annual consolidated financial statements for the year ended December 31, 2023 ("Annual Financial Statements") and the annual management's discussion and analysis for the year ended December 31, 2023 ("Annual MD&A"). The Financial Statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" using accounting principles consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board using Generally Accepted Accounting Principles ("GAAP"). Additional information relating to the Company, including the Company's annual information form ("AIF"), may be found on [www.sedarplus.ca](http://www.sedarplus.ca) and by visiting Pine Cliff's website at [www.pinecliffenergy.com](http://www.pinecliffenergy.com).

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

## READER ADVISORIES

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

### *Other Measurements*

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

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

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

## Q3 2024 RESULTS

Results for the third quarter of 2024 are as follows:

- Generated \$8.1 million (\$0.02 per basic and fully diluted share) and \$29.4 million (\$0.08 per basic and fully diluted share) of adjusted funds flow for the three and nine months ended September 30, 2024, compared to \$17.1 million (\$0.05 per basic and fully diluted share) and \$49.0 million (\$0.14 per basic and fully diluted share) for the comparable periods in 2023;
- Production averaged 22,546 Boe/d and 23,363 Boe/d for the three and nine months ended September 30, 2024, 8% and 15% higher than the comparable periods in 2023. Production in Q3 was temporarily impacted by a number of maintenance related outages at third party facilities;
- Paid dividends of \$5.4 million (\$0.02 per basic and fully diluted share) and \$20.2 million (\$0.06 per basic and fully diluted share) during the three and nine months ended September 30, 2024, compared to \$11.6 million (\$0.03 per basic and fully diluted share) and \$34.4 million (\$0.10 per basic and fully diluted share) during the comparable periods in 2023;
- Capital expenditures totaled \$0.9 million and \$2.5 million for the three and nine months ended September 30, 2024, compared to \$4.7 million and \$17.4 million for the comparable periods in 2023; and
- Generated a net loss of \$6.9 million (\$0.02 per share basic and fully diluted) and \$15.8 million (\$0.04 per share basic and fully diluted) for the three and nine months ended September 30, 2024, compared to net income of \$4.2 million for the third quarter last year (\$0.01 per share basic and fully diluted) and \$8.3 million (\$0.02 per share basic and fully diluted) for the nine months ended September 30, 2023.

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
(\$000s, unless otherwise indicated)				
<b>FINANCIAL</b>				
<b>Commodity sales (before royalty expense)</b>	<b>43,413</b>	48,176	<b>143,035</b>	143,387
<b>Cash provided by operating activities</b>	<b>8,058</b>	15,238	<b>23,277</b>	50,068
<b>Adjusted funds flow<sup>1</sup></b>	<b>8,131</b>	17,123	<b>29,409</b>	48,987
Per share – Basic (\$/share) <sup>1</sup>	<b>0.02</b>	0.05	<b>0.08</b>	0.14
Per share – Diluted (\$/share) <sup>1</sup>	<b>0.02</b>	0.05	<b>0.08</b>	0.14
<b>Net income (loss)</b>	<b>(6,886)</b>	4,237	<b>(15,839)</b>	8,280
Per share – Basic (\$/share)	<b>(0.02)</b>	0.01	<b>(0.04)</b>	0.02
Per share – Diluted (\$/share)	<b>(0.02)</b>	0.01	<b>(0.04)</b>	0.02
<b>Capital expenditures</b>	<b>901</b>	4,715	<b>2,497</b>	17,350
<b>Dividends</b>	<b>5,370</b>	11,557	<b>20,226</b>	34,448
Per share – Basic (\$/share)	<b>0.02</b>	0.03	<b>0.06</b>	0.10
Per share – Diluted (\$/share)	<b>0.02</b>	0.03	<b>0.06</b>	0.10
<b>Positive net cash (net debt)<sup>1</sup></b>	<b>(67,281)</b>	46,502	<b>(67,281)</b>	46,502
Weighted-average common shares outstanding (000s)				
Basic	<b>357,965</b>	355,710	<b>357,136</b>	353,413
Diluted	<b>357,965</b>	359,262	<b>357,136</b>	359,443
<b>OPERATIONS</b>				
<b>Production</b>				
Natural gas (Mcf/d)	<b>107,985</b>	108,138	<b>111,373</b>	106,457
NGLs (Bbl/d)	<b>3,105</b>	1,489	<b>3,263</b>	1,426
Crude oil (Bbl/d)	<b>1,443</b>	1,383	<b>1,538</b>	1,224
<b>Total (Boe/d)</b>	<b>22,546</b>	20,895	<b>23,363</b>	20,393
<b>Realized commodity sales prices</b>				
Natural gas (\$/Mcf)	<b>2.00</b>	2.88	<b>2.22</b>	3.13
NGLs (\$/Bbl)	<b>40.69</b>	52.69	<b>42.03</b>	55.50
Crude oil (\$/Bbl)	<b>90.11</b>	96.44	<b>89.34</b>	91.97
<b>Combined (\$/Boe)</b>	<b>20.93</b>	25.06	<b>22.34</b>	25.76
<b>Netback (\$/Boe)</b>				
Commodity sales	<b>20.93</b>	25.06	<b>22.34</b>	25.76
Processing and gathering	<b>0.66</b>	0.51	<b>0.65</b>	0.66
Royalty expense	<b>(1.32)</b>	(2.04)	<b>(1.69)</b>	(2.65)
Transportation expenses	<b>(1.40)</b>	(1.37)	<b>(1.39)</b>	(1.43)
Operating expenses	<b>(12.98)</b>	(12.51)	<b>(13.12)</b>	(12.86)
<b>Operating netback (\$/Boe)<sup>1</sup></b>	<b>5.89</b>	9.65	<b>6.79</b>	9.48
General and administrative expenses	<b>(1.07)</b>	(1.01)	<b>(1.25)</b>	(0.98)
Interest and bank charges	<b>(0.91)</b>	(0.05)	<b>(0.95)</b>	(0.04)
Interest income	-	0.32	-	0.34
<b>Corporate netback (\$/Boe)<sup>1</sup></b>	<b>3.91</b>	8.91	<b>4.59</b>	8.80
<b>Operating netback (\$ per Mcfe)<sup>1</sup></b>	<b>0.98</b>	1.61	<b>1.13</b>	1.58
<b>Corporate netback (\$ per Mcfe)<sup>1</sup></b>	<b>0.65</b>	1.49	<b>0.77</b>	1.47

<sup>1</sup>This is a non-GAAP measure, see NON-GAAP MEASURES for additional information.

**SENSITIVITIES**

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

Business environment sensitivities	Impact on annual adjusted funds flow <sup>1,2</sup>		
	Change	\$000s	\$ per share <sup>4</sup>
Realized natural gas price (C\$/Mcf) <sup>3</sup>	\$0.10	3,740	0.01
Realized NGLs price (C\$/Bbl) <sup>3</sup>	\$1.00	1,096	0.00
Realized crude oil price (C\$/Bbl) <sup>3</sup>	\$1.00	516	0.00

<sup>1</sup> This is a non-GAAP measure, see NON-GAAP MEASURES for additional information.

<sup>2</sup> This analysis does not adjust for changes in working capital and uses corporate royalty rates from the nine months ended September 30, 2024.

<sup>3</sup> Pine Cliff has prepared this analysis using its nine months ended September 30, 2024 production volumes annualized for twelve months.

<sup>4</sup> Based on the Q3 2024 basic weighted average shares outstanding.

**BENCHMARK PRICES**

	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	% Change	2024	2023	% Change
<b>Natural gas</b>						
NYMEX (US\$/Mmbtu) <sup>1</sup>	2.16	2.55	(15)	2.10	2.76	(24)
AECO Daily 5A (C\$/Mcf) <sup>2</sup>	0.68	2.58	(74)	1.44	2.74	(47)
<b>Crude oil</b>						
WTI (US\$/Bbl)	75.09	82.26	(9)	77.54	77.39	-
Edmonton Light (C\$/Bbl)	97.92	107.85	(9)	98.50	100.84	(2)
<b>Foreign exchange</b>						
US\$/C\$	1.360	1.341	1	1.359	1.345	1

<sup>1</sup> Mmbtu is the abbreviation for millions of British thermal units. One Mcf of natural gas is approximately 1.02 Mmbtu.

<sup>2</sup> AECO prices are quoted in \$/Gigajoule. Price has been converted from \$/GJ to \$/Mcf by multiplying by 1.05.

**Quarterly Benchmark Prices**

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

	Q3-2024	Q2-2024	Q1-2024	Q4-2023	Q3-2023	Q2-2023	Q1-2023	Q4-2022
<b>Natural gas</b>								
NYMEX (US\$/MMBtu) <sup>1</sup>	2.16	1.89	2.24	2.88	2.55	2.30	3.42	6.26
AECO Daily 5A (C\$/Mcf) <sup>2</sup>	0.68	1.17	2.48	2.30	2.58	2.44	3.21	5.09
Pine Cliff realized natural gas price (C\$/Mcf)	2.00	2.10	2.56	2.59	2.88	2.79	3.74	5.53
<b>Crude oil</b>								
WTI (US\$/Bbl)	75.09	80.57	76.96	78.32	82.26	73.78	76.13	82.64
Edmonton Light (C\$/Bbl)	97.92	105.33	92.24	99.79	107.85	95.33	99.34	110.13
Pine Cliff realized NGLs price (C\$/Bbl)	40.69	43.10	42.22	48.51	52.69	49.39	64.19	65.91
Pine Cliff realized Oil price (C\$/Bbl)	90.11	94.66	83.22	93.15	96.44	86.27	92.44	99.13
<b>Foreign exchange</b>								
US\$/C\$	1.360	1.370	1.348	1.362	1.341	1.343	1.352	1.358

<sup>1</sup> Mmbtu is the abbreviation for millions of British thermal units. One Mcf of natural gas is approximately 1.02 Mmbtu.

<sup>2</sup> AECO prices are quoted in \$/Gigajoule. Price has been converted from \$/GJ to \$/Mcf by multiplying by 1.05.

In the three and nine months ended September 30, 2024, the AECO daily benchmark was 74% and 47% lower compared to the same period of 2023. The changes for the quarter are mainly due to supply and demand factors including North American industrial and residential demand, liquefied natural gas (“LNG”) exports, weather, economic conditions in producing and consuming regions throughout North America. The price realized by the Company for natural gas production in Western Canada is primarily influenced by the Alberta price hub AECO, while diversification projects to delivery points such as Dawn in Ontario and TransGas into Saskatchewan have created optionality to complement AECO pricing.

The average benchmarks for WTI crude decreased by 9% and remained consistent, for the three and nine months ended September 30, 2024, as compared to the same period in 2023, primarily due to supply and demand factors including global economic conditions and geopolitical factors. Future crude oil prices remain volatile due to the uncertainty that the Organization of Petroleum Exporting Countries (“OPEC”), global economic conditions and geopolitical factors could have on crude oil demand.

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

The supply and demand dynamics for certain NGLs components such as ethane, propane, butane, and condensate in the recent past has impacted the relationship between the price of NGLs and the price of crude oil. The fluctuations in NGLs price normally correlate with changes in the Edmonton Light oil price, considering changes to the Company’s NGL components.

### SALES VOLUMES

Total sales volumes by product	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	% Change	2024	2023	% Change
Natural gas (Mcf)	9,935,185	9,949,232	-	30,516,144	29,062,662	5
NGLs (Bbl)	285,630	136,946	109	894,017	389,285	130
Crude oil (Bbl)	132,780	127,229	4	421,538	334,115	26
Total Boe	2,074,274	1,922,380	8	6,401,579	5,567,177	15
Total Mcfe	12,445,645	11,534,282	8	38,409,474	33,403,062	15
Natural gas weighting	80%	86%	(7)	79%	87%	(9)

Average daily sales volumes by product	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	% Change	2024	2023	% Change
Natural gas (Mcf/d)	107,985	108,138	-	111,373	106,457	5
NGLs (Bbl/d)	3,105	1,489	109	3,263	1,426	130
Crude oil (Bbl/d)	1,443	1,383	4	1,538	1,224	26
Total (Boe/d)	22,546	20,895	8	23,363	20,393	15
Total (Mcf/d)	135,276	125,370	8	140,178	122,358	15

Average daily sales volumes by area	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	% Change	2024	2023	% Change
Central (Boe/d)	15,430	12,200	26	15,822	11,817	34
Southern (Boe/d)	5,590	6,572	(15)	5,919	6,590	(10)
Edson (Boe/d)	1,526	2,123	(28)	1,622	1,986	(18)
Total (Boe/d)	22,546	20,895	8	23,363	20,393	15

Pine Cliff’s sales volumes increased by 8% and 15% to 22,546 Boe/d (135,276 Mcfe/d) and 23,363 Boe/d (140,178 Mcfe/d) as compared to the same periods in 2023. The increase is due primarily to sales volumes from a December 2023 acquisition in the Central Alberta area, slightly offset by impacted production from natural production declines, weather-related factors and maintenance outages at third party processing facilities.

Pine Cliff continues to expect 2024 production volumes of 23,250 – 23,750 Boe/d (139,500 – 142,500 Mcfe/d), weighted approximately 79% towards natural gas.

**COMMODITY SALES**

(\$000s)	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	% Change	2024	2023	% Change
Natural gas	19,827	28,690	(31)	67,803	91,052	(26)
NGLs	11,621	7,216	61	37,572	21,606	74
Crude oil	11,965	12,270	(2)	37,660	30,729	23
Total commodity sales	43,413	48,176	(10)	143,035	143,387	-
% of revenue from natural gas sales	46%	60%	(14)	47%	64%	(17)

**Realized Prices**

\$ per unit	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	% Change	2024	2023	% Change
Natural gas (\$/Mcf)	2.00	2.88	(31)	2.22	3.13	(29)
NGLs (\$/Bbl)	40.69	52.69	(23)	42.03	55.50	(24)
Crude oil (\$/Bbl)	90.11	96.44	(7)	89.34	91.97	(3)
Total (\$/Boe)	20.93	25.06	(16)	22.34	25.76	(13)
Total (\$/Mcf)	3.49	4.18	(16)	3.72	4.29	(13)

Commodity sales in the three months ended September 30, 2024 of \$43.4 million decreased 10% from \$48.2 million in the corresponding period in the prior year. The quarterly decrease of \$4.8 million consists of a decrease of \$8.6 million attributed to lower realized commodity prices and an increase of \$3.8 million attributed to higher production volumes. Commodity sales in the nine months ended September 30, 2024 of \$143.0 million was consistent compared to the nine months ended September 30, 2023.

*Natural Gas*

Pine Cliff's realized natural gas price was \$2.00 per Mcf and \$2.22 per Mcf in the three and nine months ended September 30, 2024, 31% and 29% lower than the \$2.88 per Mcf and \$3.13 per Mcf realized in the corresponding periods of the prior year. The realized natural gas price decrease in the three and nine months ended September 30, 2024 correlates with the AECO 5A reference price decrease of 74% and 47%, primarily due to warmer North American weather this past winter and higher storage volumes. Pine Cliff's realized natural gas price was 194% and 54% higher than the AECO 5A benchmark in the three and nine months ended September 30, 2024 respectively, both a result of Pine Cliff's fixed price physical natural gas sales contracts and diversified pricing hubs.

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

*NGLs*

For the three and nine months ended September 30, 2024, Pine Cliff's realized NGL price was \$40.69 per Bbl and \$42.03 per Bbl, compared to \$52.69 per Bbl and \$55.50 per Bbl in the corresponding periods of the prior year. Pine Cliff's realized NGL prices in the three and nine months ended September 30, 2024, were 42% and 43% of Edmonton Light compared to 49% and 55% in the corresponding periods of the prior year. The decrease in realized NGLs price in the three and nine months ended September 30, 2024, compared to the corresponding periods of 2023, is mainly due to a different NGL mix realized from the December 2023 acquisition.

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

*Crude Oil*

For the three and nine months ended September 30, 2024, Pine Cliff's realized oil price was \$90.11 per Bbl and \$89.34 per Bbl, compared to \$96.44 per Bbl and \$91.97 per Bbl in the corresponding periods of the prior year. Pine Cliff's realized crude oil prices in the three and nine months ended September 30, 2024 were 92% and 91% of Edmonton Light compared to 89% and 91% in the corresponding periods of the prior year. This decrease in crude oil pricing in the three months ended September 30, 2024, compared to the corresponding period of 2023, is mainly due to global economic factors impacting global oil demand.

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

**ROYALTY EXPENSE**

(\$000s)	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	% Change	2024	2023	% Change
Total royalty expense	2,732	3,931	(31)	10,825	14,767	(27)
\$ per Boe	1.32	2.04	(35)	1.69	2.65	(36)
\$ per Mcfe	0.22	0.34	(35)	0.28	0.44	(36)
Royalty expense as a % of commodity sales	6%	8%	(25)	8%	10%	(20)

For the three and nine months ended September 30, 2024, total royalty expense decreased by 31% and 27% to \$2.7 million and \$10.8 million from \$3.9 million and \$14.8 million respectively, in the corresponding periods of the prior year. Royalty expense as a percentage of commodity sales decreased to 6% and 8% in the three and nine months ended September 30, 2024, compared to 8% and 10% in the three and nine months ended September 30, 2023. The decrease in royalty expenses for the three and nine months ended September 30, 2024 is primarily due to favourable royalty adjustments from prior periods and lower realized natural gas & NGL commodity prices.

On a per Boe basis, royalty expenses for the three and nine months ended September 30, 2024 decreased by 35% and 36% to \$1.32 per Boe and \$1.69 per Boe, compared to the corresponding periods of 2023.

**TRANSPORTATION COSTS**

(\$000s)	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	% Change	2024	2023	% Change
Total transportation costs	2,903	2,631	10	8,898	7,944	12
\$ per Boe	1.40	1.37	2	1.39	1.43	(3)
\$ per Mcfe	0.23	0.23	2	0.23	0.24	(3)

For the three and nine months ended September 30, 2024, total transportation costs of \$2.9 million and \$8.9 million were 10% and 12% higher than the \$2.6 million and \$7.9 million in the corresponding periods of the prior year primarily due to increased sales volumes from a December 2023 acquisition.

On a per Boe basis, transportation expenses for the three and nine months ended September 30, 2024 increased by 2% and decreased by 3% to \$1.40 per Boe and \$1.39 per Boe, compared to the corresponding periods of 2023.

**NET OPERATING EXPENSES**

(\$000s)	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	% Change	2024	2023	% Change
Operating expenses	26,929	24,048	12	83,977	71,579	17
Less: processing and gathering income	(1,377)	(980)	41	(4,131)	(3,678)	12
Net operating expenses	25,552	23,068	11	79,846	67,901	18
\$ per Boe	12.32	12.00	3	12.47	12.20	2
\$ per Mcfe	2.05	2.00	3	2.08	2.03	2

Net operating expenses increased by 11% to \$25.6 million and 18% to \$79.8 million for the three and nine months ended September 30, 2024, as compared to \$23.1 million and \$67.9 million in the corresponding periods of the prior year. The increase from the comparable quarter is primarily due to increased production volumes from a December 2023 acquisition.

On a per Boe basis, net operating costs increased to \$12.32 per Boe and \$12.47 per Boe for the three and nine months ended September 30, 2024, an increase of 3% and 2% from \$12.00 per Boe and \$12.20 per Boe in the corresponding periods of 2023.

#### GENERAL AND ADMINISTRATIVE EXPENSES (“G&A”)

(\$000s)	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	% Change	2024	2023	% Change
Gross G&A	3,134	3,047	3	10,299	8,119	27
Less: overhead recoveries	(922)	(1,105)	17	(2,315)	(2,660)	13
Total G&A expenses	2,212	1,942	14	7,984	5,459	46
\$ per Boe	1.07	1.01	6	1.25	0.98	28
\$ per Mcfe	0.18	0.17	6	0.21	0.16	31

G&A increased by 14% to \$2.2 million and 46% to \$8.0 million in the three and nine months ended September 30, 2024, as compared to \$1.9 million and \$5.5 million in the corresponding periods of the prior year. The increase in G&A is primarily a result of additional personnel and incremental G&A costs associated with the integration of a December 2023 acquisition.

On a per Boe basis, G&A for the three and nine months ended September 30, 2024, increased 6% to \$1.07 per Boe and 28% to \$1.25 per Boe from \$1.01 per Boe and \$0.98 per Boe in the corresponding periods of the prior year, primarily a result of an increase in personnel and incremental G&A costs associated with integration of a December 2023 acquisition.

#### SHARE-BASED COMPENSATION

(\$000s)	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	% Change	2024	2023	% Change
Total share-based compensation	696	723	(4)	2,026	2,012	1
\$ per Boe	0.34	0.38	(11)	0.32	0.36	(11)
\$ per Mcfe	0.06	0.06	(11)	0.05	0.06	(11)

Share-based compensation decreased by 4% for the three months ended September 30, 2024 compared to the corresponding period of 2023, primarily reflecting a reduction in the fair value of stock options granted in May 2024 compared to May 2023. Share-based compensation increased by 1% for the nine months ended September 30, 2024 compared to the corresponding period of 2023, primarily as a result of the increase in the number of stock options granted in May 2024, compared to 2023, slightly offset by the lower fair value of the stock options granted in May 2024. Stock options are granted to certain officers, directors, and employees with the number, term and vesting period of the options granted being determined at the discretion of the Company’s Board of Directors to a maximum of 10% of the outstanding Common Shares.

As at September 30, 2024, the Company had 27,338,078 stock options outstanding, representing 7.6% of Common Shares outstanding (September 30, 2023 – 20,780,333 representing 5.9% of Common Shares outstanding).

#### DEPLETION AND DEPRECIATION

(\$000s)	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	% Change	2024	2023	% Change
Total depletion and depreciation	13,565	10,344	31	40,737	31,108	31
\$ per Boe	6.54	5.38	22	6.36	5.59	14
\$ per Mcfe	1.09	0.90	21	1.06	0.93	14

Depletion and depreciation expense for the three and nine months ended September 30, 2024, totaled \$13.6 million and \$40.7 million compared to \$10.3 million and \$31.1 million in the corresponding periods of the prior year. The increase for the period is primarily a result of increased production volumes resulting from a December 2023 acquisition. Depletion and depreciation per Boe will fluctuate from one period to the next depending on changes in reserves, the amount and success of capital expenditures and the amount of future development costs. Depletion is calculated using total proved and probable reserves estimates, which are subject to revision.

### Property, Plant and Equipment (“PP&E”) Impairment Assessment

As at September 30, 2024, the Company had three cash generating units (“CGU’s”) being the 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, 2024, there were no indicators of impairment for PP&E assets and therefore an impairment test was not required.

### FINANCE EXPENSES

(\$000s)	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	%Change	2024	2023	% Change
Interest expense and bank charges	1,883	87	2,064	6,073	218	2,686
\$ per Boe	0.91	0.05	1,720	0.95	0.04	2,275
\$ per Mcfe	0.15	0.01	1,720	0.16	0.01	2,275
Non-cash:						
Accretion on decommissioning provision	2,207	1,718	28	6,440	5,059	27
Accretion on promissory notes	113	-	100	343	-	100
Total finance expenses	4,203	1,805	133	12,856	5,277	144
\$ per Boe	2.03	0.94	116	2.01	0.95	112
\$ per Mcfe	0.34	0.16	116	0.34	0.16	112

Finance expenses increased by 133% and 144% to \$4.2 million and \$12.9 million for the three and nine months ended September 30, 2024, as compared to \$1.8 million and \$5.3 million for the corresponding periods of the prior year. Please refer to the “**DEBT, LIQUIDITY AND CAPITAL RESOURCES**” section for additional information.

### DEFERRED INCOME TAX

For the three and nine months ended September 30, 2024, Pine Cliff recorded a deferred income tax recovery of \$1.6 million and \$4.0 million (three and nine months ended September 30, 2023 - \$0.1 million and \$2.6 million deferred income tax expense). The deferred income tax recovery/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.

### CAPITAL EXPENDITURES, ACQUISITIONS AND DISPOSITIONS

(\$000s)	Nine months ended September 30, 2024	Year ended December 31, 2023
Exploration and evaluation	-	5
Property, plant and equipment	2,497	12,630
Capital expenditures	2,497	12,635
Acquisitions	559	312
Dispositions	(3,618)	-
Total	(562)	12,947

Capital expenditures on PP&E of totaled \$2.5 million, including facilities, optimization and maintenance capital.

## DECOMMISSIONING PROVISION

The total current and long-term decommissioning provision 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, 2024, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was \$325.9 million (December 31, 2023 - \$327.3 million). The discounted and inflated amount required to settle the decommissioning liabilities of \$273.0 million (December 31, 2023 - \$271.2 million) has been calculated assuming a 2.00% inflation rate (December 31, 2023 - 2.00%) and discounted using an average risk-free interest rate of 3.05% (December 31, 2023 - 3.08%). These obligations are currently expected to be settled based on the useful lives of the underlying assets, some of which extend beyond 50 years into the future.

## DEBT, LIQUIDITY AND CAPITAL RESOURCES

### Term Loan

On December 13, 2023, the Company entered into a three-year first lien, non-revolving term loan facility (the "**Term Loan**"). The amounts borrowed under the Term Loan bear interest at an annual interest rate equal Prime Rate plus 3.65%, where Prime Rate cannot be less than 6.95%. The Company is required to make mandatory principal quarterly repayments equal to \$2.1 million, payable on the last banking day of March, June, September and December of each calendar year, commencing March 31, 2024. The Term Loan has a maturity date of December 13, 2026 on which date the remaining outstanding principal balance is to be paid.

On March 27, 2024, the Term Loan was amended (the "**Amendment**") whereby the mandatory principal quarterly repayment due March 31, 2024, was deferred until March 31, 2025 (the "**Deferred Payment**"). The Deferred Payment may be repaid on the last banking day of any calendar month prior to March 31, 2025, along with any accrued and unpaid interest and fees. In accordance with the Amendment, the Company incurred an amendment fee of \$0.5 million and will incur a monthly fee of \$0.05 million commencing June 2024, until and including the later of: (i) November 30, 2024; and (ii) the date the Deferred Payment is repaid in full.

The Company shall not have the right to make an optional prepayment of the outstanding principal balance until after December 12, 2025, which shall include an amount of 1.5% of the principal amount prepaid, except for the following one-time optional prepayments:

- (i) as a one-time option on December 12, 2024, make a prepayment of a portion (but not all) of the outstanding principal amount plus an amount of 4% of the principal amount prepaid; provided that the portion of the outstanding principal balance to be prepaid: (a) is not less than 15% and (b) not greater than 25%, in each case, of the outstanding principal balance under the Term Loan immediately prior to such partial prepayment;
- (ii) as a one-time option on March 12, 2025, make a prepayment of all or any portion of the outstanding principal balance plus an amount of 4% of the principal amount prepaid; provided that such outstanding principal balance to be prepaid is not less than 15% of the outstanding principal balance under the Term Loan immediately prior to such partial prepayment; and
- (iii) as a one-time option on June 12, 2025, make a prepayment of all or any portion of the outstanding principal balance plus an amount of 3% of the principal amount prepaid; provided that such outstanding principal balance to be prepaid is not less than 15% of the outstanding principal balance under the Term Loan immediately prior to such partial prepayment.

The amount drawn under the Term Loan at September 30, 2024 was \$51.1 million (December 31, 2023 - \$56.3 million). Interest and fees accrued at September 30, 2024 was \$0.5 million (December 31, 2023 - \$0.3 million).

Security for the Term Loan consists of floating demand debentures totaling \$110.0 million (December 31, 2023 - \$110.0 million) over all of the Company's assets and a general security agreement with first priority ranking over all personal and real property.

The Company is subject to certain financial covenants under its Term Loan as follows:

- Consolidated Debt, as defined herein, to EBITDA, as defined herein, ratio shall not exceed 1.5:1.0; and
- Asset Coverage ratio, as defined herein, of not less than 1.5:1.0.

Consolidated Debt is defined as all indebtedness for borrowed money, including issued and drawn letters of credit or letters of guarantee.

EBITDA is defined as net income for the trailing twelve-month period excluding finance costs, provision for current and deferred income tax, depletion and depreciation, share option compensation and gain or loss on sale of assets and impairment of assets, less cash taxes paid and decommissioning expenses incurred during the period.

Asset Coverage ratio is defined as the proved developed producing reserves of the Company (before income tax, discounted at 10%), as evaluated by an independent third-party engineering report and evaluated on strip commodity pricing, divided by the consolidated borrowings of the Company at December 31 of the calendar year. The ratio is calculated and reevaluated for strip pricing at June 30 period end, based on an internally prepared engineering report.

The Company was in compliance with its Term Loan covenants at September 30, 2024.

### **Demand Loan**

On March 27, 2024, the Company's demand loan with a Canadian chartered bank (the "**Demand Loan**") was temporarily increased to \$15.0 million from \$8.0 million, reducing to a permanent amount of \$12.0 million, effective December 1, 2024, at which time, the utilization of the Demand Loan can be restricted to 70% at the end of each calendar quarter so long as the Company is a dividend payer. Borrowings bear interest at the bank's prime lending rate plus 2.2% until November 30, 2024, at which time borrowings revert to the bank's prime lending rate plus 2.0%. There was \$5.4 million drawn at September 30, 2024 (December 31, 2023 - \$4.0 million). Letters of credit issued under the Demand Loan are supported by a performance guarantee from Export Development Canada for an amount up to \$6.7 million and incur an issuance fee of 2.38%. At September 30, 2024, the Company had issued \$6.6 million in letters of credit (December 31, 2023 - \$0.8 million).

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

The Company is subject to a the following financial covenant under its Demand Loan:

- Senior Debt, as defined herein, to Net EBITDA, as defined herein, ratio shall not exceed 3.0:1.0 at the end of each quarter-end.

Senior Debt is defined as any secured indebtedness for borrowed money. Net EBITDA shall mean net income excluding finance costs, provision for current and deferred income tax, depletion and depreciation, share option compensation and gain or loss on sale of assets and impairment of assets, less cash taxes and dividends paid, on a trailing twelve-month basis.

The Company was in compliance with its Demand Loan covenants at September 30, 2024.

### **Capital Resources**

Pine Cliff's approved capital budget for 2024 is \$12.0 million, including \$5.0 million on facility optimization and maintenance capital and \$7.0 million on abandonments and reclamation. This capital budget does not include acquisitions and dispositions. Pine Cliff anticipates funding its capital budget from adjusted funds flow. Budgeted future capital expenditures related to drilling are largely discretionary in nature and Pine Cliff is able to adjust the nature, amount and timing of most planned capital expenditures to changes in the business and commodity price environment.

### **Liquidity**

As at September 30, 2024, the Company's capital is comprised of shareholders' equity, the Term Loan and working capital, including the Demand Loan. Pine Cliff manages the capital structure and adjusts considering economic conditions and the risks of the underlying assets. The Company currently has a working capital deficiency of \$35.1 million. Pine Cliff has and will continue to manage its working capital needs through its physical diversification and physical sales contracts, adjusting timing of capital expenditures, executing asset dispositions, managing dividend levels and issuing equity when practical.

The Company defines and computes its net debt as follows:

(\$000s)	September 30, 2024	December 31, 2023	\$ Change
Accounts receivable	22,975	23,657	(682)
Prepaid expenses and deposits	7,979	7,321	658
Investments	-	208	(208)
Less:			
Trade and other payables	(41,733)	(43,840)	2,107
Term loan	(51,146)	(55,023)	3,877
Demand loan	(5,356)	(4,002)	(1,354)
Net debt <sup>1</sup>	(67,281)	(71,679)	4,398

<sup>1</sup> This is a non-GAAP measure, see NON-GAAP MEASURES for additional information.

### Share Capital

Share capital	November 13, 2024	September 30, 2024	December 31, 2023
Common Shares	358,076,452	358,067,145	356,298,069
Stock options	27,326,078	27,338,078	20,704,822

### COMMITMENTS AND CONTINGENCIES

As at September 30, 2024, the Company has the following commitments and other contractual obligations:

(\$000s)	2024	2025	2026	2027	2028	Thereafter
Accounts payable and accrued liabilities	41,733	-	-	-	-	-
Demand loan	5,356	-	-	-	-	-
Term loan <sup>1</sup>	3,110	13,110	46,157	-	-	-
Lease obligations <sup>1</sup>	372	1,386	1,192	591	269	76
Transportation <sup>2</sup>	2,654	9,668	7,250	5,364	1,407	1,125
Total commitments and contingencies	53,225	24,164	54,599	5,955	1,676	1,201

<sup>1</sup> These amounts include the notional principal and interest payments.

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

### SUBSEQUENT EVENTS

#### Dividends

On October 31, 2024, the Company paid a monthly dividend of \$0.005 per Common Share.

On November 4, 2024, the Company declared a monthly dividend of \$0.005 per Common Share. The dividend is payable November 29, 2024, to all shareholders of record on November 15, 2024.

## QUARTERLY TRENDS AND SELECTED FINANCIAL INFORMATION

(\$000s, unless otherwise indicated)	Q3-2024	Q2-2024	Q1-2024	Q4-2023	Q3-2023	Q2-2023	Q1-2023	Q4-2022
<b>FINANCIAL</b>								
Total revenue	42,058	46,611	47,672	42,073	45,831	39,680	48,676	69,746
Cash provided by operating activities	8,058	5,692	9,527	16,559	15,238	12,504	22,326	33,791
Adjusted funds flow <sup>1</sup>	8,131	10,780	10,498	9,700	17,123	12,040	19,824	40,200
Per share – Basic (\$/share)	0.02	0.03	0.03	0.03	0.05	0.03	0.06	0.11
Per share – Diluted (\$/share)	0.02	0.03	0.03	0.03	0.05	0.03	0.06	0.11
Net income (loss)	(6,886)	(4,095)	(4,858)	841	4,237	(942)	4,985	24,685
Per share – Basic (\$/share)	(0.02)	(0.01)	(0.01)	0.00	0.01	(0.00)	0.01	0.07
Per share – Diluted (\$/share)	(0.02)	(0.01)	(0.01)	0.00	0.01	(0.00)	0.01	0.07
Capital expenditures	901	1,037	559	3,616	4,715	8,193	4,442	6,637
Dividends	5,370	5,357	9,499	11,567	11,557	11,478	11,413	10,797
Per share – Basic (\$/share)	0.02	0.02	0.03	0.03	0.03	0.03	0.03	0.03
Per share – Diluted (\$/share)	0.02	0.02	0.03	0.03	0.03	0.03	0.03	0.03
Acquisitions	243	225	91	109,014	-	312	-	528
Positive net cash (net debt) <sup>1</sup>	(67,281)	(68,647)	(72,687)	(71,679)	46,502	49,301	58,139	55,913
Weighted average common shares outstanding (000s):								
Basic	357,965	357,114	356,319	355,969	355,710	353,216	351,263	350,216
Diluted	357,965	357,114	356,319	359,262	359,262	353,216	359,675	360,322
<b>PRODUCTION VOLUMES</b>								
Natural gas (Mcf/d)	107,985	112,531	113,633	110,499	108,138	106,024	105,176	109,307
NGLs (Bbl/d)	3,105	3,334	3,352	1,690	1,489	1,343	1,446	1,463
Crude oil (Bbl/d)	1,443	1,599	1,574	1,347	1,383	1,184	1,101	1,360
Average sales volumes (Boe/d)	22,546	23,688	23,865	21,454	20,895	20,198	20,076	21,041
Average sales volumes (Mcfe/d)	135,276	142,128	143,190	128,724	125,370	121,188	120,456	126,246
<b>PRICES AND NETBACKS</b>								
Total commodity sales (\$/Boe)	20.93	22.42	23.62	23.03	25.06	23.00	29.30	39.74
Operating netback (\$/Boe) <sup>1</sup>	5.89	7.14	7.30	6.04	9.65	7.11	11.72	21.06
Corporate netback (\$/Boe) <sup>1</sup>	3.91	5.01	4.84	4.91	8.91	6.55	10.99	20.76
Total commodity sales (\$/Mcf)	3.49	3.74	3.94	3.84	4.18	3.83	4.88	6.62
Operating netback (\$/Mcf) <sup>1</sup>	0.98	1.19	1.22	1.01	1.61	1.19	1.95	3.51
Corporate netback (\$/Mcf) <sup>1</sup>	0.65	0.84	0.81	0.82	1.49	1.09	1.83	3.46

<sup>1</sup> This is a non-GAAP measure, see NON-GAAP MEASURES for additional information.

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

- Average sales volumes increased in the first quarter of 2024 compared to the fourth quarter of 2023 due primarily to increased sales volumes from the December 2023 acquisition. Average sales volumes decreased in the third quarter of 2024 compared to the first and second quarter of 2024 due to normal course maintenance and weather-related factors that impacted production.
- Adjusted funds flow increased in the first quarter of 2024 compared to the fourth quarter of 2023 due primarily to the increase in sales volumes, slightly offset by lower commodity pricing and additional operating expenses to produce the incremental sales volumes. Adjusted funds flow increased slightly in the second quarter of 2024 compared to the first quarter of 2024 as lower royalty and operating expenses offset the impact of slightly lower sales volumes and lower

realized natural gas prices. Adjusted funds flow decreased in the third quarter of 2024 compared to the second quarter of 2024 due primarily to lower sales volumes and lower realized commodity prices.

- Net loss increased in the first quarter of 2024 compared to the fourth quarter of 2023 due primarily to higher operating expenses, finance costs and depreciation charges, partially offset by the increase in total revenue. Net loss decreased in the second quarter of 2024 compared to the first quarter of 2024 due primarily to lower royalty and operating expenses. Net loss increased in the third quarter of 2024 compared to the second quarter of 2024 due primarily to lower sales volumes and lower realized commodity prices.
- Total revenues increased in the first quarter of 2024 compared to the fourth quarter of 2023 due primarily to increased sales volumes from a December 2023 acquisition. Total revenues decreased in the second quarter of 2024 compared to the first quarter of 2024 as higher crude oil prices realized were offset by lower realized natural gas prices and slightly lower sales volumes. Total revenues decreased in the third quarter of 2024 compared to the second quarter of 2024 due primarily to lower sales volumes and lower realized commodity prices.

### OFF BALANCE SHEET TRANSACTIONS

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

### FINANCIAL INSTRUMENTS

#### Financial instruments and fair value measurement

Financial instruments of the Company consist of cash, accounts receivable, investments, accounts payable and accrued liabilities, Demand Loan and Term Loan. The carrying values of cash, accounts receivable, accounts payable and accrued liabilities, Demand Loan and Term Loan approximate their respective fair values due to the short time before maturing. The carrying value of the Term Loan approximates its fair value due to its interest rates reflecting current market conditions. 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. Level 2 fair value measurements are based on pricing inputs other than quoted prices in active markets included in Level 1. Prices are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Level 3 valuations are those with inputs for the asset and liability that are not based on observable market data. Pine Cliff has no Level 2 or Level 3 financial instruments. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy level.

### RISK MANAGEMENT

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

The Company employs risk management strategies and policies to ensure any exposure to risk is consistent with the Company's business objectives and risk tolerance levels. Risk management is ultimately established by the Board of Directors and is implemented by management. 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, 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 NGL prices will result in a reduction of net production revenue. The economics of producing from some wells may change because of lower prices, which will result in reduced production of natural gas, crude oil or NGL prices 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, 2024, 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, 2024 to October 31, 2024	AECO	15,500	\$2.42	\$2.54
October 1, 2024 to December 31, 2024	AECO	14,937	\$2.86	\$3.00
October 1, 2024 to March 31, 2025	AECO	10,000	\$2.35	\$2.47
October 1, 2024 to October 31, 2025	AECO	15,000	\$2.54	\$2.67
October 1, 2024 to December 31, 2025	AECO	5,000	\$2.85	\$2.99
January 1, 2025 to December 31, 2025	AECO	9,037	\$3.57	\$3.75
January 1, 2026 to February 28, 2026	AECO	8,311	\$3.58	\$3.76
October 1, 2024 to October 31, 2024	DAWN <sup>3</sup>	5,000	\$2.75	\$2.89
October 1, 2024 to October 31, 2024	TransGas <sup>4</sup>	13,000	AECO 5A + 0.46/GJ	AECO 5A + 0.48/Mcf
November 1, 2024 to October 31, 2025	TransGas <sup>4</sup>	14,000	AECO 5A + 0.39/GJ	AECO 5A + 0.41/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.

At September 30, 2024, the Company had the following physical crude oil sales contracts in place:

Contractual Term	Crude Oil	Physical Delivery Quantity (Bbl/day)	Contract Price (\$USD/Bbl) <sup>1</sup>
October 1, 2024 to December 31, 2024	WTI Fixed Price	522	72.05
January 1, 2025 to December 31, 2025	WTI Fixed Price	472	68.91
January 1, 2026 to February 28, 2026	WTI Fixed Price	435	66.60

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

Contractual Term	Crude Oil	Physical Delivery Quantity (Bbl/day)	Contract Price (\$CAD/Bbl) <sup>1</sup>
October 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.

### Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or funds flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that the Company uses. The principal exposure of the Company is on its borrowings which have a variable interest rate which gives rise to a funds flow interest rate risk.

At September 30, 2024, the Company's debt facilities consist of a \$51.1 million non-revolving first lien term loan and a \$15.0 million demand operating loan, secured by specific equipment assets. The borrowings under the Term Loan are at the Prime Rate plus 3.65%, (whereby Canadian Prime Rate cannot be less than 6.95%) and the Demand Loan is at the banks' prime lending rate plus 2.2%.

Pine Cliff has not entered into any derivative financial instruments to manage this risk at this time.

#### *Foreign Currency Exchange Risk*

The Company is exposed to risk on foreign exchange rates because the commodity prices it receives are indirectly determined in reference to United States dollar denominated commodity prices. The Company manages this risk by monitoring the foreign exchange rate and evaluating its effect on cash provided by operating activities. Pine Cliff has not entered into any derivative financial instruments to manage this risk at this time.

#### *Sensitivity Analysis*

Based on historic movements and volatilities in the interest rate markets and management's current assessment of the financial markets, the Company believes that a 1.0% variation in the Canadian prime interest rate is reasonably possible.

A 1.0% increase in the Prime Rate, as defined herein would decrease both annual and comprehensive income by \$0.6 million, assuming the change in interest rate is effective from the beginning of the year and the amount of the Term Loan and the Demand Loan as at September 30, 2024.

A 1.0% decrease in the Prime Rate would increase both annual and comprehensive income by \$0.1 million, assuming the change in interest rate is effective from the beginning of the year and the amount of the Term Loan and the Demand Loan as at September 30, 2024.

#### **Credit Risk**

Credit risk is the risk that a third party will not complete its contractual obligations under a financial instrument and cause the Company to incur a financial loss. Pine Cliff's maximum exposure to credit risk is the sum of the carrying values of its accounts receivable and cash, which reflect management's assessment of the associated maximum exposure to such credit risk.

To mitigate the credit risk on its cash, the Company maintains its cash balances with a Canadian chartered bank. To mitigate the credit risk on accounts receivable, Pine Cliff assesses the financial strength of its counterparties through internal evaluation and limiting exposure to any one counterparty.

The Company's accounts receivable balance at September 30, 2024 of \$23.0 million (December 31, 2023 - \$23.7 million), is primarily with oil and gas marketers and joint venture partners. Amounts due from these parties have generally been received within 30 to 90 days. When determining whether amounts that are past due are collectible, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. The Company generally considers amounts greater than 90 days to be past due. As at September 30, 2024, there was \$2.0 million (December 31, 2023 - \$1.9 million) of accounts receivable over 90 days. Pine Cliff assesses its accounts receivable quarterly to determine if there has been any impairment. During the nine months ended September 30, 2024, the Company recorded a bad debt recovery of \$0.3 million (September 30, 2023 - \$nil) against accounts receivable.

#### **Liquidity Risk**

Liquidity risk is the risk that Pine Cliff will not be able to meet its financial obligations as they become due. Pine Cliff manages its liquidity risk through actively managing its capital, which it defines as cash, debt and equity. Capital management strategies include continuously monitoring forecasted and actual cash provided by (used in) operating, financing and investing activities and opportunities to issue additional equity. Management believes that funds generated from these sources currently will be adequate to support its ongoing operations and meet its financial obligations as they come due for at least the next twelve months. A significant decline in commodity prices would hamper the Company's ability to rectify its working capital deficit and potentially require the Company to seek other sources of funding. If required, Pine Cliff will also consider reducing its dividend, additional short-term financing or issuing equity in order to meet its future liabilities. Any of these events could affect Pine Cliff's ability to fund ongoing operations.

The following table details the contractual maturities of Pine Cliff's financial liabilities as at September 30, 2024:

	2024	2025	2026	2027	2028	Thereafter
(\$000s)						
Accounts payable and accrued liabilities	41,733	-	-	-	-	-
Demand loan	5,356	-	-	-	-	-
Term loan <sup>1</sup>	3,110	13,110	46,157	-	-	-
Lease obligations <sup>1</sup>	372	1,386	1,192	591	269	76
<b>Total financial liabilities</b>	<b>50,571</b>	<b>14,496</b>	<b>47,349</b>	<b>591</b>	<b>269</b>	<b>76</b>

<sup>1</sup> These amounts include the notional principal and interest payments.

## New Accounting Pronouncements

### IAS 1 – Presentation of Financial Statements

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

## INTERNAL CONTROLS

### Disclosure controls and procedures

Pine Cliff is required to comply with National Instrument 52-109 Certification of Disclosure on Issuers' Annual and Interim Filings ("**NI 52-109**"). NI 52-109 requires that Pine Cliff disclose in its interim MD&A any material weaknesses relating to design existing at the end of the period in Pine Cliff's internal control over financial reporting and/or any changes in Pine Cliff's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect, Pine Cliff's internal controls over financial reporting. Pine Cliff confirms that no material weaknesses or such changes were identified in Pine Cliff's internal controls over financial reporting at the end of or during the third quarter of 2024. The Chief Executive Officer and Chief Financial Officer have signed form 52-109F2, Certification of Interim Filings, which can be found on SEDAR+ at [sedarplus.ca](http://sedarplus.ca).

## NON-GAAP MEASURES

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

### Adjusted Funds Flow

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

(\$000s)	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	% Change	2024	2023	% Change
Cash provided by operating activities	<b>8,058</b>	15,238	(47)	<b>23,277</b>	50,068	(54)
Adjusted by:						
Change in non-cash working capital	<b>(1,537)</b>	(1,616)	(5)	<b>3,127</b>	(7,080)	(144)
Decommissioning obligations settled	<b>1,610</b>	3,501	(54)	<b>3,005</b>	5,999	(50)
Adjusted funds flow	<b>8,131</b>	17,123	(53)	<b>29,409</b>	48,987	(40)
Adjusted funds flow (\$/Boe)	<b>3.91</b>	8.91	(56)	<b>4.59</b>	8.80	(48)
Adjusted funds flow (\$/Mcf)	<b>0.65</b>	1.49	(56)	<b>0.77</b>	1.47	(48)
Adjusted funds flow – basic (\$/Common Share)	<b>0.02</b>	0.05	(60)	<b>0.08</b>	0.14	(43)
Adjusted funds flow – diluted (\$/Common Share)	<b>0.02</b>	0.05	(60)	<b>0.08</b>	0.14	(43)

### Operating and Corporate Netback

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

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

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

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

(\$ per Boe, unless otherwise indicated)	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	Change	2024	2023	Change
Commodity sales	<b>20.93</b>	25.06	(4.13)	<b>22.34</b>	25.76	(3.42)
Processing and gathering	<b>0.66</b>	0.51	0.15	<b>0.65</b>	0.66	(0.01)
Royalty expense	<b>(1.32)</b>	(2.04)	0.72	<b>(1.69)</b>	(2.65)	0.96
Transportation costs	<b>(1.40)</b>	(1.37)	(0.03)	<b>(1.39)</b>	(1.43)	0.04
Operating expenses	<b>(12.98)</b>	(12.51)	(0.47)	<b>(13.12)</b>	(12.86)	(0.26)
Operating netback	<b>5.89</b>	9.65	(3.76)	<b>6.79</b>	9.48	(2.69)
General and administrative	<b>(1.07)</b>	(1.01)	(0.06)	<b>(1.25)</b>	(0.98)	(0.27)
Interest and bank charges	<b>(0.91)</b>	(0.05)	(0.86)	<b>(0.95)</b>	(0.04)	(0.91)
Interest income	-	0.32	(0.32)	-	0.34	(0.34)
Corporate netback	<b>3.91</b>	8.91	(5.00)	<b>4.59</b>	8.80	(4.21)
Operating netback (\$ per Mcfe)	<b>0.98</b>	1.61	(0.63)	<b>1.13</b>	1.58	(0.45)
Corporate netback (\$ per Mcfe)	<b>0.65</b>	1.49	(0.83)	<b>0.77</b>	1.47	(0.70)

### Positive Net Cash/Net Debt

The Company considers positive net cash/net debt to be a key indicator of leverage. Positive net cash/net debt is calculated as the sum of accounts receivable, cash, investments and prepaid expenses and deposits, less Demand Loan, Term Loan and accounts payable and accrued liabilities. See "DEBT, LIQUIDITY AND CAPITAL RESOURCES" section for the table.

## FORWARD-LOOKING INFORMATION

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

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

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

Undrilled locations consist of drilling and recompletion locations booked in the independent reserve report dated March 4, 2024 prepared by McDaniel & Associates Consultants Limited and unbooked drilling and recompletion locations. Unbooked drilling and recompletion locations are internal estimates based on evaluation of geologic, reserves and spacing based on industry practice. There is no guarantee that Pine Cliff will drill these locations and there is no certainty that the drilling or completing of these locations will result in additional reserves and production or achieve expected internal rates of return. Pine Cliff activity depends on availability of capital, regulatory approvals, commodity prices, drilling costs and other factors.

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

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

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

**GLOSSARY**

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

***Measurement***

Bbl/d<sup>1</sup> – barrels per day

Boe/d<sup>1</sup> – barrels of oil equivalent per day

Mcf/d<sup>1</sup> – thousand cubic feet per day

Mcfe/d<sup>1</sup> – thousand cubic feet equivalent per day

MMBoe – millions of barrels of oil equivalent

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

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

***Financial and Business Environment***

AECO – Alberta Energy Company

CGU – Cash Generating Unit

GJ - Gigajoule

NGTL – Nova Gas Transmission Line

WTI – West Texas Intermediate

MMBtu – One million British Thermal Units