

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION**

 (Canadian dollars, 000s)
(unaudited)

	Note	As at September 30, 2024	As at December 31, 2023
ASSETS			
Current assets			
Accounts receivable	4	22,975	23,657
Prepaid expenses and deposits		7,979	7,321
Investments		-	208
Total current assets		30,954	31,186
Property, plant and equipment	6	360,665	402,295
Deferred income taxes		47,581	43,591
Total assets		439,200	477,072
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	4	41,733	43,840
Term loan	9	10,550	8,440
Demand loan	10	5,356	4,002
Lease liabilities	7	1,286	1,119
Decommissioning provision	11	7,100	7,100
Total current liabilities		66,025	64,501
Lease liabilities	7	2,228	1,995
Term loan	9	40,596	46,583
Decommissioning provision	11	265,895	264,065
Total liabilities		374,744	377,144
SHAREHOLDERS' EQUITY			
Share capital	12	278,970	278,623
Contributed surplus		20,588	18,746
Accumulated other comprehensive loss		(249)	(224)
Deficit		(234,853)	(197,217)
Total shareholders' equity		64,456	99,928
Total liabilities and shareholders' equity		439,200	477,072

 Commitments (Note 15)
Subsequent events (Note 16)

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)(Canadian dollars, 000s except per share data)
(unaudited)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2024	2023	2024	2023
REVENUE					
Commodity sales	13	43,413	48,176	143,035	143,387
Royalty expense		(2,732)	(3,931)	(10,825)	(14,767)
Commodity sales, net of royalties		40,681	44,245	132,210	128,620
Processing and gathering		1,377	980	4,131	3,678
Interest income		-	606	-	1,889
Total revenue		42,058	45,831	136,341	134,187
EXPENSES					
Operating		26,929	24,048	83,977	71,579
Transportation		2,903	2,631	8,898	7,944
Depletion and depreciation	6	13,565	10,344	40,737	31,108
Share-based compensation		696	723	2,026	2,012
Finance	14	4,203	1,805	12,856	5,277
General and administrative		2,212	1,942	7,984	5,459
Gain on sale of exploration and evaluation assets		-	-	(300)	-
Total expenses		50,508	41,493	156,178	123,379
Income (loss) before income taxes		(8,450)	4,338	(19,837)	10,808
Deferred income taxes	8	1,564	(101)	3,998	(2,528)
NET INCOME (LOSS) FOR THE PERIOD		(6,886)	4,237	(15,839)	8,280
OTHER COMPREHENSIVE INCOME (LOSS)					
Unrealized gain (loss) on investments		-	(145)	-	130
Realized loss on investments		-	19	(25)	(102)
Deferred income tax on unrealized loss (gain) on investments		-	11	-	(3)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX		-	(115)	(25)	25
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		(6,886)	4,122	(15,864)	8,305
Net income (loss) per share (\$)					
Basic	12	(0.02)	0.01	(0.04)	0.02
Diluted	12	(0.02)	0.01	(0.04)	0.02

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(Canadian dollars, 000s)
(unaudited)

	Note	Share capital	Contributed surplus ¹	Accumulated other comprehensive income (loss) ²	Deficit	Total Shareholders' equity (deficit)
BALANCE AT JANUARY 1, 2023		277,650	16,617	(216)	(160,323)	133,728
Net income for the period		-	-	-	8,280	8,280
Dividends	12	-	-	-	(34,448)	(34,448)
Share-based compensation		-	2,012	-	-	2,012
Other comprehensive income, net of tax		-	-	25	-	25
Exercise of stock options		867	(677)	-	-	190
BALANCE AT SEPTEMBER 30, 2023		278,517	17,952	(191)	(186,491)	109,787
Net income for the period		-	-	-	841	841
Dividends	12	-	-	-	(11,567)	(11,567)
Share-based compensation		-	844	-	-	844
Other comprehensive loss, net of tax		-	-	(33)	-	(33)
Exercise of stock options		106	(50)	-	-	56
BALANCE AT DECEMBER 31, 2023		278,623	18,746	(224)	(197,217)	99,928
Net loss for the period		-	-	-	(15,839)	(15,839)
Dividends	12	-	-	-	(20,226)	(20,226)
Tax on excessive eligible dividends		-	-	-	(1,571)	(1,571)
Share-based compensation		-	2,026	-	-	2,026
Other comprehensive loss, net of tax		-	-	(25)	-	(25)
Exercise of stock options		347	(184)	-	-	163
BALANCE AT SEPTEMBER 30, 2024		278,970	20,588	(249)	(234,853)	64,456

¹Contributed surplus is comprised of share-based compensation.

²Accumulated 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.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Canadian dollars, 000s)

(unaudited)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2024	2023	2024	2023
CASH PROVIDED BY (USED IN):					
OPERATING ACTIVITIES					
Net income (loss) for the period		(6,886)	4,237	(15,839)	8,280
Items not affecting cash:					
Depletion and depreciation	6	13,565	10,344	40,737	31,108
Share-based compensation		696	723	2,026	2,012
Finance expenses	14	4,203	1,805	12,856	5,277
Deferred income taxes	8	(1,564)	101	(3,998)	2,528
Gain on sale of exploration & evaluation assets		-	-	(300)	-
Interest and bank charges		(1,883)	(87)	(6,073)	(218)
Decommissioning obligations settled	11	(1,610)	(3,501)	(3,005)	(5,999)
Changes in non-cash working capital accounts	14	1,537	1,616	(3,127)	7,080
Cash provided by operating activities		8,058	15,238	23,277	50,068
FINANCING ACTIVITIES					
Exercise of stock options		-	7	163	190
Term loan	9	(2,110)	-	(4,220)	-
Demand loan	10	(7)	-	1,354	-
Dividends	12	(5,370)	(11,557)	(20,226)	(34,448)
Tax on excessive eligible dividends		-	-	(1,571)	-
Payments on lease obligations		(31)	(291)	(874)	(789)
Changes in non-cash working capital accounts	14	-	-	1,571	-
Cash used in financing activities		(7,518)	(11,841)	(23,803)	(35,047)
INVESTING ACTIVITIES					
Property, plant and equipment	6	(901)	(4,687)	(2,497)	(17,317)
Exploration and evaluation		-	(28)	-	(33)
Dispositions		1,503	261	3,618	261
Acquisitions		(243)	-	(559)	(312)
Proceeds on disposition of exploration and evaluation assets		-	-	300	-
Proceeds on sale of investments		-	88	191	315
Changes in non-cash working capital accounts	14	(899)	(3,420)	(527)	(1,825)
Cash provided by (used) in investing activities		(540)	(7,786)	526	(18,911)
Decrease in cash		-	(4,389)	-	(3,890)
Cash - beginning of period		-	54,927	-	54,428
CASH - END OF PERIOD		-	50,538	-	50,538

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, 2024 and December 31, 2023 and for the three and nine month periods ended September 30, 2024 and 2023 (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, 2023 ("**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, 2023 have been applied in the preparation of these Financial Statements.

The Financial Statements were authorized for issue by the Company's Board of Directors on November 13, 2024.

3. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the Financial Statements.

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. This accounting pronouncement does not have a material impact on the Financial Statements.

4. 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, as defined herein and Term Loan, as defined herein. 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.

The following table sets out the Company's classification, carrying value and fair value of financial assets and liabilities as at September 30, 2024 and December 31, 2023:

(\$000s) Description	September 30, 2024		December 31, 2023	
	Carrying value	Fair value	Carrying value	Fair value
Accounts receivable	22,975	22,975	23,657	23,657
Investments	-	-	208	208
Accounts payable and accrued liabilities	(41,733)	(41,733)	(43,840)	(43,840)
Term loan	(51,146)	(51,146)	(55,023)	(55,023)
Demand loan	(5,356)	(5,356)	(4,002)	(4,002)

5. RISK MANAGEMENT

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

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, 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 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 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) ¹	Contract Price (\$CAD/Mcf) ^{1,2}
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 ³	5,000	\$2.75	\$2.89
October 1, 2024 to October 31, 2024	TransGas ⁴	13,000	AECO 5A + 0.46/GJ	AECO 5A + 0.48/Mcf
November 1, 2024 to October 31, 2025	TransGas ⁴	14,000	AECO 5A + 0.39/GJ	AECO 5A + 0.41/Mcf

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

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

³ Dawn Hub into Dawn Township, Ontario.

⁴ Subsidiary of SaskEnergy, Saskatchewan.

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) ¹
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

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

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

¹ 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 (the "**Term Loan**", see note 9) and a \$15.0 million demand operating loan (the "**Demand Loan**", see note 10) secured by specific equipment assets. The borrowings under the Term Loan are at the Canadian Prime Lending Rate (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 ¹	3,110	13,110	46,157	-	-	-
Lease obligations ¹	372	1,386	1,192	591	269	76
Total financial liabilities	50,571	14,496	47,349	591	269	76

¹ These amounts include the notional principal and interest payments.

6. PROPERTY, PLANT AND EQUIPMENT

Cost:	(\$000s)
Balance at December 31, 2023	890,121
Additions	2,497
Right-of-use assets	1,360
Acquisitions	559
Dispositions	(4,195)
Decommissioning provision	(1,605)
Balance at September 30, 2024	888,737
Accumulated depletion and depreciation:	(\$000s)
Balance at December 31, 2023	(487,826)
Depletion and depreciation	(40,737)
Dispositions	491
Balance at September 30, 2024	(528,072)
Carrying value at:	(\$000s)
December 31, 2023	402,295
September 30, 2024	360,665

PP&E Impairment Assessment

As at September 30, 2024, 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, 2024, there were no indicators of impairment for PP&E assets and therefore an impairment test was not required.

7. LEASE LIABILITIES

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

	(\$000s)
2024	372
2025	1,386
2026	1,192
2027	591
2028	269
Thereafter	76
Total lease payments as at September 30, 2024	3,886
Amounts representing interest	(372)
Present value of lease payments	3,514
Current portion of lease obligations	(1,286)
Non-current portion of lease obligations	2,228

For the three and nine months ended September 30, 2024, interest expense of \$0.05 million and \$0.1 million (three and nine months ended September 30, 2023 - \$0.05 million and \$0.1 million) and a total cash outflow of \$0.03 million and \$0.9 million (three and nine months ended September 30, 2023 - \$0.4 million and \$0.7 million) was recognized relating to lease obligations.

The right-of-use assets and lease obligation relate to the Company's leases for vehicles and the head office in Calgary. A right-of-use asset of \$8.9 million and \$4.7 million in accumulated depreciation on the right-of-use-assets are included in PP&E. Refer to Note 6.

8. 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.

9. 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 - \$55.0 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 revaluated 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.

10. DEMAND LOAN

On March 27, 2024, the Company's Demand Loan with a Canadian chartered bank 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 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.

11. 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.

	(\$000s)
Decommissioning provision, December 31, 2023	271,165
Provisions related to dispositions	(25)
Decommissioning expenditures	(3,005)
Revisions (changes in estimates and discount rates)	(1,580)
Accretion	6,440
Decommissioning provision, September 30, 2024	272,995
Less current portion of decommissioning provision	(7,100)
Non-current portion of decommissioning provision	265,895

12. 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:		
Balance, December 31, 2023	356,298	278,623
Exercise of stock options	1,766	347
Balance, September 30, 2024	358,064	278,970

Stock Options

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

	Options (000s)	Weighted-average exercise price (\$ per Common Share)
Stock options issued and outstanding:		
Outstanding, December 31, 2023	20,705	1.28
Granted	12,971	1.04
Exercised	(2,455)	0.31
Forfeited	(2,213)	1.32
Expired	(1,670)	1.89
Outstanding, September 30, 2024	27,338	1.22
Exercisable, September 30, 2024	5,943	1.29

Exercise price:	Stock options outstanding (000s)	Weighted-average remaining term (years)	Stock options exercisable (000s)	Weighted-average remaining term (years)
\$0.33 - \$0.99	1,151	0.6	1,151	0.6
\$1.00 - \$1.25	12,275	2.6	-	-
\$1.26 - \$1.50	10,445	1.7	3,113	0.6
\$1.51 - \$1.92	3,467	1.2	1,679	0.6
	27,338	2.0	5,943	0.6

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, 2024, the Company granted 12,970,857 stock options (September 30, 2023 – 10,991,180) with a fair value of \$0.26 (September 30, 2023 - \$0.34) per option using the Black-Scholes option pricing model using the following key assumptions:

	Nine months ended September 30,	
Assumptions (weighted average):	2024	2023
Exercise price (\$)	1.04	1.32
Estimated volatility of underlying common shares (%)	48.3	61.8
Expected life (years)	3.0	3.0
Risk-free rate (%)	4.0	3.8
Forfeiture rate (%)	8.7	7.5
Expected dividend yield (%)	6.1	9.9

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 was based on quoted market prices for the period that the options were outstanding.

	Three months ended September 30,		Nine months ended September 30,	
Net income (loss) per share calculation (\$000s):	2024	2023	2024	2023
Numerator				
Net income (loss) for the period	(6,886)	4,237	(15,839)	8,280
Denominator (000s)				
Weighted-average Common Shares outstanding – basic	357,965	355,710	357,136	353,413
Dilutive effect of options outstanding	-	3,552	-	6,030
Weighted-average Common Shares outstanding – diluted	357,965	359,262	357,136	359,443
Net income (loss) per Common Share – basic (\$)	(0.02)	0.01	(0.04)	0.02
Net income (loss) per Common Share – diluted (\$)	(0.02)	0.01	(0.04)	0.02

Dividends declared and paid for the three and nine months ended September 30, 2024 was \$5.4 million and \$20.2 million (three and nine months ended September 30, 2023 - \$11.5 million and \$34.4 million). Dividends declared and paid for the three and nine months ended September 30, 2024 was \$0.02 and \$0.06 per Common Share (\$0.03 and \$0.10 per Common Share for the three and nine months ended September 30, 2023).

13. 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.

	Three months ended September 30,		Nine months ended September 30,	
(\$000s)	2024	2023	2024	2023
Natural gas	19,827	28,690	67,803	91,052
NGLs	11,621	7,216	37,572	21,606
Crude oil	11,965	12,270	37,660	30,729
Total commodity sales	43,413	48,176	143,035	143,387

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
Kristopher B. Zack
Chief Financial Officer and Corporate Secretary
Daniel C. Keenan
Vice President Exploitation
Austin W. Nieuwdorp
Vice President Finance and Controller

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REGISTRAR AND TRANSFER AGENT

Odyssey Trust Company of Canada

AUDITORS

Deloitte LLP

STOCK LISTINGS

Toronto Stock Exchange (“TSX”)
Trading Symbol: PNE

OTC Markets Group Inc. (“OTCQX”)

Trading Symbol: PIFYF

WEBSITE

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INVESTOR CONTACT

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