



Long-term Value Focus  
Q2 2025 Quarterly Report

On June 30th, LNG Canada successfully loaded its first cargo of liquefied natural gas to Asian markets from its facility at Kitimat, British Columbia. This milestone marks the beginning of a new era for the Canadian natural gas market as it enters the global LNG export market. In anticipation of this project, Canadian natural gas producers had ramped up production, which raised natural gas storage levels. While the LNG Canada project is scaling up throughput, cooler temperatures in the United States and Canada have kept storage levels elevated on both sides of the border. These factors have resulted in lower natural gas prices this summer, particularly in Canada. Pine Cliff continues to prudently manage our operations and balance sheet, anticipating a favorable shift in natural gas fundamentals beginning this winter.

From a financial standpoint, Pine Cliff's second quarter was straight forward. Highlights included:

### Second Quarter 2025 Summary

- Generated \$4.9 million (\$0.01 per basic and fully diluted share) and \$16.4 million (\$0.05 per basic and fully diluted share) of adjusted funds flow<sup>1</sup> for the three and six months ended June 30, 2025, compared to \$10.8 million (\$0.03 per basic and fully diluted share) and \$21.3 million (\$0.06 per basic and fully diluted share) for the same periods in 2024;
- Production averaged 21,236<sup>2</sup> Boe/d and 21,259<sup>3</sup> Boe/d for the three and six months ended June 30, 2025, compared to 23,688<sup>4</sup> Boe/d and 23,776<sup>5</sup> Boe/d for the same periods in 2024;
- Paid dividends of \$1.3 million (\$0.004 per basic and fully diluted share) and \$6.7 million (\$0.02 per basic and fully diluted share) during the three and six months ended June 30, 2025, compared to \$5.4 million (\$0.02 per basic and fully diluted share) and \$14.9 million (\$0.04 per basic and fully diluted share) during the same periods in 2024;
- Capital expenditures totaled \$2.3 million and \$3.6 million for the three and six months ended June 30, 2025, compared to \$1.0 million and \$1.6 million for the same periods in 2024;
- Reduced net debt<sup>1</sup> by \$3.4 million or 5% to \$58.9 million on June 30, 2025 down from \$62.3 million on December 31, 2024; and
- Generated a net loss of \$7.1 million (\$0.02 per share basic and fully diluted) and \$9.9 million (\$0.03 per share basic and fully diluted) for the three and six months ended June 30, 2025, compared to net loss of \$4.1 and \$9.0 million for the same periods in 2024.

### Extended and Increased Debt Facilities

In early June, Pine Cliff announced the following amendments to our debt facilities to provide additional financial flexibility:

1. Renewed our demand loan with a Canadian chartered bank at \$15 million. This facility was scheduled to be reduced to \$12 million at the end of May. Maintaining this additional capacity preserves incremental liquidity to help manage our short-term working capital needs.
2. Amended our term loan agreement to reduce our annual scheduled amortization to 7.5% of the initial principal balance from 15%. This reduces our quarterly payments to \$1.05 million from \$2.10 million, while the additional dividend-linked payments that were layered in at the end of 2024 have been eliminated. While debt repayment continues to be an important consideration in our allocation of free cash flow, lower mandatory payments provide Pine Cliff with the option to preserve more capital in the business to support reinvestment into the asset base. We have retained the right to make additional prepayments if that is determined to be the best way to allocate incremental free cash flow.
3. Extended the maturity of the term loan to January 3, 2028, which aligns with what we expect will be a better natural gas price environment in the back half of the decade.

### Disciplined Capital Spending

Pine Cliff continues to be disciplined with respect to our 2025 capital program in the lower price natural gas environment, with the \$3.5 million of spending in the first half of the year mostly related to maintenance activities and \$2.2 million of decommissioning expenditures.

Pine Cliff's intention is to commence our drilling program in Q4 this year, provided that commodity prices continue to support attractive economics. We are leaving our 2025 capital budget at \$23.5 million, which includes \$12.5 million of development spending.

### Production Profile

Second quarter production averaged 21,236 Boe/d, remaining consistent with our first quarter volumes, despite normal course maintenance outages at third-party processing facilities and temporary shut-ins on our properties due to low AECO gas prices.

## Dividend

We continue to monitor our payout ratio, and at current commodity prices we are maintaining our monthly dividend at \$0.00125 per share.

## Hedging and Diversification Update

Pine Cliff's physical hedging and internal market diversification strategies have proven especially valuable during this summer's price environment. Pine Cliff realized an average natural gas price of C\$2.48/Mcf, representing a 48% premium to the AECO Daily 5A average price of C\$1.68/Mcf.

In recent months, we have further strengthened our hedge position with approximately 54% of our gross natural gas production<sup>6</sup> now hedged at an average price of \$2.82/Mcf through the second half of 2025. Similarly, approximately 43% of our gross crude oil production<sup>7</sup> has been hedged at US\$64.15/Bbl over the same period.

We have taken advantage of favorable forward pricing by securing additional hedges for 2026, locking in an average price of just over C\$3.00/mcf on roughly 32% of natural gas production<sup>6</sup>. We remain committed to opportunistically expanding our hedge positions where they align with our business strategy, capital program and dividend sustainability.

## Webcast

Pine Cliff will host a webcast at **9:00 AM MDT (11:00 PM EDT) on Thursday August 7th, 2025**. Participants can access the live webcast via <https://www.gowebcasting.com/14138> or through the links provided on our website. A recorded archive will be available on Pine Cliff's website following the live webcast.

## Outlook

The launch of LNG Canada exports this quarter marks one of the most significant milestones in our industry since Pine Cliff was founded nearly 14 years ago. These exports are expected to ramp up to 1 Bcf/d by the end of this year, with Phase 1 capacity reaching 2 Bcf/d in 2026. Canada is also advancing additional projects: Cedar LNG and Woodfibre LNG are currently under construction and meaningful progress is being made toward final investment decisions on the Ksi Lisims and LNG Canada Phase 2 projects. If all these developments move forward, Canada could be exporting over 6.5 Bcf/d by 2030, positioning itself as the fourth-largest LNG exporter globally. This volume would represent roughly 35% of the country's current natural gas production of 18.5 Bcf/d.

Simultaneously, U.S. LNG exports are projected to more than double from their current 16 Bcf/d, and global natural gas demand, driven in part by the power requirements of rapidly growing data center infrastructure supporting artificial intelligence, is expected to rise significantly.

Investors are taking note of this bullish medium to long-term outlook, with increased trading volumes and positive price momentum in natural gas-weighted equities like Pine Cliff. While we remain patient for these developments to materialize, we remain focused on navigating the current environment of low natural gas prices. Our priority is to ensure that our assets are well positioned to benefit from a rebound in prices in the coming months to be able to optimize the free cash flow for our shareholders.

We remain steadfast in our commitment to making operational decisions that enhance long-term shareholder value as the broader macro fundamentals of rising global and North American demand for natural gas remain intact.

Thank you for your continued support.

Yours truly,



Phil Hodge  
President and Chief Executive Officer  
August 6, 2025

<sup>1</sup> Disclosure Note: Please refer to Pine Cliff's Website for Reader Advisories regarding forward looking information, non-GAAP measures, oil and gas measurements, definitions as this Presidents message is subject to the same cautionary statements as set out therein.

<sup>2</sup> Comprised of 102,528 Mcf/d natural gas, 2,849 Bbl/d NGLs and 1,299 Bbl/d light and medium oil.

<sup>3</sup> Comprised of 101,727 Mcf/d natural gas, 2,917 Bbl/d NGLs and 1,387 Bbl/d light and medium oil.

<sup>4</sup> Comprised of 112,521 Mcf/d natural gas, 3,334 Bbl/d NGLs and 1,599 Bbl/d light and medium oil.

<sup>5</sup> Comprised of 113,076 Mcf/d natural gas, 3,343 Bbl/d NGLs and 1,587 Bbl/d light and medium oil.

<sup>6</sup> Based on Q2 2025 sales volumes of 102,528 Mcf/d natural gas.

<sup>7</sup> Based on Q2 2025 sales volumes of 1,299 Bbl/d of light and medium oil.

## 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 June 30, 2025. This MD&A is dated and based on information available as at August 6, 2025 and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2025 ("Financial Statements"), the audited annual consolidated financial statements for the year ended December 31, 2024 ("Annual Financial Statements") and the annual management's discussion and analysis for the year ended December 31, 2024 ("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.

## Q2 2025 RESULTS

Results for the second quarter of 2025 are as follows:

- Generated \$4.9 million (\$0.01 per basic and fully diluted share) and \$16.4 million (\$0.05 per basic and fully diluted share) of adjusted funds flow for the three and six months ended June 30, 2025, compared to \$10.8 million (\$0.03 per basic and fully diluted share) and \$21.3 million (\$0.06 per basic and fully diluted share) for the same periods in 2024;
- Production averaged 21,236 Boe/d and 21,259 Boe/d for the three and six months ended June 30, 2025, compared to 23,688 Boe/d and 23,776 Boe/d for the same periods in 2024;
- Paid dividends of \$1.3 million (\$0.004 per basic and fully diluted share) and \$6.7 million (\$0.02 per basic and fully diluted share) during the three and six months ended June 30, 2025, compared to \$5.4 million (\$0.02 per basic and fully diluted share) and \$14.9 million (\$0.04 per basic and fully diluted share) during the same periods in 2024;
- Capital expenditures totaled \$2.3 million and \$3.6 million for the three and six months ended June 30, 2025, compared to \$1.0 million and \$1.6 million for the same periods in 2024;
- Reduced net debt by \$3.4 million or 5% to \$58.9 million on June 30, 2025 down from \$62.3 million on December 31, 2024; and
- Generated a net loss of \$7.1 million (\$0.02 per share basic and fully diluted) and \$9.9 million (\$0.03 per share basic and fully diluted) for the three and six months ended June 30, 2025, compared to net loss of \$4.1 and \$9.0 million for the same periods in 2024.

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
(\$000s, unless otherwise indicated)				
<b>FINANCIAL</b>				
<b>Commodity sales (before royalty expense)</b>	<b>41,850</b>	48,323	<b>91,328</b>	99,622
<b>Cash provided by operating activities</b>	<b>7,715</b>	5,692	<b>19,203</b>	15,219
<b>Adjusted funds flow<sup>1</sup></b>	<b>4,876</b>	10,780	<b>16,382</b>	21,278
Per share – Basic and diluted (\$/share) <sup>1</sup>	<b>0.01</b>	0.03	<b>0.05</b>	0.06
<b>Net loss</b>	<b>(7,136)</b>	(4,095)	<b>(9,873)</b>	(8,953)
Per share – Basic and diluted (\$/share)	<b>(0.02)</b>	(0.01)	<b>(0.03)</b>	(0.03)
<b>Capital expenditures</b>	<b>2,310</b>	1,037	<b>3,553</b>	1,596
<b>Dividends</b>	<b>1,344</b>	5,357	<b>6,717</b>	14,856
Per share – Basic and diluted (\$/share)	<b>0.00</b>	0.02	<b>0.02</b>	0.04
<b>Net debt<sup>1</sup></b>	<b>(58,890)</b>	(68,647)	<b>(58,890)</b>	(68,647)
Weighted-average common shares outstanding (000s)				
Basic and diluted	<b>358,556</b>	357,114	<b>358,368</b>	354,923
<b>OPERATIONS</b>				
<b>Production</b>				
Natural gas (Mcf/d)	<b>102,528</b>	112,531	<b>101,727</b>	113,076
NGLs (Bbl/d)	<b>2,849</b>	3,334	<b>2,917</b>	3,343
Crude oil (Bbl/d)	<b>1,299</b>	1,599	<b>1,387</b>	1,587
Total (Boe/d)	<b>21,236</b>	23,688	<b>21,259</b>	23,776
<b>Realized commodity sales prices</b>				
Natural gas (\$/Mcf)	<b>2.48</b>	2.10	<b>2.69</b>	2.33
NGLs (\$/Bbl)	<b>35.94</b>	43.10	<b>39.55</b>	42.66
Crude oil (\$/Bbl)	<b>79.13</b>	94.66	<b>83.20</b>	88.98
Combined (\$/Boe)	<b>21.66</b>	22.42	<b>23.73</b>	23.02
<b>Netback (\$/Boe)</b>				
Commodity sales	<b>21.66</b>	22.42	<b>23.73</b>	23.02
Processing and gathering	<b>0.78</b>	0.70	<b>0.75</b>	0.64
Royalty expense	<b>(1.94)</b>	(1.49)	<b>(2.24)</b>	(1.87)
Transportation expenses	<b>(1.56)</b>	(1.40)	<b>(1.57)</b>	(1.39)
Operating expenses	<b>(13.93)</b>	(13.09)	<b>(13.99)</b>	(13.18)
Operating netback (\$/Boe) <sup>1</sup>	<b>5.01</b>	7.14	<b>6.68</b>	7.22
General and administrative expenses	<b>(1.46)</b>	(1.22)	<b>(1.43)</b>	(1.33)
Interest and bank charges	<b>(1.03)</b>	(0.91)	<b>(1.00)</b>	(0.97)
Corporate netback (\$/Boe) <sup>1</sup>	<b>2.52</b>	5.01	<b>4.25</b>	4.92
Operating netback (\$ per Mcfe) <sup>1</sup>	<b>0.84</b>	1.19	<b>1.11</b>	1.20
Corporate netback (\$ per Mcfe) <sup>1</sup>	<b>0.42</b>	0.84	<b>0.71</b>	0.82

<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	3,379	0.01
Realized NGLs price (C\$/Bbl) <sup>3</sup>	1.00	969	0.00
Realized crude oil price (C\$/Bbl) <sup>3</sup>	1.00	461	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 six months ended June 30, 2025.

<sup>3</sup> Pine Cliff has prepared this analysis using its six months ended June 30, 2025 production volumes annualized for twelve months.

<sup>4</sup> Based on the Q2 2025 basic weighted average shares outstanding.

## BENCHMARK PRICES

	Three months ended June 30,			Six months ended June 30,		
	2025	2024	% Change	2025	2024	% Change
<b>Natural gas</b>						
NYMEX (US\$/Mmbtu) <sup>1</sup>	3.44	1.89	82	3.55	2.07	71
AECO Daily 5A (C\$/Mcf) <sup>2</sup>	1.68	1.17	44	1.92	1.83	5
<b>Crude oil</b>						
WTI (US\$/Bbl)	63.74	80.57	(21)	67.58	78.77	(14)
Edmonton Light (C\$/Bbl)	84.14	105.33	(20)	89.71	98.79	(9)
<b>Foreign exchange</b>						
US\$/C\$	1.384	1.370	1	1.410	1.359	4

<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.

	Q2-2025	Q1-2025	Q4-2024	Q3-2024	Q2-2024	Q1-2024	Q4-2023	Q3-2023
<b>Natural gas</b>								
NYMEX (US\$/MMBtu) <sup>1</sup>	3.44	3.65	2.79	2.16	1.89	2.24	2.88	2.55
AECO Daily 5A (C\$/Mcf) <sup>2</sup>	1.68	2.16	1.51	0.68	1.17	2.48	2.30	2.58
Pine Cliff realized natural gas price (C\$/Mcf)	2.48	2.90	2.30	2.00	2.10	2.56	2.59	2.88
<b>Crude oil</b>								
WTI (US\$/Bbl)	63.74	71.42	70.27	75.09	80.57	76.96	78.32	82.26
Edmonton Light (C\$/Bbl)	84.14	95.27	94.97	97.92	105.33	92.24	99.79	107.85
Pine Cliff realized NGLs price (C\$/Bbl)	35.94	43.03	40.33	40.69	43.10	42.22	48.51	52.69
Pine Cliff realized Oil price (C\$/Bbl)	79.13	86.83	88.27	90.11	94.66	83.22	93.15	96.44
<b>Foreign exchange</b>								
US\$/C\$	1.384	1.435	1.399	1.360	1.370	1.348	1.362	1.341

<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 six months ended June 30, 2025, the AECO daily benchmark was 44% and 5% higher compared to the same period of 2024. 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, and 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 hedging contracts and 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 21% and 14%, for the three and six months ended June 30, 2025, as compared to the same period in 2024, primarily due to supply and demand factors such as global economic conditions and geopolitical factors including the threat of U.S. tariffs.

Agreements made between the Organization of Petroleum Exporting Countries (“OPEC”) and other crude oil producing countries globally continue to influence global supply dynamics, with shifting strategies contributing to market uncertainty. While crude oil prices reflect current supply and demand dynamics, future crude oil prices remain volatile given the uncertainty associated with the impact of global economic conditions and geopolitical factors will 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 various NGL components.

## SALES VOLUMES

Total sales volumes by product	Three months ended June 30,			Six months ended June 30,		
	2025	2024	% Change	2025	2024	% Change
Natural gas (Mcf)	9,330,052	10,240,362	(9)	18,412,652	20,580,965	(11)
NGLs (Bbl)	259,278	303,365	(15)	528,054	608,387	(13)
Crude oil (Bbl)	118,195	145,519	(19)	251,089	288,757	(13)
Total Boe	1,932,482	2,155,611	(10)	3,847,918	4,327,305	(11)
Total Mcfe	11,594,890	12,933,666	(10)	23,087,510	25,963,829	(11)
Natural gas weighting	80%	79%	1	80%	79%	1

Average daily sales volumes by product	Three months ended June 30,			Six months ended June 30,		
	2025	2024	% Change	2025	2024	% Change
Natural gas (Mcf/d)	102,528	112,531	(9)	101,727	113,076	(11)
NGLs (Bbl/d)	2,849	3,334	(15)	2,917	3,343	(13)
Crude oil (Bbl/d)	1,299	1,599	(19)	1,387	1,587	(13)
Total (Boe/d)	21,236	23,688	(10)	21,259	23,776	(11)
Total (Mcfe/d)	127,416	142,128	(10)	127,554	142,656	(11)

Average daily sales volumes by area	Three months ended June 30,			Six months ended June 30,		
	2025	2024	% Change	2025	2024	% Change
Central (Boe/d)	14,300	16,103	(11)	14,399	16,021	(10)
Southern (Boe/d)	5,675	6,026	(6)	5,557	6,085	(9)
Edson (Boe/d)	1,261	1,559	(19)	1,303	1,670	(22)
Total (Boe/d)	21,236	23,688	(10)	21,259	23,776	(11)

Pine Cliff’s sales volumes decreased by 10% and 11% to 21,236 Boe/d (127,416 Mcfe/d) and 21,259 Boe/d (127,554 Mcfe/d) in the three and six months ended June 30, 2025 as compared to the same periods in 2024, which include the impact of natural production declines and temporary shut-ins due to weak AECO gas prices in June 2025.



**COMMODITY SALES**

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2025	2024	% Change	2025	2024	% Change
Natural gas	23,180	21,475	8	49,553	47,976	3
NGLs	9,318	13,074	(29)	20,884	25,951	(20)
Crude oil	9,352	13,774	(32)	20,891	25,695	(19)
Total commodity sales	41,850	48,323	(13)	91,328	99,622	(8)
% of revenue from natural gas sales	55%	44%	11	54%	48%	6

**Realized Prices**

\$ per unit	Three months ended June 30,			Six months ended June 30,		
	2025	2024	% Change	2025	2024	% Change
Natural gas (\$/Mcf)	2.48	2.10	18	2.69	2.33	15
NGLs (\$/Bbl)	35.94	43.10	(17)	39.55	42.66	(7)
Crude oil (\$/Bbl)	79.13	94.66	(16)	83.20	88.98	(6)
Total (\$/Boe)	21.66	22.42	(3)	23.73	23.02	3
Total (\$/Mcfe)	3.61	3.74	(3)	3.96	3.84	3

Commodity sales in the three months ended June 30, 2025 of \$41.9 million decreased 13% from \$48.3 million in the corresponding period in the prior year. The quarterly decrease of \$6.5 million consists of \$4.8 million attributed to lower production volumes and \$1.7 million attributed to lower realized commodity prices. Commodity sales in the six months ended June 30, 2025 of \$91.3 million decreased 8% from \$99.6 million in the six months ended June 30, 2024. The year to date decrease of \$8.3 million consists of \$11.4 million attributed to lower production volumes partially offset by an increase of \$3.1 million attributed to higher realized commodity prices.

Pine Cliff's realized natural gas price was \$2.48 per Mcf and \$2.69 per Mcf in the three and six months ended June 30, 2025, 18% and 15% higher than the \$2.10 per Mcf and \$2.33 per Mcf realized in the corresponding periods of the prior year. This increase at a time when AECO 5A benchmark prices were up 44% and 5%, are a result of Pine Cliff's marketing diversification programs and fixed price physical natural gas sales contracts.

For the three and six months ended June 30, 2025, Pine Cliff's realized NGL price was \$35.94 per Bbl and \$39.55 per Bbl, compared to \$43.10 per Bbl and \$42.66 per Bbl in the corresponding periods of the prior year. For the three and six months ended June 30, 2025, Pine Cliff's realized crude oil price was \$79.13 per Bbl and \$83.20 per Bbl, compared to \$94.66 per Bbl and \$88.98 per Bbl in the corresponding periods of the prior year. Pine Cliff's realized crude oil prices in the three and six months ended June 30, 2025 were 94% and 93% respectively of Edmonton Light compared to 90% in the corresponding periods of the prior year. This decrease in realized crude oil pricing in the three and six months ended June 30 2025, compared to the corresponding period of 2024, reflects lower WTI benchmarks slightly offset by narrower Canadian crude oil price differentials and a stronger Canadian dollar.

Pine Cliff's realized NGLs prices in the three and six months ended June 30, 2025 were 43% of Edmonton light compared to 41% and 43% in the corresponding period of the prior year.

**ROYALTY EXPENSE**

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2025	2024	% Change	2025	2024	% Change
Total royalty expense	3,748	3,216	17	8,630	8,093	7
\$ per Boe	1.94	1.49	30	2.24	1.87	20
\$ per Mcfe	0.32	0.25	30	0.37	0.31	20
Royalty expense as a % of commodity sales	9%	7%	29	9%	8%	13

For the three and six months ended June 30, 2025, total royalty expense increased by 17% and 7% to \$3.7 million and \$8.6 million from \$3.2 million and \$8.1 million respectively, in the corresponding periods of the prior year. Royalty expense as a percentage of commodity sales increased to 9% in the three and six months ended June 30, 2025, compared to 7% and 8% in the three and six months ended June 30, 2024. The increase in royalty expenses for the three and six months ended June 30, 2025 is primarily due to higher realized natural gas prices.

#### TRANSPORTATION COSTS

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2025	2024	% Change	2025	2024	% Change
Total transportation costs	3,007	3,019	-	6,035	5,995	1
\$ per Boe	1.56	1.40	11	1.57	1.39	13
\$ per Mcfe	0.26	0.23	11	0.26	0.23	13

For the three and six months ended June 30, 2025, total transportation costs of \$3.0 million and \$6.0 million were consistent with the \$3.0 million and \$6.0 million in the corresponding periods.

On a per Boe basis, transportation expenses for the three and six months ended June 30, 2025 increased by 11% and 13% to \$1.56 per Boe and \$1.57 per Boe, compared to the corresponding periods of 2024. The increase from the comparable quarter is primarily due to lower production volumes.

#### NET OPERATING EXPENSES

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2025	2024	% Change	2025	2024	% Change
Operating expenses	26,917	28,211	(5)	53,821	57,048	(6)
Less: processing and gathering income	(1,503)	(1,504)	-	(2,897)	(2,754)	5
Net operating expenses	25,414	26,707	(5)	50,924	54,294	(6)
\$ per Boe	13.15	12.39	6	13.24	12.54	6
\$ per Mcfe	2.19	2.07	6	2.21	2.09	6

Net operating expenses decreased by 5% and 6% to \$25.4 million and \$50.9 million for the three and six months ended June 30, 2025, as compared to \$26.7 million and \$54.3 million in the corresponding periods of the prior year. The decrease from the comparable quarter is primarily due to lower production volumes.

On a per Boe basis, net operating costs increased 6% to \$13.15 per Boe and \$13.24 per Boe compared to the corresponding periods of 2024.

#### GENERAL AND ADMINISTRATIVE EXPENSES ("G&A")

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2025	2024	% Change	2025	2024	% Change
Gross G&A	3,278	3,396	(3)	6,703	7,165	(6)
Less: overhead recoveries	(455)	(760)	40	(1,187)	(1,393)	15
Total G&A expenses	2,823	2,636	7	5,516	5,772	(4)
\$ per Boe	1.46	1.22	20	1.43	1.33	8
\$ per Mcfe	0.24	0.20	20	0.24	0.22	8

General and administrative expenses increased by 7% to \$2.8 million in the three months ended June 30, 2025, compared to \$2.6 million in the same period of 2024, primarily due to lower overhead recoveries. On a year-to-date basis, G&A totaled \$5.5 million, down 4% from \$5.8 million in the six months ended June 30, 2024, primarily due to lower personnel costs.

G&A increased 20% to \$1.46 per Boe for the quarter and 8% to \$1.43 per Boe for the year-to-date period, compared to \$1.22 per Boe and \$1.33 per Boe, respectively, in the same periods of 2024 as a result of lower production volumes.

**SHARE-BASED COMPENSATION**

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2025	2024	% Change	2025	2024	% Change
Total share-based compensation	827	471	76	1,664	1,330	25
\$ per Boe	0.43	0.22	95	0.43	0.31	39
\$ per Mcfe	0.07	0.04	95	0.07	0.05	39

Share-based compensation increased by 76% for the three months ended June 30, 2025, compared to the corresponding period of 2024. The increase primarily reflects the change in the fair value of stock options granted in May 2025 compared to May 2024 and the approval of the Company's share unit plan ("Share Unit Plan") on May 20, 2025, with restricted share units ("RSUs") and deferred share units ("DSUs" and together with RSUs, "Awards").

The Company may grant stock options and Awards to a combined maximum of 10% of outstanding Common Shares on the grant date. RSUs vest over one to three years. DSUs vest immediately upon grant but are amortized over five years and are redeemable when the holder ceases to be a director. Stock options vest over one to four years, with the maximum expiry of five years. Awards granted are currently accounted for as cash-settled.

As at June 30, 2025, the Company had 28,571,370 stock options, 2,897,047 RSUs and 517,240 DSUs outstanding representing a total of 8.9% of Common Shares outstanding (June 30, 2024 – 27,876,078 stock options representing 7.8% of Common Shares outstanding).

**DEPLETION AND DEPRECIATION**

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2025	2024	% Change	2025	2024	% Change
Total depletion and depreciation	11,284	13,614	(17)	22,931	27,172	(16)
\$ per Boe	5.84	6.32	(8)	5.96	6.28	(5)
\$ per Mcfe	0.97	1.05	(8)	0.99	1.05	(5)

Depletion and depreciation expense for the three and six months ended June 30, 2025, totaled \$11.3 million and \$22.9 million compared to \$13.6 million and \$27.2 million in the corresponding periods of the prior year. The decrease for the period is primarily a result of lower production volumes in the three and six months ended June 30, 2025 compared to the corresponding period of the prior year. 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 June 30, 2025, 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 June 30, 2025, there were no indicators of impairment or impairment reversals for PP&E assets and therefore an impairment test was not required.

**FINANCE EXPENSES**

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2025	2024	%Change	2025	2024	% Change
Interest expense and bank charges	1,982	1,965	1	3,841	4,190	(8)
\$ per Boe	1.03	0.91	13	1.00	0.97	3
\$ per Mcfe	0.17	0.15	13	0.17	0.16	3
Non-cash:						
Accretion on decommissioning provision	1,902	2,191	(13)	3,806	4,233	(10)
Accretion on promissory notes	61	115	(47)	176	230	(23)
Total finance expenses	3,945	4,271	(8)	7,823	8,653	(10)
\$ per Boe	2.04	1.98	3	2.03	2.00	1
\$ per Mcfe	0.34	0.33	3	0.34	0.33	1

Finance expenses decreased by 8% and 10% to \$3.9 million and \$7.8 million for the three and six months ended June 30, 2025, as compared to \$4.3 million and \$8.7 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 six months ended June 30, 2025, Pine Cliff recorded a deferred income tax recovery of \$2.1 million and \$2.3 million (three and six months ended June 30, 2024 - \$1.2 million and \$2.4 million deferred income tax recovery). 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)	Six months ended June 30, 2025	Year ended December 31, 2024
Capital expenditures	3,553	2,529
Acquisitions	-	645
Dispositions	(296)	(10,519)
Total	3,257	(7,345)

Capital expenditures on PP&E of totaled \$3.6 million, including facilities, optimization and maintenance capital.

### DECOMMISSIONING PROVISION

The total current and long-term decommissioning provision of \$218.7 million was estimated by management based on the Company's working interest and estimated costs to remediate, reclaim and abandon its wells, pipelines, and facilities and estimated timing of the costs to be incurred in future periods.

At June 30, 2025, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was \$317.3 million (December 31, 2024 - \$323.8 million). The discounted and inflated amount required to settle the decommissioning liabilities of \$218.7 million (December 31, 2024 - \$231.9 million) has been calculated assuming a 2.00% inflation rate (December 31, 2024 - 2.00%) and discounted using an average risk-free interest rate of 3.34% (December 31, 2024 - 3.24%). 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 June 2, 2025, the Company amended its non-revolving term loan facility (the “**Term Loan**”). The amounts borrowed under the Term Loan bear interest at an annual interest rate equal to Canadian Prime Lending Rate (the “**Prime Rate**”) plus 3.65%, where Prime Rate cannot be less than 6.95%. The Company is now required to make mandatory principal quarterly repayments equal to \$1.0 million, payable on the first banking day of January, April, July and October of each calendar year, commencing June 30, 2025. The Term Loan maturity date has been extended to January 3, 2028 on which date the remaining outstanding principal balance is to be paid.

The amount drawn under the Term Loan at June 30, 2025 was \$43.2 million (December 31, 2024 - \$49.9 million). Based on the calculated fair value of the Term Loan as at June 30, 2025, the effective interest rate was determined to be 11.3% using the effective interest method. The value of the loan will be accreted up to the principal balance at maturity. Interest accrued at June 30, 2025 was \$nil (December 31, 2024 - \$nil).

Security for the Term Loan consists of demand debentures totaling \$110.0 million (December 31, 2024 - \$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 other than the general security agreement with the Demand Loan.

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.

The Company has the option to make voluntary prepayments throughout the term of the loan under the following conditions:

- (i) at any time from and after June 12, 2025 until but excluding September 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.
- (ii) at any time from and after September 12, 2025 until and including September 12, 2026, an amount equal to the sum of a prepayment of the outstanding principal balance plus an amount of 1.5% of the principal amount prepaid plus remaining interest payments and annual renewal fees on the prepayment amount.
- (iii) at any time from and after September 12, 2026, make a prepayment of all or any portion of the outstanding principal balance plus an amount of 1.5% of the principal amount prepaid.

Consolidated Debt is defined as all indebtedness for borrowed money, including issued and drawn letters of credit or letters of guarantee other than letters of credit supported by a performance guarantee from Export Development Canada. EBITDA is defined as net income (loss) 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 re-evaluated 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 June 30, 2025.

### **Demand Loan**

On June 2, 2025, the Company amended its demand loan (the “**Demand Loan**”) of \$15.0 million with a Canadian chartered bank, of which \$5.5 million was drawn at June 30, 2025 (December 31, 2024 - \$7.4 million). Borrowings bear interest at the bank’s prime lending rate plus 2.0%. Letters of credit issued under the Demand Loan are supported by a performance guarantee from Export Development Canada for an amount up to \$8.8 million and incur an issuance fee of 2.38%. At June 30, 2025, the Company had issued \$8.8 million in letters of credit (December 31, 2024 - \$6.6 million).

The Demand Loan is secured by a general security agreement over certain tangible field facilities of the Company and second priority demand debentures totaling \$50.0 million (December 31, 2024 - \$nil) over all of the Company’s assets.

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

- Senior Debt to 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. EBITDA shall mean net income excluding finance costs, provision for current and deferred income tax, depletion and depreciation, share based 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 covenant at June 30, 2025.

### **Capital Resources**

Pine Cliff’s approved capital budget for 2025 is approximately \$23.5 million, including \$12.5 million allocated to strategic drilling and infrastructure in its core Central Alberta area, with the balance allocated for facilities maintenance and asset retirement obligations. Drilling activity is expected to commence in the second half of 2025, with the timing and deployment of development capital dependent on prevailing commodity prices and project economics. Pine Cliff continues to maintain flexibility in its capital allocation strategy, with the ability to adjust the nature, amount, and timing of planned expenditures in response to market conditions.

## Liquidity

As at June 30, 2025, 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 \$28.7 million. Pine Cliff has and will continue to manage its working capital needs through its physical diversification program, 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)	June 30, 2025	December 31, 2024	\$ Change
Trade and other receivables	18,489	23,702	(5,213)
Prepaid expenses and deposits	7,460	5,722	1,738
Less:			
Trade and other payables	(36,061)	(35,236)	(825)
Term loan	(43,249)	(49,153)	5,904
Demand loan	(5,529)	(7,358)	1,829
Net debt <sup>1</sup>	(58,890)	(62,323)	3,433

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

## Share Capital

Share capital	August 6, 2025	June 30, 2025	December 31, 2024
Common Shares	358,791,562	358,791,562	358,067,145
Stock options	28,066,370	28,571,370	27,334,078
Restricted share units	2,854,090	2,897,047	-
Deferred share units	517,240	517,240	-

## COMMITMENTS AND CONTINGENCIES

As at June 30, 2025, the Company has the following commitments and other contractual obligations:

	2025	2026	2027	2028	2029	Thereafter
(\$000s)						
Accounts payable and accrued liabilities	36,061	-	-	-	-	-
Demand loan	5,529	-	-	-	-	-
Term loan <sup>1</sup>	4,746	8,766	7,232	34,391	-	-
Share awards liability	-	70	35	24	-	8
Lease obligations <sup>1</sup>	665	1,273	672	348	112	-
Transportation <sup>2</sup>	5,319	8,491	6,233	2,039	1,374	571
Total commitments and contingencies	52,320	18,600	14,172	36,802	1,486	579

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

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

## SUBSEQUENT EVENTS

### Dividends

On July 31, 2025, the Company paid a monthly dividend of \$0.00125 per Common Share.

On August 1, 2025, the Company declared a monthly dividend of \$0.00125 per Common Share. The dividend is payable August 29, 2025, to all shareholders of record on August 15, 2025.

## QUARTERLY TRENDS AND SELECTED FINANCIAL INFORMATION

(\$000s, unless otherwise indicated)	Q2-2025	Q1-2025	Q4-2024	Q3-2024	Q2-2024	Q1-2024	Q4-2023	Q3-2023
<b>FINANCIAL</b>								
Total revenue	39,605	45,990	43,860	42,058	46,611	47,672	42,073	45,831
Cash provided by operating activities	7,715	11,488	518	8,058	5,692	9,527	16,559	15,238
Adjusted funds flow <sup>1</sup>	4,876	11,506	8,608	8,131	10,780	10,498	9,700	17,123
Per share – Basic and diluted (\$/share)	0.01	0.03	0.02	0.02	0.03	0.03	0.03	0.05
Net income (loss)	(7,136)	(2,737)	(5,607)	(6,886)	(4,095)	(4,858)	841	4,237
Per share – Basic and diluted (\$/share)	(0.02)	(0.01)	(0.02)	(0.02)	(0.01)	(0.01)	0.00	0.01
Capital expenditures	2,310	1,243	32	901	1,037	559	3,616	4,715
Dividends	1,344	5,373	5,371	5,370	5,357	9,499	11,567	11,557
Per share – Basic and diluted (\$/share)	0.00	0.02	0.01	0.02	0.02	0.03	0.03	0.03
Acquisitions	-	-	86	243	225	91	109,014	-
Positive net cash (net debt) <sup>1</sup>	(58,890)	(58,775)	(62,323)	(67,281)	(68,647)	(72,687)	(71,679)	46,502
Weighted average common shares outstanding (000s):								
Basic	358,556	358,178	358,086	357,965	357,114	356,319	355,969	355,710
Diluted	358,556	358,178	358,086	357,965	357,114	356,319	359,262	359,262
<b>PRODUCTION VOLUMES</b>								
Natural gas (Mcf/d)	102,528	100,918	108,212	107,985	112,531	113,633	110,499	108,138
NGLs (Bbl/d)	2,849	2,986	3,170	3,105	3,334	3,352	1,690	1,489
Crude oil (Bbl/d)	1,299	1,477	1,533	1,443	1,599	1,574	1,347	1,383
Average sales volumes (Boe/d)	21,236	21,283	22,738	22,546	23,688	23,865	21,454	20,895
Average sales volumes (Mcfe/d)	127,416	127,698	136,428	135,276	142,128	143,190	128,724	125,370
<b>PRICES AND NETBACKS</b>								
Total commodity sales (\$/Boe)	21.66	25.83	22.51	20.93	22.42	23.62	23.03	25.06
Operating netback (\$/Boe) <sup>1</sup>	5.01	8.38	6.31	5.89	7.14	7.30	6.04	9.65
Corporate netback (\$/Boe) <sup>1</sup>	2.52	6.00	4.11	3.91	5.01	4.84	4.91	8.91
Total commodity sales (\$/Mcfe)	3.61	4.31	3.75	3.49	3.74	3.94	3.84	4.18
Operating netback (\$/Mcfe) <sup>1</sup>	0.84	1.40	1.05	0.98	1.19	1.22	1.01	1.61
Corporate netback (\$/Mcfe) <sup>1</sup>	0.42	1.00	0.69	0.65	0.84	0.81	0.82	1.49

<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 provided by 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 production volumes decreased in the first quarter of 2025 compared to the fourth quarter of 2024 due primarily to natural production declines and weather-related factors. Average production volumes in the second quarter of 2025 were consistent with the first quarter of 2025.
- Adjusted funds flow increased in the first quarter of 2025 compared to the fourth quarter of 2024 due primarily to higher realized commodity prices and lower net operating expenses, partially offset by lower sales volumes. Adjusted funds flow decreased in the second quarter of 2025 compared to the first quarter of 2025 due primarily to lower realized commodity prices, partially offset by lower net operating expenses.
- Net loss decreased in the first quarter of 2025 compared to the fourth quarter of 2024 due primarily to higher realized commodity prices and lower finance and depletion expenses, partially offset by lower sales volumes. Net loss increased in the second quarter of 2025 compared to the first quarter of 2025 due primarily to lower realized commodity prices.

- Total revenue increased in the first quarter of 2025 compared to the fourth quarter of 2024 due primarily to higher realized commodity partially offset by lower sales volumes. Total revenue decreased in the second quarter of 2025 compared to the first quarter of 2025 due primarily to 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, accounts payable and accrued liabilities, share awards liability, Demand Loan and Term Loan. The carrying values of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to their short-term nature. The carrying value of the Demand Loan and Term Loan approximates fair value as their interest rates reflect current market conditions. The share awards liability approximates fair value as it is remeasured each reporting period based on the Company's common share price and dividends distributed.

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, 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 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 could result in reduced production of natural gas, crude oil or NGL and an associated 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 June 30, 2025, the Company had the following natural gas physical 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>
July 1, 2025 - October 31, 2025	AECO	15,000	\$2.54	\$2.67
July 1, 2025 to December 31, 2025	AECO	16,268	\$3.11	\$3.27
July 1, 2025 to October 31, 2026	AECO	7,500	\$2.50	\$2.63
July 1, 2025 - December 31, 2026	AECO	2,500	\$2.92	\$3.06
July 1, 2025 - June 30, 2027	AECO	5,000	\$2.79	\$2.93
August 1, 2025 - March 31, 2026	AECO	2,500	\$2.15	\$2.26
January 1, 2026 to February 28, 2026	AECO	8,398	\$3.58	\$3.76
January 1, 2026 to December 31, 2026	AECO	7,500	\$3.03	\$3.19
April 1, 2026 - October 31, 2026	AECO	5,000	\$2.90	\$3.05
November 1, 2026 - March 31, 2027	AECO	5,000	\$3.45	\$3.62
July 1, 2026 - June 30, 2027	AECO	5,000	\$3.20	\$3.35
July 1, 2025 - March 31, 2026	AECO	5,000	\$1.75 - \$3.11 <sup>3</sup>	\$1.84 - \$3.27 <sup>3</sup>
July 1, 2025 to October 31, 2025	TransGas <sup>4</sup>	14,000	AECO 5A + 0.39/GJ	AECO 5A + 0.41/Mcf
July 1, 2025 - October 31, 2025	DAWN <sup>5</sup>	5,000	\$3.74	\$3.92

<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> Price is a floor and ceiling for a fixed price costless collar.

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

<sup>5</sup> Dawn Hub into Dawn Township, Ontario.

At June 30, 2025, the Company had the following crude oil physical sales contracts in place:

Contractual Term	Crude Oil	Physical Delivery Quantity (Bbl/day)	Contract Price (\$USD/Bbl) <sup>1</sup>
July 1, 2025 to December 31, 2025	WTI Fixed Price	458	\$67.83
July 1, 2025 to June 30, 2026	WTI Fixed Price	100	\$60.76
October 1, 2025 to September 30, 2026	WTI Fixed Price	100	\$65.51
January 1, 2026 to February 28, 2026	WTI Fixed Price	435	\$66.60
January 1, 2026 to December 31, 2026	WTI Fixed Price	100	\$64.25

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

*Derivatives*

The fair value of financial derivative instruments is measured on a recurring basis using observable market data when available. In the absence of quoted market prices, Pine Cliff uses third-party valuation models that incorporate forward commodity prices, interest rates, and foreign exchange rates, along with transaction-specific terms and credit risk factors.

Subsequent to June 30, 2025, the Company had the following natural gas derivative contract 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>
July 1, 2025 - June 30, 2027	AECO	2,500	\$2.79	\$2.93
August 1, 2025 - March 31, 2026	AECO	5,000	\$2.10	\$2.20

<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.

*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 June 30, 2025, the Company's debt facilities consist of a \$43.2 million Term Loan and a \$15.0 million Demand Loan. The borrowings under the Term Loan are at the Canadian prime rate plus 3.65%, (whereby the 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 would decrease 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 June 30, 2025.

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 June 30, 2025.

#### **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 June 30, 2025 of \$18.5 million (December 31, 2024 – \$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 June 30, 2025, there was \$1.6 million (December 31, 2024 - \$2.4 million) of accounts receivable over 90 days. Pine Cliff assesses its accounts receivable quarterly to determine if there has been any impairment. During the six months ended June 30, 2025, the Company recorded a bad debt recovery of \$nil (June 30, 2024 – \$0.2 million) 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. Pine Cliff actively monitors its credit and working capital to ensure that it has sufficient available funds to meet its financial requirements at a reasonable cost. Management believes that funds generated from these sources currently will be adequate to settle Pine Cliff's financial liabilities. A significant decline in commodity prices would hamper the Company's ability to settle 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 June 30, 2025:

	2025	2026	2027	2028	2029	Thereafter
(\$000s)						
Accounts payable and accrued liabilities	36,061	-	-	-	-	-
Demand loan	5,529	-	-	-	-	-
Term loan <sup>1</sup>	4,746	8,766	7,232	34,391	-	-
Share awards liability	-	70	35	24	-	8
Lease obligations <sup>1</sup>	665	1,273	672	348	112	-
<b>Total financial liabilities</b>	<b>47,001</b>	<b>10,109</b>	<b>7,939</b>	<b>34,763</b>	<b>112</b>	<b>8</b>

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

## New Accounting Pronouncements

### IFRS 18 – Presentation and Disclosure in Financial Statements

In January 2024, the International Accounting Standards Board (“IASB”) issued amendments to IFRS 18 – Presentation and Disclosure in Financial Statements, which introduce new presentation requirements for specified categories and defined subtotals in the statements of comprehensive loss, as well as enhanced disclosure requirements for management-defined performance measures. The amendments aim to improve comparability and transparency in financial reporting by requiring more structured and consistent presentation of financial performance across entities.

The amendments to IFRS 18 will be effective for annual periods beginning on or after January 1, 2027, with earlier adoption permitted. The Company is currently assessing the potential impact of these amendments on its Financial Statements.

## 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 second quarter of 2025. The Chief Executive Officer and Chief Financial Officer have signed form 52-109F2, Certification of Interim Filings, which can be found on SEDAR+ at [www.sedar.ca](http://www.sedar.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 June 30,			Six months ended June 30,		
	2025	2024	% Change	2025	2024	% Change
Cash provided by operating activities	7,715	5,692	36	19,203	15,219	26
Adjusted by:						
Change in non-cash working capital	(3,854)	4,314	(189)	(5,022)	4,664	(208)
Decommissioning obligations settled	1,015	774	31	2,201	1,395	58
Adjusted funds flow	4,876	10,780	(55)	16,382	21,278	(23)
Adjusted funds flow (\$/Boe)	2.52	5.01	(50)	4.25	4.92	(14)
Adjusted funds flow (\$/Mcf)	0.42	0.84	(50)	0.71	0.82	(14)
Adjusted funds flow – basic and diluted (\$/Common Share)	0.01	0.03	(67)	0.05	0.06	(17)

### 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 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 June 30,			Six months ended June 30,		
	2025	2024	Change	2025	2024	Change
Commodity sales	21.66	22.42	(0.76)	23.73	23.02	0.71
Processing and gathering	0.78	0.70	0.08	0.75	0.64	0.11
Royalty expense	(1.94)	(1.49)	(0.45)	(2.24)	(1.87)	(0.37)
Transportation costs	(1.56)	(1.40)	(0.16)	(1.57)	(1.39)	(0.18)
Operating expenses	(13.93)	(13.09)	(0.84)	(13.99)	(13.18)	(0.81)
Operating netback	5.01	7.14	(2.13)	6.68	7.22	(0.54)
General and administrative	(1.46)	(1.22)	(0.24)	(1.43)	(1.33)	(0.10)
Interest and bank charges	(1.03)	(0.91)	(0.12)	(1.00)	(0.97)	(0.03)
Corporate netback	2.52	5.01	(2.49)	4.25	4.92	(0.67)
Operating netback (\$ per Mcfe)	0.84	1.19	(0.35)	1.11	1.20	(0.09)
Corporate netback (\$ per Mcfe)	0.42	0.84	(0.41)	0.71	0.82	(0.11)

### 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.

Positive net cash/net debt is not a recognized measure under IFRS and 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.

**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 5, 2025 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 (“**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 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

MBoe – thousands 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 MBoe, 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

MBbl – Thousands of barrels of oil

MBoe – Thousands of barrels of oil equivalent

MMBbl – Millions of barrels of oil

MMcf – Millions of cubic feet

**INTERIM CONDENSED CONSOLIDATED STATEMENTS  
OF FINANCIAL POSITION**

 (Canadian dollars, 000s)  
(unaudited)

	Note	As at June 30, 2025	As at December 31, 2024
<b>ASSETS</b>			
Current assets			
Accounts receivable	5	18,489	23,702
Prepaid expenses and deposits		7,460	5,722
Total current assets		25,949	29,424
Property, plant and equipment	7	268,147	302,452
Deferred income taxes		51,697	49,375
Total assets		345,793	381,251
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	5	36,061	35,236
Term loan	10	4,220	11,357
Demand loan	11	5,529	7,358
Lease liabilities	8	1,265	1,287
Decommissioning provision	12	7,500	7,500
Share awards liability		70	-
Total current liabilities		54,645	62,738
Lease liabilities	8	1,543	2,026
Term loan	10	39,029	37,796
Decommissioning provision	12	211,158	224,367
Share awards liability		67	-
Total liabilities		306,442	326,927
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	14	279,265	278,982
Contributed surplus		22,756	21,422
Accumulated other comprehensive loss		(249)	(249)
Deficit		(262,421)	(245,831)
Total shareholders' equity		39,351	54,324
Total liabilities and shareholders' equity		345,793	381,251

Commitments (Note 16)

Subsequent events (Note 17)

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2025	2024	2025	2024
<b>REVENUE</b>					
Commodity sales	14	41,850	48,323	91,328	99,622
Royalty expense		(3,748)	(3,216)	(8,630)	(8,093)
Commodity sales, net of royalties		38,102	45,107	82,698	91,529
Processing and gathering		1,503	1,504	2,897	2,754
Total revenue		39,605	46,611	85,595	94,283
<b>EXPENSES</b>					
Operating		26,917	28,211	53,821	57,048
Transportation		3,007	3,019	6,035	5,995
Depletion and depreciation	7	11,284	13,614	22,931	27,172
Share-based compensation		827	471	1,664	1,330
Finance	15	3,945	4,271	7,823	8,653
General and administrative		2,823	2,636	5,516	5,772
Gain on sale of exploration and evaluation assets		-	(300)	-	(300)
Total expenses		48,803	51,922	97,790	105,670
Loss before income taxes		(9,198)	(5,311)	(12,195)	(11,387)
Deferred income tax recovery	9	2,062	1,216	2,322	2,434
<b>NET LOSS FOR THE PERIOD</b>		<b>(7,136)</b>	<b>(4,095)</b>	<b>(9,873)</b>	<b>(8,953)</b>
<b>OTHER COMPREHENSIVE LOSS</b>					
Realized loss on investments		-	-	-	(25)
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(25)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(7,136)</b>	<b>(4,095)</b>	<b>(9,873)</b>	<b>(8,978)</b>
<b>Net loss per share (\$)</b>					
Basic and diluted	13	(0.02)	(0.01)	(0.03)	(0.03)

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



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

(Canadian dollars, 000s)

(unaudited)

	Note	Share capital	Contributed surplus <sup>1</sup>	Accumulated other comprehensive loss <sup>2</sup>	Deficit	Total Shareholders' equity
<b>BALANCE AT JANUARY 1, 2024</b>		<b>278,623</b>	<b>18,746</b>	<b>(224)</b>	<b>(197,217)</b>	<b>99,928</b>
Net loss for the period		-	-	-	(8,953)	(8,953)
Dividends	13	-	-	-	(14,856)	(14,856)
Tax on excessive eligible dividends		-	-	-	(1,571)	(1,571)
Share-based compensation		-	1,330	-	-	1,330
Other comprehensive loss, net of tax		-	-	(25)	-	(25)
Exercise of stock options		468	(305)	-	-	163
<b>BALANCE AT JUNE 30, 2024</b>		<b>279,091</b>	<b>19,771</b>	<b>(249)</b>	<b>(222,597)</b>	<b>76,016</b>
Net loss for the period		-	-	-	(12,493)	(12,493)
Dividends	13	-	-	-	(10,741)	(10,741)
Share-based compensation		-	1,652	-	-	1,652
Exercise of stock options		(109)	(1)	-	-	(110)
<b>BALANCE AT DECEMBER 31, 2024</b>		<b>278,982</b>	<b>21,422</b>	<b>(249)</b>	<b>(245,831)</b>	<b>54,324</b>
Net loss for the period		-	-	-	(9,873)	(9,873)
Dividends	13	-	-	-	(6,717)	(6,717)
Share-based compensation		-	1,527	-	-	1,527
Exercise of stock options		283	(193)	-	-	90
<b>BALANCE AT JUNE 30, 2025</b>		<b>279,265</b>	<b>22,756</b>	<b>(249)</b>	<b>(262,421)</b>	<b>39,351</b>

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

		Three months ended June 30,		Six months ended June 30,	
	Note	2025	2024	2025	2024
<b>CASH PROVIDED BY (USED IN):</b>					
<b>OPERATING ACTIVITIES</b>					
Net loss for the period		<b>(7,136)</b>	(4,095)	<b>(9,873)</b>	(8,953)
Items not affecting cash:					
Depletion and depreciation	7	<b>11,284</b>	13,614	<b>22,931</b>	27,172
Share-based compensation		<b>827</b>	471	<b>1,664</b>	1,330
Finance expenses	15	<b>3,945</b>	4,271	<b>7,823</b>	8,653
Deferred income tax recovery	9	<b>(2,062)</b>	(1,216)	<b>(2,322)</b>	(2,434)
Gain on sale of exploration & evaluation assets		-	(300)	-	(300)
Interest and bank charges		<b>(1,982)</b>	(1,965)	<b>(3,841)</b>	(4,190)
Decommissioning obligations settled	12	<b>(1,015)</b>	(774)	<b>(2,201)</b>	(1,395)
Changes in non-cash working capital accounts	15	<b>3,854</b>	(4,314)	<b>5,022</b>	(4,664)
Cash provided by operating activities		<b>7,715</b>	5,692	<b>19,203</b>	15,219
<b>FINANCING ACTIVITIES</b>					
Exercise of stock options		<b>80</b>	155	<b>90</b>	163
Term loan	10	<b>(1,054)</b>	(2,110)	<b>(6,080)</b>	(2,110)
Demand loan	11	<b>(3,055)</b>	354	<b>(1,829)</b>	1,361
Dividends	13	<b>(1,344)</b>	(5,357)	<b>(6,717)</b>	(14,856)
Tax on excessive eligible dividends		-	77	-	(1,571)
Payments on lease obligations		<b>(346)</b>	(256)	<b>(689)</b>	(843)
Changes in non-cash working capital accounts	15	-	(77)	<b>(1,571)</b>	1,571
Cash used in financing activities		<b>(5,719)</b>	(7,214)	<b>(16,796)</b>	(16,285)
<b>INVESTING ACTIVITIES</b>					
Property, plant and equipment	7	<b>(2,310)</b>	(1,037)	<b>(3,553)</b>	(1,596)
Property acquisitions		-	(225)	-	(316)
Proceeds from dispositions		<b>4</b>	492	<b>296</b>	2,115
Proceeds on disposition of exploration and evaluation assets		-	300	-	300
Proceeds on sale of investments		-	-	-	191
Changes in non-cash working capital accounts	15	<b>310</b>	1,992	<b>850</b>	372
Cash provided by (used) in investing activities		<b>(1,996)</b>	1,522	<b>(2,407)</b>	1,066
Changes in cash		-	-	-	-
Cash - beginning of period		-	-	-	-
<b>CASH - END OF PERIOD</b>		-	-	-	-

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

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

As at June 30, 2025 and December 31, 2024 and for the three and six month periods ended June 30, 2025 and 2024 (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**

The Financial Statements have been prepared in accordance with IAS 34 – Interim Financial Reporting using IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB®").

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, 2024 ("**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, 2024 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 August 6, 2025.

**3. MATERIAL ACCOUNTING POLICIES**

The unaudited interim consolidated financial statements follow the same accounting policies as the most recent Annual Financial Statements.

**4. FUTURE ACCOUNTING CHANGES**

IFRS 18 – Presentation and Disclosure in Financial Statements

In January 2024, the International Accounting Standards Board ("**IASB**") issued amendments to IFRS 18 – Presentation and Disclosure in Financial Statements, which introduce new presentation requirements for specified categories and defined subtotals in the statements of comprehensive loss, as well as enhanced disclosure requirements for management-defined performance measures. The amendments aim to improve comparability and transparency in financial reporting by requiring more structured and consistent presentation of financial performance across entities.

The amendments to IFRS 18 will be effective for annual periods beginning on or after January 1, 2027, with earlier adoption permitted.

The Company is currently assessing the potential impact of these amendments on its Financial Statements.

**5. FINANCIAL INSTRUMENTS****Financial instruments and fair value measurement**

Financial instruments of the Company consist of cash, accounts receivable, accounts payable and accrued liabilities, share awards liability, Demand Loan, as defined herein and Term Loan, as defined herein. The carrying values of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to their short-term nature. The carrying value of the Demand Loan and Term Loan approximates fair value as their interest rates reflect current market conditions. The share awards liability approximates fair value as it is remeasured each reporting period based on the Company's common share price and dividends distributed (see note 13).

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 June 30, 2025 and December 31, 2024:

(\$000s)	June 30, 2025		December 31, 2024	
Description	Carrying value	Fair value	Carrying value	Fair value
Accounts receivable	18,489	18,489	23,702	23,702
Accounts payable and accrued liabilities	(36,061)	(36,061)	(35,236)	(35,236)
Share awards liability	(137)	(137)	-	-
Demand loan	(5,529)	(5,529)	(7,358)	(7,358)
Term loan	(43,249)	(43,249)	(49,153)	(49,153)

## 6. RISK MANAGEMENT

The Company is exposed to both financial and non-financial risks inherent in the oil and gas business. Financial risks include: commodity prices, interest rates, 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 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 could result in reduced production of natural gas, crude oil or NGL and an associated 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 June 30, 2025, the Company had the following natural gas physical 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>
July 1, 2025 - October 31, 2025	AECO	15,000	\$2.54	\$2.67
July 1, 2025 to December 31, 2025	AECO	16,268	\$3.11	\$3.27
July 1, 2025 to October 31, 2026	AECO	7,500	\$2.50	\$2.63
July 1, 2025 - December 31, 2026	AECO	2,500	\$2.92	\$3.06
July 1, 2025 - June 30, 2027	AECO	5,000	\$2.79	\$2.93
August 1, 2025 – March 31, 2026	AECO	2,500	\$2.15	\$2.26
January 1, 2026 to February 28, 2026	AECO	8,398	\$3.58	\$3.76
January 1, 2026 to December 31, 2026	AECO	7,500	\$3.03	\$3.19
April 1, 2026 - October 31, 2026	AECO	5,000	\$2.90	\$3.05
November 1, 2026 - March 31, 2027	AECO	5,000	\$3.45	\$3.62
July 1, 2026 - June 30, 2027	AECO	5,000	\$3.20	\$3.35
July 1, 2025 - March 31, 2026	AECO	5,000	\$1.75 - \$3.11 <sup>3</sup>	\$1.84 - \$3.27 <sup>3</sup>
July 1, 2025 to October 31, 2025	TransGas <sup>4</sup>	14,000	AECO 5A + 0.39/GJ	AECO 5A + 0.41/Mcf
July 1, 2025 - October 31, 2025	DAWN <sup>5</sup>	5,000	\$3.74	\$3.92

<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> Price is a floor and ceiling for a fixed price costless collar.

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

<sup>5</sup> Dawn Hub into Dawn Township, Ontario.

At June 30, 2025, the Company had the following crude oil physical sales contracts in place:

Contractual Term	Crude Oil	Physical Delivery Quantity (Bbl/day)	Contract Price (\$USD/Bbl) <sup>1</sup>
July 1, 2025 to December 31, 2025	WTI Fixed Price	458	\$67.83
July 1, 2025 to June 30, 2026	WTI Fixed Price	100	\$60.76
October 1, 2025 to September 30, 2026	WTI Fixed Price	100	\$65.51
January 1, 2026 to February 28, 2026	WTI Fixed Price	435	\$66.60
January 1, 2026 to December 31, 2026	WTI Fixed Price	100	\$64.25

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

### Derivatives

The fair value of financial derivative instruments is measured on a recurring basis using observable market data when available. In the absence of quoted market prices, Pine Cliff uses third-party valuation models that incorporate forward commodity prices, interest rates, and foreign exchange rates, along with transaction-specific terms and credit risk factors.

Subsequent to June 30, 2025, the Company had the following natural gas derivative contract 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>
July 1, 2025 - June 30, 2027	AECO	2,500	\$2.79	\$2.93
August 1, 2025 – March 31, 2026	AECO	5,000	\$2.10	\$2.20

<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.

### 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 June 30, 2025, the Company's debt facilities consist of a \$43.2 million term loan (the "**Term Loan**", see note 10) and a \$15.0 million demand loan (the "**Demand Loan**", see note 11), of which \$5.5 million was drawn. The borrowings under the Term Loan are at the Canadian prime rate (the "**Prime Rate**") plus 3.65%, (whereby the 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 would decrease 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 June 30, 2025.

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 June 30, 2025.

#### **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 June 30, 2025 of \$18.5 million (December 31, 2024 – \$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 June 30, 2025, there was \$1.6 million (December 31, 2024 - \$2.4 million) of accounts receivable over 90 days. Pine Cliff assesses its accounts receivable quarterly to determine if there has been any impairment. During the six months ended June 30, 2025, the Company recorded a bad debt recovery of \$nil (June 30, 2024 – \$0.2 million) 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. Pine Cliff actively monitors its credit and working capital to ensure that it has sufficient available funds to meet its financial requirements at a reasonable cost. Management believes that funds generated from these sources currently will be adequate to settle Pine Cliff's financial liabilities. A significant decline in commodity prices would hamper the Company's ability to settle 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 June 30, 2025:

	2025	2026	2027	2028	2029	Thereafter
(\$000s)						
Accounts payable and accrued liabilities	36,061	-	-	-	-	-
Demand loan	5,529	-	-	-	-	-
Term loan <sup>1</sup>	4,746	8,766	7,232	34,391	-	-
Share awards liability	-	70	35	24	-	8
Lease obligations <sup>1</sup>	665	1,273	672	348	112	-
<b>Total financial liabilities</b>	<b>47,001</b>	<b>10,109</b>	<b>7,939</b>	<b>34,763</b>	<b>112</b>	<b>8</b>

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

## 7. PROPERTY, PLANT AND EQUIPMENT

Cost:	(\$000s)
<b>Balance at December 31, 2024</b>	<b>850,177</b>
Additions	3,553
Right-of-use assets	183
Dispositions	(1,261)
Decommissioning provision	(14,814)
<b>Balance at June 30, 2025</b>	<b>837,838</b>
Accumulated depletion and depreciation:	(\$000s)
<b>Balance at December 31, 2024</b>	<b>(547,725)</b>
Depletion and depreciation	(22,931)
Dispositions	965
<b>Balance at June 30, 2025</b>	<b>(569,691)</b>
Carrying value at:	(\$000s)
December 31, 2024	302,452
<b>June 30, 2025</b>	<b>268,147</b>

## PP&E Impairment Assessment

As at June 30, 2025, 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 or impairment reversal at the end of a reporting period. At June 30, 2025, there were no indicators of impairment or impairment reversals for PP&E assets and therefore an impairment test was not required.

## 8. LEASE LIABILITIES

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

	(\$000s)
2025	665
2026	1,273
2027	672
2028	348
2029	112
Thereafter	-
<b>Total lease payments as at June 30, 2025</b>	<b>3,070</b>
Amounts representing interest	(262)
<b>Present value of lease payments</b>	<b>2,808</b>
Current portion of lease obligations	(1,265)
<b>Non-current portion of lease obligations</b>	<b>1,543</b>

For the three and six months ended June 30, 2025, interest expense of \$0.05 million and \$0.1 million (three and six months ended June 30, 2024 - \$0.05 million and \$0.1 million) and a total cash outflow of \$0.4 million and \$0.8 million (three and six months ended June 30, 2024 - \$0.4 million and \$0.8 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. Right-of-use assets of \$9.9 million and \$7.2 million in accumulated depreciation on the right-of-use-assets are included in PP&E. Refer to Note 7.

## 9. DEFERRED INCOME TAX

For the three and six months ended June 30, 2025, Pine Cliff recorded a deferred income tax recovery of \$2.1 million and \$2.3 million (three and six months ended June 30, 2024 - \$1.2 million and \$2.4 million deferred income tax recovery). 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.

## 10. TERM LOAN

On June 2, 2025, the Company amended its non-revolving Term Loan facility. The amounts borrowed under the Term Loan bear interest at an annual interest rate equal to Canadian Prime Lending Rate (the "**Prime Rate**") plus 3.65%, where Prime Rate cannot be less than 6.95%. The Company is now required to make mandatory principal quarterly repayments equal to \$1.0 million, payable on the first banking day of January, April, July and October of each calendar year, commencing June 30, 2025. The Term Loan maturity date has been extended to January 3, 2028 on which date the remaining outstanding principal balance is to be paid.

The amount drawn under the Term Loan at June 30, 2025 was \$43.2 million (December 31, 2024 - \$49.9 million). Based on the calculated fair value of the Term Loan as at June 30, 2025, the effective interest rate was determined to be 11.3% using the effective interest method. The value of the loan will be accreted up to the principal balance at maturity. Interest accrued at June 30, 2025 was \$nil (December 31, 2024 - \$nil).

Security for the Term Loan consists of demand debentures totaling \$110.0 million (December 31, 2024 - \$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 other than the general security agreement with the Demand Loan.

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.

The Company has the option to make voluntary prepayments throughout the term of the loan under the following conditions:

- (i) at any time from and after June 12, 2025 until but excluding September 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.
- (ii) at any time from and after September 12, 2025 until and including September 12, 2026, an amount equal to the sum of a prepayment of the outstanding principal balance plus an amount of 1.5% of the principal amount prepaid plus remaining interest payments and annual renewal fees on the prepayment amount.
- (iii) at any time from and after September 12, 2026, make a prepayment of all or any portion of the outstanding principal balance plus an amount of 1.5% of the principal amount prepaid.

Consolidated Debt is defined as all indebtedness for borrowed money, including issued and drawn letters of credit or letters of guarantee other than letters of credit supported by a performance guarantee from Export Development Canada. EBITDA is defined as net income (loss) 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 re-evaluated 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 June 30, 2025.



**11. DEMAND LOAN**

On June 2, 2025, the Company amended its Demand Loan of \$15.0 million with a Canadian chartered bank, of which \$5.5 million was drawn at June 30, 2025 (December 31, 2024 - \$7.4 million). Borrowings bear interest at the bank's prime lending rate plus 2.0%. Letters of credit issued under the Demand Loan are supported by a performance guarantee from Export Development Canada for an amount up to \$8.8 million and incur an issuance fee of 2.38%. At June 30, 2025, the Company had issued \$8.8 million in letters of credit (December 31, 2024 - \$6.6 million).

The Demand Loan is secured by a general security agreement over certain tangible field facilities of the Company and second priority demand debentures totaling \$50.0 million (December 31, 2024 - \$nil) over all of the Company's assets.

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

- Senior Debt to 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. EBITDA shall mean net income excluding finance costs, provision for current and deferred income tax, depletion and depreciation, share based 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 covenant at June 30, 2025.

**12. DECOMMISSIONING PROVISION**

The total current and long-term decommissioning provision of \$218.7 million was estimated by management based on the Company's working interest and estimated costs to remediate, reclaim and abandon its wells, pipelines, and facilities and estimated timing of the costs to be incurred in future periods.

At June 30, 2025, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was \$317.3 million (December 31, 2024 - \$323.8 million). The discounted and inflated amount required to settle the decommissioning liabilities of \$218.7 million (December 31, 2024 - \$231.9 million) has been calculated assuming a 2.00% inflation rate (December 31, 2024 - 2.00%) and discounted using an average risk-free interest rate of 3.34% (December 31, 2024 - 3.24%). These obligations are currently expected to be settled based on the useful lives of the underlying assets, some of which extend beyond 50 years into the future.

	(\$000s)
<b>Decommissioning provision, December 31, 2024</b>	<b>231,867</b>
Decommissioning expenditures	(2,201)
Revisions (changes in estimates and discount rates)	(14,814)
Accretion	3,806
<b>Decommissioning provision, June 30, 2025</b>	<b>218,658</b>
Less current portion of decommissioning provision	(7,500)
<b>Non-current portion of decommissioning provision</b>	<b>211,158</b>

**13. SHARE CAPITAL****Authorized**

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

**Issued and outstanding**

	Common Shares (000s)	Share capital (\$000s)
Issued and outstanding share capital continuity:		
<b>Balance, December 31, 2024</b>	<b>358,100</b>	<b>278,982</b>
Exercise of stock options	692	283
<b>Balance, June 30, 2025</b>	<b>358,792</b>	<b>279,265</b>

**Share Unit Plan**

On May 20, 2025, Pine Cliff's share unit plan ("**Share Unit Plan**") was approved by its shareholders as set out in the Company's 2025 Information Circular. The Share Unit Plan enables the Company to grant restricted share units ("**RSUs**") and deferred share units ("**DSUs**" and together with RSUs, "**Awards**"). In accordance with the approved Share Unit Plan, Pine Cliff granted RSUs to officers and employees and DSUs to the Company's board of directors (the "**Board**"). RSUs vest over one to three years. DSUs vest immediately upon grant and are redeemable when the holder ceases to be a director.

The fair value of the Awards are equal to the underlying share price of the Common Shares immediately preceding the date of grant. The fair value of the Awards are subsequently adjusted to the underlying share price at each reporting date. Each Award may, in the Company's sole discretion, entitle the unit holder to be issued the number of common shares designated plus dividend equivalents or payment in cash. Awards granted are currently accounted for as cash-settled. A copy of the Share Unit Plan is available on SEDAR+ ([www.sedarplus.ca](http://www.sedarplus.ca)).

	RSUs (000s)	DSUs (000s)	Total (000s)
Awards issued and outstanding:			
<b>Balance, December 31, 2024</b>	-	-	-
Granted	2,897	517	3,414
<b>Balance, June 30, 2025</b>	<b>2,897</b>	<b>517</b>	<b>3,414</b>

  

Vesting date	RSUs outstanding (000s)	Weighted-average remaining term (years)
May 20, 2026	966	0.9
May 20, 2027	966	1.9
May 20, 2028	965	2.9
	<b>2,897</b>	<b>1.9</b>

A share awards liability of \$0.1 million was recognized as at June 30, 2025 (December 31, 2024 – \$nil).

**Stock Options**

The Company provides an equity settled stock option plan (the "**Option Plan**") for its officers, employees and directors. The term and vesting period of the options granted are determined at the discretion of the Board. The exercise price of each option granted equals the market price of the Common Shares immediately preceding the date of grant and the option's maximum expiry is five years.

	Options (000s)	Weighted-average exercise price (\$ per Common Share)
Stock options issued and outstanding:		
<b>Outstanding, December 31, 2024</b>	<b>27,256</b>	<b>1.22</b>
Granted	6,878	0.56
Exercised	(1,098)	0.33
Expired	(4,465)	1.51
<b>Outstanding, June 30, 2025</b>	<b>28,571</b>	<b>1.05</b>
<b>Exercisable, June 30, 2025</b>	<b>9,262</b>	<b>1.29</b>

	Stock options outstanding (000s)	Weighted-average remaining term (years)	Stock options exercisable (000s)	Weighted-average remaining term (years)
Exercise price:				
\$0.55 - \$0.99	6,878	2.9	-	-
\$1.00 - \$1.25	12,266	1.9	4,089	0.9
\$1.26 - \$1.50	7,589	1.4	3,474	0.8
\$1.51 - \$1.92	1,838	0.9	1,699	0.8
	<b>28,571</b>	<b>1.9</b>	<b>9,262</b>	<b>0.8</b>

The Company may grant stock options and Awards to a combined maximum of 10% of outstanding Common Shares on the grant date.

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 six months ended June 30, 2025, the Company granted 6,878,298 stock options (June 30, 2024 – 12,970,857) with a fair value of \$0.15 (June 30, 2024 - \$0.26) per option using the Black-Scholes option pricing model using the following key assumptions:

Assumptions (weighted average):	Six months ended June 30,	
	2025	2024
Exercise price (\$)	0.56	1.04
Estimated volatility of underlying common shares (%)	43.0	48.3
Expected life (years)	3.0	3.0
Risk-free rate (%)	2.7	4.0
Forfeiture rate (%)	8.1	8.7
Expected dividend yield (%)	2.7	6.1

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

#### Per Share Calculations

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

Net loss per share calculation (\$000s):	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
<b>Numerator</b>				
Net loss for the period	(7,136)	(4,095)	(9,873)	(8,953)
<b>Denominator (000s)</b>				
Weighted-average Common Shares outstanding – basic	358,556	355,281	358,368	354,923
Dilutive effect of options outstanding	-	-	-	-
Weighted-average Common Shares outstanding – diluted	358,556	355,281	358,368	354,923
Net loss per Common Share – basic and diluted (\$)	(0.02)	(0.01)	(0.03)	(0.03)

Dividends declared and paid for the three and six months ended June 30, 2025 was \$1.3 million and \$6.7 million (three and six months ended June 30, 2024 - \$5.4 million and \$14.9 million). Dividends declared and paid for the three and six months ended June 30, 2025 was \$0.004 and \$0.02 per Common Share (\$0.02 and \$0.04 per Common Share for the three and six months ended June 30, 2024).

#### 14. COMMODITY SALES

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

(\$000s)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Natural gas	23,180	21,475	49,553	47,976
NGLs	9,318	13,074	20,884	25,951
Crude oil	9,352	13,774	20,891	25,695
Total commodity sales	41,850	48,323	91,328	99,622

**15. SUPPLEMENTAL CASH FLOW INFORMATION**

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Changes in non-cash working capital:				
Accounts receivable	4,254	70	5,214	(1,417)
Prepaid expenses and deposits	(1,610)	(2,484)	(1,738)	(2,122)
Accounts payable and accrued liabilities	1,520	15	825	818
	4,164	(2,399)	4,301	(2,721)
Change related to:				
Operating activities	3,854	(4,314)	5,022	(4,664)
Financing activities	-	(77)	(1,571)	1,571
Investing activities	310	1,992	850	372
	4,164	(2,399)	4,301	(2,721)

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Finance expenses:				
Interest expense and bank charges	1,982	1,965	3,841	4,190
Non-cash:				
Accretion on decommissioning provision	1,902	2,191	3,806	4,233
Accretion on term loan	61	115	176	230
Total finance expenses	3,945	4,271	7,823	8,653

Cash interest paid in the three months and six months ended June 30, 2025, was \$1.7 million and \$3.5 million (three and six months ended June 30, 2024 - \$1.3 million and \$3.3 million).

**16. COMMITMENTS**

As at June 30, 2025, the Company has the following commitments and other contractual obligations:

	2025	2026	2027	2028	2029	Thereafter
(\$000s)						
Accounts payable and accrued liabilities	36,061	-	-	-	-	-
Demand loan	5,529	-	-	-	-	-
Term loan <sup>1</sup>	4,746	8,766	7,232	34,391	-	-
Share awards liability	-	70	35	24	-	8
Lease obligations <sup>1</sup>	665	1,273	672	348	112	-
Transportation <sup>2</sup>	5,319	8,491	6,233	2,039	1,374	571
Total commitments and contingencies	52,320	18,600	14,172	36,802	1,486	579

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

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

**17. SUBSEQUENT EVENTS****Dividends**

On July 31, 2025, the Company paid a monthly dividend of \$0.00125 per Common Share.

On August 1, 2025, the Company declared a monthly dividend of \$0.00125 per Common Share. The dividend is payable August 29, 2025, to all shareholders of record on August 15, 2025.

**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

**HEAD OFFICE**

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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**

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

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