



Long-term Value Focus
Annual Report 2025

Supported by strengthening AECO natural gas prices in Western Canada toward the end of the year, Pine Cliff closed 2025 with strong momentum. Our team successfully navigated a volatile 2025 commodity backdrop by maintaining capital discipline, sustaining a dividend in a responsible manner, and advancing our high return drilling opportunities. These efforts contributed to a solid financial performance, highlighted by the following key accomplishments in Q4 and 2025:

- Generated \$7.8 million (\$0.02 per basic and fully diluted share) and \$29.9 million (\$0.08 per basic and fully diluted share) of adjusted funds flow¹ for the three months and year ended December 31, 2025;
- Reduced net debt¹ by \$12.7 million or 20% to \$49.6 million at December 31, 2025, compared to \$62.3 million at December 31, 2024;
- Paid dividends of \$1.3 million (\$0.004 per share) and \$9.4 million (\$0.026 per share) during the three months and year ended December 31, 2025; and
- Generated net income of \$3.8 million (\$0.01 per basic and fully diluted share) for the three months ended December 31, 2025.

Reserves

Despite pausing drilling activity in 2024 and most of 2025 due to lower natural gas prices, our PDP reserves¹ at the end of 2025 were up 2% year-over-year prior to accounting for production. Stronger well performance and lower operating costs helped offset the impact of lower commodity prices, particularly from oil and natural gas liquids.

Pine Cliff's TPP reserves¹ were up 7% from the prior year, before production, reflecting additional reserve bookings and better performance assigned to our undrilled locations.

At the end of 2025, we have 22.0 net Glauconite locations booked. This is a 19.6% increase from 18.4 net locations at year-end 2024, expanding our high-quality inventory in our Central Alberta core area. We successfully completed the previously announced Q4 2025 disposition of land prospective for Basal Quartz in Central Alberta, consistent with our portfolio optimization.

Disciplined Capital Spending

We redeployed the proceeds of the Q4 disposition to support the development of the 4-23 Glauconite well in our Central Alberta area. This well was drilled in December 2025, completed in January 2026 and was brought into production in the second half of February and continues to clean up. We also constructed natural gas pipeline infrastructure to service the 4-23 well and to enable the development of future Glauconite locations in the area.

Given the year-to-date correction in AECO gas pricing, and to preserve balance sheet strength and dividend sustainability, our Board has approved an initial 2026 capital budget of \$15 million, which includes asset retirement, facility maintenance and the 4-23 well completion. We intend to resume our drilling program in the back half of 2026, although, as always, we will pace spending with the commodity strip and only advance projects that will meet our return thresholds.

Dividend

Our priority is to maintain a sustainable dividend supported by free cash flow, prudent hedging and a strong balance sheet. At current commodity prices, we are leaving our monthly dividend at \$0.00125 per share and will continue to monitor our total payout ratio closely.

As of December 31, 2025, Pine Cliff has paid \$104.6 million, or approximately \$0.29 per share in cumulative monthly dividends since the commencement of the dividend program in June 2022. We are proud of this sizable return of capital to our shareholders given the size of our company.

Hedging and Diversification Update

Our hedging and internal marketing strategies continue to mitigate the impact of commodity price volatility. In 2025, Pine Cliff realized an average natural gas price of C\$2.64/mcf, representing a 57% premium to the AECO Daily 5A price of C\$1.68/mcf for the year. We have approximately 37% of our gross natural gas production² for 2026 priced at C\$3.19/mcf. This includes close to 37% Q2 and Q3 2026 production priced at C\$3.27/mcf. We also have 40% of our crude oil production³ for 2026 hedged at

US\$63.45/bbl. We will opportunistically expand our hedge positions when 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 March 5th, 2026. Participants can access the live webcast via [Pine Cliff Energy Q4 and 2025 Webcast](#) or through the link provided on our website at www.pinecliffenergy.com. A recorded archive of the webcast will also be made available on the website.

Outlook

We are optimistic on the medium-term outlook for North American natural gas, and in particular, Western Canada gas. We expect structural demand growth from LNG export capacity in Canada and the United States, along with rising power demand tied to artificial intelligence and data processing infrastructure growth. While near-term weather variability and the pace of LNG export ramp-ups can influence storage levels and price volatility, we believe the macro drivers will support improved fundamentals over time.

Canada is expected to be exporting more than 10% of its natural gas production in the form of LNG by this summer and the US is expected to add an additional three Bcf/d of LNG exports this year to take their total to approximately 22 Bcf/d, or over 20% of all US natural gas production.

There are also approximately 35 GWs of new data center construction underway in the US this year. Natural gas is the most scalable and near-term option to provide energy for these projects. We should start to see some of this incremental industrial demand appearing in late 2026 and in 2027.

In the interim, our approach is unchanged: protect the balance sheet, sustain a dividend, hedge prudently and pursue attractive, repeatable drilling opportunities in our core areas. This is our 15th year operating through Western Canada natural gas cycles and experience tells us that disciplined capital allocation through volatility creates long term shareholder value.

Thank you for your continued support.

Yours truly,



Phil Hodge
President and Chief Executive Officer
March 4, 2026

¹ 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.

² Based on Q4 2025 sales volumes of 97,025 Mcf/d natural gas.

³ Based on Q4 2025 sales volumes of 1,236 Bbl/d of light and medium oil.

Reserves Information

McDaniel & Associates Consultants Limited (“**McDaniel**”) was engaged to prepare evaluations of the reserves of Pine Cliff Energy Ltd. (“**Pine Cliff**” or the “**Company**”). The evaluations of petroleum and natural gas reserves were conducted in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities (“**NI 51-101**”) with the effective date of December 31, 2025. The gross reserves in the following tables represent Pine Cliff’s ownership interest before royalties and before consideration of the Company’s royalty interest reserves. As defined in NI 51-101, proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves. Tables may not add due to rounding.

Where amounts are expressed on a Boe basis, natural gas volumes have been converted to oil equivalence at six Mcf per one Bbl. Where amounts are expressed in Mcfe, natural gas liquids and oil volumes are converted to one Mcfe using the same ratio. The terms Boe and Mcfe may be misleading, particularly if used in isolation. This conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Highlights of Pine Cliff’s reserves for the 2025 year include:

- Net present value for Total Proved plus Probable (“**TPP**”) reserves of \$534.6 million, discounted at 10%, a reduction of \$13.5 million, or 2%, from December 31, 2024. Positive additions for extensions and technical revisions were offset by the impact of dispositions, lower prices and annual production;
- Pine Cliff increased its 2025 TPP reserves by 6.3 MMBoe prior to adjusting for 2025 production, representing a reserve replacement ratio of 83%;
- Remaining TPP reserves of 92.8 MMBoe (69% conventional natural gas and coal bed methane) at December 31, 2025 were down 1.4% from 94.1 MMBoe (70% conventional natural gas and coal bed methane) at December 31, 2024; and
- Approximately 67% of total reserve volumes are classified as total proved reserves on December 31, 2025, an increase from 64% in the previous year.

Pine Cliff’s Reserves

McDaniel has used a three-consultant average price (McDaniel, GLJ & Sproule) forecast, resulting in a price forecast of \$3.00 and \$3.30 per MMBtu for AECO natural gas and US\$59.92 and US\$65.10 per Bbl for WTI oil in 2026 and 2027 respectively.

Summary of Remaining Working Interest Reserves, as of December 31, 2025

Reserve Category	Natural Gas	Conventional	Coal Bed	Oil	
	Liquids	Natural Gas	Bed Methane	Equivalent	
	Oil ^{1,2}				
	MBbl	MBbl	MMcf	MMcf	MBoe
Proved					
Developed Producing	2,430.4	5,800.3	184,975.9	20,914.9	42,545.9
Undeveloped	877.7	8,268.7	60,726.1	-	19,267.5
Total Proved	3,308.1	14,069.1	245,702.0	20,914.9	61,813.3
Probable	2,277.8	9,175.1	111,725.2	5,603.2	31,007.6
Total Proved plus Probable	5,585.8	23,244.2	357,427.2	26,518.1	92,820.9

¹ Amounts may not add due to rounding.

² Oil includes light and medium and heavy oil. Light and medium oil represents 100 per cent of total proved and P+P reserves.

Summary of Net Present Values of Future Net Revenue, Before Income Taxes, as of December 31, 2025

(\$ millions)	Discounted at (% per year)				
	0%	5%	10%	15%	20%
Reserve Category¹					
Proved					
Developed Producing	(152.6)	187.6	214.6	198.8	179.6
Undeveloped	277.8	160.0	98.3	62.7	40.6
Total Proved	125.2	347.5	312.9	261.5	220.2
Probable	575.0	337.5	221.7	156.4	115.8
Total Proved plus Probable	700.2	685.0	534.6	417.9	335.9

¹ Amounts may not add due to rounding.

Reconciliation of Gross Reserves by Principal Product Type, as of December 31, 2025

Reserve Reconciliation Company Gross ¹	Oil ²	Natural Gas Liquids	Natural Gas ³	Oil Equivalent
	MBbl	MBbl	MMcf	MBoe
Total Proved				
December 31, 2024	4,248.9	11,027.4	267,285.2	59,823.8
Extension	-	2,868.9	19,249.1	6,077.1
Technical Revisions	(40.6)	1,390.9	22,172.3	5,045.7
Acquisitions	0.1	3.6	569.2	98.5
Dispositions	(363.1)	(63.5)	(3,273.8)	(972.3)
Economic Factors	(54.4)	(144.4)	(2,894.3)	(681.1)
Production	(482.8)	(1,013.8)	(36,490.8)	(7,578.4)
December 31, 2025	3,308.1	14,069.1	266,616.9	61,813.3
Total Proved plus Probable				
December 31, 2024	6,683.7	21,273.8	396,984.2	94,121.6
Extension	-	2,206.1	14,781.6	4,669.7
Technical Revisions	(71.5)	1,035.0	15,618.6	3,566.6
Acquisitions	0.1	4.1	682.8	117.9
Dispositions	(473.5)	(82.5)	(4,170.2)	(1,251.0)
Economic Factors	(70.1)	(178.4)	(3,460.8)	(825.3)
Production	(482.8)	(1,013.8)	(36,490.8)	(7,578.4)
December 31, 2025	5,585.8	23,244.2	383,945.3	92,820.9

¹ Amounts may not add due to rounding.

² Oil includes light and medium and heavy oil. Light and medium oil represents 100 per cent of total proved and P+P reserves.

³ Natural gas includes conventional natural gas and coal bed methane. Conventional natural gas represents 90 percent of the total proved and P+P reserves.

Commodity Prices

The commodity prices used in the above calculations of reserves are as follows at December 31, 2025:

Year	WTI Crude Oil ¹ \$US/ Bbl	Edmonton Light Crude Oil ¹ \$C/Bbl	Edmonton Cond & Natural Gasolines ¹ \$C/Bbl	Edmonton Ethane ¹ \$C/Bbl	Edmonton Propane ¹ \$C/Bbl	Edmonton Butanes ¹ \$C/Bbl	Alberta AECO Spot Price ¹ \$C/ MMBtu	\$US to \$C Exchange Rate ¹
2026	59.92	77.54	80.01	9.59	25.10	36.95	3.00	0.728
2027	65.10	83.60	86.19	10.64	27.28	39.79	3.30	0.737
2028	70.28	90.17	92.83	11.34	29.67	42.87	3.49	0.740
2029	71.93	92.32	95.04	11.66	30.37	43.89	3.58	0.740
2030	73.37	94.17	96.94	11.89	30.98	44.77	3.65	0.740
2031	74.84	96.06	98.89	12.14	31.60	45.66	3.72	0.740
2032	76.34	97.98	100.86	12.39	32.23	46.58	3.80	0.740
2033	77.87	99.93	102.88	12.64	32.87	47.51	3.88	0.740
2034	79.42	101.93	104.94	12.90	33.53	48.46	3.95	0.740
2035	81.01	103.97	107.04	13.16	34.20	49.43	4.03	0.740
2036	82.63	106.05	109.18	13.43	34.89	50.42	4.11	0.740
2037	84.29	108.17	111.36	13.70	35.58	51.42	4.20	0.740
2038	85.97	110.34	113.59	13.97	36.30	52.45	4.28	0.740
2039	87.69	112.54	115.86	14.25	37.02	53.50	4.37	0.740
2040	89.44	114.80	118.18	14.53	37.76	54.57	4.45	0.740
There after	+2%/ year	+2%/ year	+2%/ year	+2%/ year	+2%/ year	+2%/ year	+2%/ year	0.740

¹ Source: Average of three consultant price forecasts, effective January 1, 2026 (McDaniel, GLJ Petroleum Consultants Ltd. and Sproule Associates Limited).

Please refer to the attached Management's Discussion and Analysis for Reader Advisories regarding forward-looking information, non-GAAP measures and oil and gas measurements and definitions. This Reserves Information should be read in conjunction with the audited consolidated financial statements of Pine Cliff Energy Ltd. together with Management's Discussion and Analysis and Annual Information Form for the year ended December 31, 2025, which can be found on www.sedarplus.ca and is subject to the same cautionary statements as set out therein.

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 year ended December 31, 2025. This MD&A is dated and based on information available as at March 4, 2026 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2025 and 2024 ("Financial Statements"). The Financial Statements have been prepared in accordance with International Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). Additional information relating to the Company, including the Company's annual information form ("AIF"), may be found on www.sedarplus.ca and by visiting Pine Cliff's website at <http://www.pinecliffenergy.com>.

Pine Cliff is a dividend-paying company headquartered in Calgary, Alberta, Canada. The common shares of the Company ("Common Shares") are listed on the Toronto Stock Exchange ("TSX") under the symbol "PNE" and trade on the OTC Markets Group ("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 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.

2025 AND FOURTH QUARTER 2025 RESULTS

Results from 2025 are as follows:

- Generated \$7.8 million (\$0.02 per basic and fully diluted share) and \$29.9 million (\$0.08 per basic and fully diluted share) of adjusted funds flow for the three months and year ended December 31, 2025 compared to \$8.6 million (\$0.02 per basic and fully diluted share) and \$38.0 million (\$0.11 per basic and fully diluted share) for the same periods in 2024;
- Reduced net debt by \$12.7 million or 20% to \$49.6 million at December 31, 2025, compared to \$62.3 million at December 31, 2024;
- Production averaged 20,173 Boe/d and 20,763 Boe/d during the three months and year ended December 31, 2025, representing a 11% decrease from the comparable periods in 2024;
- Proceeds from dispositions totaled \$16.2 million in 2025, including \$14.9 million in the fourth quarter;
- Capital expenditures totaled \$8.7 million and \$14.8 million for the three months and year ended December 31, 2025, compared to \$nil and \$2.5 million for the same periods in 2024;
- Paid dividends of \$1.3 million (\$0.004 per basic and fully diluted share) and \$9.4 million (\$0.026 per basic and fully diluted share) during the three months and year ended December 31, 2025, compared to \$5.4 million (\$0.015 per basic and fully diluted share) and \$25.6 million (\$0.072 per basic and fully diluted share) for the same periods in 2024; and
- Generated net income of \$3.8 million (\$0.01 per basic and fully diluted share) for the three months ended December 31, 2025 and a net loss of \$12.1 million (\$0.03 per basic and fully diluted share) for the year ended December 31, 2025, compared to a net loss of \$5.6 million (\$0.02 per basic and fully diluted share) and \$21.4 million (\$0.06 per basic and fully diluted share) for the comparable periods in 2024.

SELECTED ANNUAL FINANCIAL INFORMATION

	Year ended December 31,		
	2025	2024	2023
(\$000s, unless otherwise indicated)			
FINANCIAL			
Commodity sales (before royalties)	172,223	190,118	188,852
Commodity sales (net of royalties)	158,182	174,692	168,889
Cash provided by operating activities	25,058	23,795	66,627
Adjusted funds flow¹	29,893	38,017	58,687
Per share – Basic (\$/share) ¹	0.08	0.11	0.17
Per share – Diluted (\$/share) ¹	0.08	0.11	0.16
Net income (loss)	(12,074)	(21,446)	9,121
Per share – Basic and diluted (\$/share)	(0.03)	(0.06)	0.03
Total assets	321,429	381,251	477,072
Total liabilities	285,970	326,927	377,144
Capital expenditures	14,785	2,529	20,966
Acquisitions	433	645	109,326
Dispositions	(16,249)	(10,519)	(379)
Dividends	9,408	25,597	46,015
Per share – Basic and diluted (\$/share)	0.03	0.07	0.13
Net debt¹	(49,614)	(62,323)	(71,679)
Total non-current financial liabilities²	38,877	39,822	48,578
Weighted average common shares outstanding (000s) - Basic	358,581	357,375	354,057
Weighted average common shares outstanding (000s) - Diluted	358,581	357,375	359,375
OPERATIONS			
Production			
Natural gas (Mcf/d)	99,974	110,834	107,471
NGLs (Bbl/d)	2,778	3,239	1,493
Crude oil (Bbl/d)	1,323	1,537	1,255
Total (Boe/d)	20,763	23,248	20,660
Total (Mcf/d)	124,578	139,488	123,960
Realized commodity sales prices			
Natural gas (\$/Mcf)	2.64	2.24	2.99
NGLs (\$/Boe)	36.91	41.62	53.51
Crude oil (\$/Bbl)	79.73	89.07	92.29
Total (\$/Boe)	22.73	22.34	25.04
Netback (\$/Boe)			
Operating netback ¹	6.10	6.67	8.57
Corporate netback ¹	3.94	4.48	7.77
Netback (\$/Mcf)			
Operating netback ¹	1.02	1.11	1.43
Corporate netback ¹	0.66	0.75	1.30

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

² Includes lease liabilities, share awards liabilities, risk management liabilities and Term Loan, as defined herein.

	Three months ended December 31,		Year ended December 31,	
	2025	2024	2025	2024
(\$000s, unless otherwise indicated)				
FINANCIAL				
Commodity sales (before royalties)	42,691	47,083	172,223	190,118
Cash provided by operating activities	(909)	518	25,058	23,795
Adjusted funds flow¹	7,795	8,608	29,893	38,017
Per share – Basic and diluted (\$/share) ¹	0.02	0.02	0.08	0.11
Net income (loss)	3,797	(5,607)	(12,074)	(21,446)
Per share – Basic and diluted (\$/share)	0.01	(0.02)	(0.03)	(0.06)
Capital expenditures	8,727	32	14,785	2,529
Dispositions	(14,911)	(6,901)	(16,249)	(10,519)
Dividends	1,345	5,371	9,408	25,597
Per share – Basic and diluted (\$/share)	0.00	0.01	0.03	0.07
Net debt¹	(49,614)	(62,323)	(49,614)	(62,323)
Weighted-average common shares outstanding (000s)				
Basic	358,792	358,086	358,581	357,375
Diluted	361,361	358,086	358,581	357,375
OPERATIONS				
Production				
Natural gas (Mcf/d)	97,025	108,212	99,974	110,834
NGLs (Bbl/d)	2,766	3,170	2,778	3,239
Crude oil (Bbl/d)	1,236	1,533	1,323	1,537
Total (Boe/d)	20,173	22,738	20,763	23,248
Realized commodity sales prices				
Natural gas (\$/Mcf)	2.97	2.30	2.64	2.24
NGLs (\$/Boe)	30.87	40.33	36.91	41.62
Crude oil (\$/Bbl)	73.06	88.27	79.73	89.07
Combined (\$/Boe)	23.00	22.51	22.73	22.34
Netback (\$/Boe)				
Commodity sales	23.00	22.51	22.73	22.34
Processing and gathering	0.72	0.66	0.74	0.65
Royalty expense	(1.65)	(2.20)	(1.85)	(1.81)
Transportation expenses	(1.53)	(1.42)	(1.56)	(1.39)
Operating expenses	(14.14)	(13.24)	(14.08)	(13.12)
Realized gain on risk management contracts	0.04	-	0.12	-
Operating netback (\$/Boe) ¹	6.44	6.31	6.10	6.67
General and administrative expenses	(1.36)	(1.11)	(1.27)	(1.21)
Interest and bank charges	(0.88)	(1.09)	(0.89)	(0.98)
Corporate netback (\$/Boe) ¹	4.20	4.11	3.94	4.48
Operating netback (\$ per Mcfe) ¹	1.07	1.05	1.02	1.11
Corporate netback (\$ per Mcfe) ¹	0.70	0.69	0.66	0.75

¹ 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 ^{1,2}		
	Change	\$000s	\$ per share ⁴
Realized natural gas price ³	\$ 0.10	3,357	0.01
Realized NGLs price ³	\$ 1.00	933	0.00
Realized crude oil price ³	\$ 1.00	444	0.00

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

² This analysis does not adjust for changes in working capital and uses corporate royalty rates from the year ended December 31, 2025.

³ Pine Cliff has prepared this analysis using its Q4 2025 production volumes annualized for twelve months.

⁴ Based on Q4 2025 basic weighted average shares outstanding.

BENCHMARK PRICES

	Three months ended December 31,			Year ended December 31,		
	2025	2024	% Change	2025	2024	% Change
Natural gas						
NYMEX (US\$/MMBtu) ¹	3.55	2.79	27	3.43	2.27	51
AECO Daily 5A (C\$/Mcf) ²	2.22	1.51	47	1.68	1.46	15
Crude oil						
WTI (US\$/Bbl)	59.14	70.27	(16)	64.81	75.72	(14)
Edmonton Light (C\$/Bbl)	76.39	94.97	(20)	85.50	97.62	(12)
Foreign exchange						
US\$/C\$	1.395	1.399	-	1.398	1.369	2

¹ MMBtu is the abbreviation for millions of British thermal units. One Mcf of natural gas is approximately 1.02 MMBtu.

² 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, foreign 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.

	Q4-2025	Q3-2025	Q2-2025	Q1-2025	Q4-2024	Q3-2024	Q2-2024	Q1-2024
Natural gas								
NYMEX (US\$/MMBtu) ¹	3.55	3.07	3.44	3.65	2.79	2.16	1.89	2.24
AECO Daily 5A (C\$/Mcf) ²	2.22	0.64	1.68	2.16	1.51	0.68	1.17	2.48
Pine Cliff realized natural gas price (C\$/Mcf)	2.97	2.21	2.48	2.90	2.30	2.00	2.10	2.56
Crude oil								
WTI (US\$/Bbl)	59.14	64.93	63.74	71.42	70.27	75.09	80.57	76.96
Edmonton Light (C\$/Bbl)	76.39	86.19	84.14	95.27	94.97	97.92	105.33	92.24
Pine Cliff realized NGLs price (C\$/Bbl)	30.87	37.54	35.94	43.03	40.33	40.69	43.10	42.22
Pine Cliff realized oil price (C\$/Bbl)	73.06	78.78	79.13	86.83	88.27	90.11	94.66	83.22
Foreign exchange								
US\$/C\$	1.395	1.377	1.384	1.435	1.399	1.360	1.370	1.348

¹ MMBtu is the abbreviation for millions of British thermal units. One Mcf of natural gas is approximately 1.02 MMBtu.

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

In the three months and year ended December 31, 2025, the AECO daily benchmark was 47% and 15% higher compared to the same periods of 2024. Price fluctuations from quarter to quarter are mainly due to supply and demand factors including North American industrial and residential demand, pipeline restrictions, 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 was 16% and 14% lower, for the three months and year ended December 31, 2025, as compared to the same periods in 2024, primarily due to supply and demand dynamics including global economic conditions and geopolitical factors.

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 that 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 NGLs components such as ethane, propane, butane, and condensate impact the relationship between the price of NGLs and the price of crude oil. The fluctuations in NGLs price normally correlate with the Edmonton Light oil price.

SALES VOLUMES

Total sales volumes by product	Three months ended December 31,			Year ended December 31,		
	2025	2024	% Change	2025	2024	% Change
Natural gas (Mcf)	8,926,323	9,954,963	(10)	36,490,530	40,565,421	(10)
NGLs (Bbl)	254,478	291,638	(13)	1,013,816	1,185,417	(14)
Crude oil (Bbl)	113,704	141,052	(19)	482,840	562,590	(14)
Total Boe	1,855,903	2,091,851	(11)	7,578,411	8,508,911	(11)
Total Mcfe	11,135,415	12,551,103	(11)	45,470,466	51,053,463	(11)
Natural gas weighting	80%	79%	1	80%	79%	1

Average daily sales volumes by product	Three months ended December 31,			Year ended December 31,		
	2025	2024	% Change	2025	2024	% Change
Natural gas (Mcf/d)	97,025	108,212	(10)	99,974	110,834	(10)
NGLs (Bbl/d)	2,766	3,170	(13)	2,778	3,239	(14)
Crude oil (Bbl/d)	1,236	1,533	(19)	1,323	1,537	(14)
Total (Boe/d)	20,173	22,738	(11)	20,763	23,248	(11)
Total (Mcf/d)	121,038	136,428	(11)	124,578	139,488	(11)

Average daily sales volumes by area	Three months ended December 31,			Year ended December 31,		
	2025	2024	% Change	2025	2024	% Change
Central (Boe/d)	13,533	15,539	(13)	14,036	15,750	(11)
Southern (Boe/d)	5,499	5,670	(3)	5,466	5,899	(7)
Edson (Boe/d)	1,141	1,529	(25)	1,261	1,599	(21)
Total (Boe/d)	20,173	22,738	(11)	20,763	23,248	(11)

Pine Cliff sales volumes decreased by 11% to 20,173 Boe/d (121,038 Mcfe/d) and to 20,763 Boe/d (124,578 Mcfe/d) for the three months and year ended December 31, 2025, compared to the same periods in 2024 primarily from natural production declines, asset disposition, third-party outages and temporary shut-ins due to weak AECO gas prices in 2025.

COMMODITY SALES

(\$000s)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% Change	2025	2024	% Change
Natural gas	26,529	22,871	16	96,304	90,674	6
NGLs	7,854	11,762	(33)	37,421	49,334	(24)
Crude oil	8,308	12,450	(33)	38,498	50,110	(23)
Total commodity sales	42,691	47,083	(9)	172,223	190,118	(9)
% of revenue from natural gas sales	62%	49%	13	56%	48%	8

Realized Prices

\$ per unit	Three months ended December 31,			Year ended December 31,		
	2025	2024	% Change	2025	2024	% Change
Natural gas (\$/Mcf)	2.97	2.30	29	2.64	2.24	18
NGLs (\$/Bbl)	30.87	40.33	(23)	36.91	41.62	(11)
Crude oil (\$/Bbl)	73.06	88.27	(17)	79.73	89.07	(10)
Total (\$/Boe)	23.00	22.51	2	22.73	22.34	2
Total (\$/Mcf)	3.83	3.75	2	3.79	3.72	2

Commodity sales in the three months ended December 31, 2025 of \$42.7 million decreased 9% from \$47.1 million in the corresponding period in the prior year. The quarterly decrease of \$4.4 million consists of \$5.9 million from lower sales volumes, partially offset by \$1.5 million in higher realized commodity prices. Commodity sales in the year ended December 31, 2025 of \$172.2 million decreased 9% from \$190.1 million compared to the prior year. The annual decrease of \$17.9 million consists of \$21.2 million from lower sales volumes, partially offset by \$3.3 million from higher realized commodity prices.

Pine Cliff's realized natural gas price was \$2.97 per Mcf in the three months ended December 31, 2025, 29% higher than \$2.30 per Mcf in the corresponding period of the prior year reflecting higher AECO gas prices. Similarly, Pine Cliff's realized natural gas price was \$2.64 per Mcf during the year ended December 31, 2025, 18% higher than \$2.24 per Mcf in the corresponding period of the prior year. Pine Cliff's realized natural gas price was 34% and 58% higher than the AECO 5A benchmarks for the three months and year ended December 31, 2025, both as a result of Pine Cliff's marketing diversification programs and fixed price physical natural gas sales contracts.

For the three months and year ended December 31, 2025, Pine Cliff's realized NGLs price was \$30.87 per Bbl and \$36.91 per Bbl, compared to \$40.33 per Bbl and \$41.62 per Bbl in the corresponding periods of the prior year. Pine Cliff's realized NGLs prices in the three months and year ended December 31, 2025 were 40% and 43% of Edmonton Light compared to 42% and 43% in the corresponding periods of the prior year.

For the three months and year ended December 31, 2025, Pine Cliff's realized oil price was \$73.06 per Bbl and \$79.73 per Bbl, compared to \$88.27 per Bbl and \$89.07 per Bbl in 2024. Pine Cliff's realized crude oil prices in the three months and year ended December 31, 2025 were 96% and 93% of Edmonton Light compared to 93% and 91% in 2024. This decrease in crude oil pricing in the three months and year ended December 31, 2025, compared to the corresponding periods of 2024, reflect lower WTI benchmarks slightly offset by narrower Canadian crude oil price differentials and a weaker Canadian dollar. Canadian crude prices are based upon refinery postings at Edmonton, Alberta and are linked to WTI through transportation tariffs to common markets and the foreign exchange rate.

ROYALTY EXPENSE

(\$000s)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% Change	2025	2024	% Change
Total royalty expense	3,064	4,601	(33)	14,041	15,426	(9)
\$ per Boe	1.65	2.20	(25)	1.85	1.81	2
\$ per Mcfe	0.28	0.37	(25)	0.31	0.30	2
Royalty expense as a % of commodity sales	7%	10%	(30)	8%	8%	-

For the three months ended December 31, 2025, total royalty expense decreased by 33% to \$3.1 million from \$4.6 million in the corresponding period of the prior year. Royalty expense as a percentage of commodity sales were 7% in the three months ended December 31, 2025, compared to 10% in the corresponding period of the prior year. The decrease in royalty expense as a percentage of commodity sales for the period ended December 31, 2025 is primarily due to lower crude oil and NGL prices, slightly offset by higher natural gas pricing.

For the year ended December 31, 2025, total royalty expense decreased by 9% to \$14.0 million from \$15.4 million in the corresponding period of the prior year. Royalty expense as a percentage of commodity sales were 8% during the year ended December 31, 2025, consistent with 8% in the corresponding period of the prior year.

TRANSPORTATION COSTS

(\$000s)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% Change	2025	2024	% Change
Total transportation costs	2,835	2,969	(5)	11,804	11,867	(1)
\$ per Boe	1.53	1.42	8	1.56	1.39	12
\$ per Mcfe	0.26	0.24	8	0.26	0.23	12

For the three months and year ended December 31, 2025, total transportation costs decreased by 5% to \$2.8 million from \$3.0 million and decreased by 1% to \$11.8 million from \$11.9 million, both relative to the same periods in the prior year. On a per Boe basis, the higher transportation expenses in 2025 are primarily due to the impact of lower sales volumes and diverting sales volumes to markets with higher pricing points than AECO.

NET OPERATING EXPENSES

(\$000s)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% Change	2025	2024	% Change
Operating expenses	26,238	27,695	(5)	106,694	111,672	(4)
Less: processing and gathering income	(1,335)	(1,378)	(3)	(5,624)	(5,509)	2
Net operating expenses	24,903	26,317	(5)	101,070	106,163	(5)
\$ per Boe	13.42	12.58	7	13.34	12.47	7
\$ per Mcfe	2.24	2.10	7	2.22	2.08	7

Net operating expenses decreased by 5% to \$24.9 million from \$26.3 million and to \$101.1 million from \$106.2 million in the three months and year ended December 31, 2025, respectively, compared to the same periods in 2024 periods, primarily due to lower sales volumes as a result of natural production declines.

On a per Boe basis, operating costs increased to \$13.42 per Boe and to \$13.34 per Boe for the three months and year ended December 31, 2025 compared to \$12.58 per Boe and \$12.47 per Boe in the corresponding periods of 2024, primarily due to the impact of fixed costs across lower sales volumes.

GENERAL AND ADMINISTRATIVE EXPENSES ("G&A")

(\$000s)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% Change	2025	2024	% Change
Gross G&A	3,308	3,078	7	12,960	13,377	(3)
Less: overhead recoveries	(781)	(762)	(2)	(3,359)	(3,077)	(9)
Total G&A expenses	2,527	2,316	9	9,601	10,300	(7)
\$ per Boe	1.36	1.11	23	1.27	1.21	5
\$ per Mcfe	0.23	0.19	23	0.21	0.20	5

G&A increased by 9% to \$2.5 million in the three months ended December 31, 2025, as compared to \$2.3 million in the corresponding period of the prior year. The increase in G&A is primarily a result of lower bad debt recoveries than 2024. G&A decreased to \$9.6 million for the year ended December 31, 2025 as compared to \$10.3 million in the corresponding period of the prior year primarily a result of lower personnel and costs associated with a December 2023 acquisition.

On a per Boe basis, G&A for the three months and year ended December 31, 2025, increased 23% to \$1.36 per Boe and 5% to \$1.27 per Boe from \$1.11 per Boe and \$1.21 per Boe, in the corresponding periods of the prior year, primarily due to decreased sales volumes as a result of natural production declines and an asset disposition.

SHARE-BASED COMPENSATION

(\$000s)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% Change	2025	2024	% Change
Total share-based compensation	995	956	4	3,474	2,982	16
\$ per Boe	0.54	0.46	17	0.46	0.35	31
\$ per Mcfe	0.09	0.08	17	0.08	0.06	31

Share based compensation increased by 4% and 16% for the three months and year ended December 31 2025, respectively, compared to the corresponding periods of 2024, primarily due to the implementation of the share unit plan in May 2025 and the related issuance of restricted share units (“RSUs”) and deferred share units (“DSUs”). Stock options and share units are granted to certain officers, directors, and employees with the number, term and vesting period being determined at the discretion of the Company’s Board of Directors to a collective maximum of 10% of the outstanding Common Shares.

During the year ended December 31, 2025, Pine Cliff granted 6,878,298 stock options to purchase Common Shares at a weighted average exercise price of \$0.56 (December 31, 2024 – 12,970,857 at an average exercise price of \$1.04). As at December 31, 2025, the Company had 27,037,370 stock options outstanding, representing 7.5% of Common Shares outstanding (December 31, 2024 – 27,256,078 representing 7.6% of Common Shares outstanding).

DEPLETION, DEPRECIATION, AND PROPERTY, PLANT AND EQUIPMENT IMPAIRMENT

(\$000s)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% Change	2025	2024	% Change
Total depletion and depreciation	10,316	12,932	(20)	44,340	53,669	(17)
\$ per Boe	5.56	6.18	(10)	5.85	6.31	(7)
\$ per Mcfe	0.93	1.03	(10)	0.98	1.05	(7)
Impairment	-	7,000	(100)	-	7,000	(100)
Total depletion, depreciation, and impairment	10,316	19,932	(48)	44,340	60,669	(27)
\$ per Boe	5.56	9.53	(42)	5.85	7.13	(18)
\$ per Mcfe	0.93	1.59	(42)	0.98	1.19	(18)

Depletion and depreciation expense for the three months and year ended December 31, 2024, totaled \$10.3 million and \$44.3 million compared to \$12.9 million and \$53.7 million in the corresponding periods of the prior year. The decrease for the year is a result of a lower depletable base following a November 2024 disposition, lower sales volumes in 2025 and changes in reserves volumes. 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, the estimates for which are subject to revision.

PP&E Impairment Assessment

As at December 31, 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 December 31, 2025, there were no indicators of impairment or additional impairment reversals for PP&E assets and therefore an impairment test was not required.

FINANCE EXPENSES

(\$000s)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% Change	2025	2024	% Change
Interest expense and bank charges	1,641	2,272	(28)	6,722	8,345	(19)
\$ per Boe	0.88	1.09	(19)	0.89	0.98	(9)
\$ per Mcfe	0.15	0.18	(19)	0.15	0.16	(9)
Non cash:						
Accretion on decommissioning provision	2,001	2,154	(7)	7,770	8,594	(10)
Accretion on term loan	61	117	(48)	299	460	(35)
Total finance expenses	3,703	4,543	(18)	14,791	17,399	(15)
\$ per Boe	2.00	2.17	(8)	1.95	2.04	(4)
\$ per Mcfe	0.33	0.36	(8)	0.33	0.34	(4)

Finance expenses decreased by 18% to \$3.7 million for the three months ended December 31, 2025, as compared to \$4.5 million in the corresponding period of the prior year and by 15% to \$14.8 million for the year ended December 31, 2025, as compared to \$17.4 million in the corresponding period of the prior year. Please refer to the “**DEBT, LIQUIDITY AND CAPITAL RESOURCES**” section for additional information.

DEFERRED INCOME TAX

The Company has recorded a deferred tax asset of \$52.5 million (December 31, 2024 - \$49.4 million) related to the benefit of tax pools, as it is probable these pools will be recovered. The Company had the following tax pools, including non-capital loss carry-forwards, at December 31, 2025:

Category of tax pool (\$000s)	Rate of Utilization (%)	As at December 31, 2025
Undepreciated capital costs	7 - 55	27,249
Canadian oil and gas property expenditures	10	148,711
Canadian development expenditures	30	20,279
Canadian exploration expenditures	100	167
Share issue costs	20	806
Non-capital losses carried forward ¹	100	130,618
Total		327,830

¹ Non-capital losses expire between the years 2032 and 2045.

CAPITAL EXPENDITURES, ACQUISITIONS AND DISPOSITIONS

(\$000s)	Year ended December 31,	
	2025	2024
Capital expenditures	14,785	2,529
Acquisitions	433	645
Dispositions	(16,249)	(10,519)
Total	(1,031)	(7,345)

Capital expenditures on PP&E of totaled \$14.8 million, including drilling one gross (1.0 net) well, pipeline infrastructure, facilities, optimization and maintenance capital.

DECOMMISSIONING PROVISION

The total current and long-term decommissioning provision of \$203.1 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 December 31, 2025, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was \$328.6 million (December 31, 2024 - \$323.8 million). The discounted and inflated amount required to settle the decommissioning liabilities of \$203.1 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 3.59% (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, as defined herein, 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 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. 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 December 31, 2025 was \$41.3 million (December 31, 2024 - \$49.2 million). Based on the calculated fair value of the Term Loan as at December 31, 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 December 31, 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, as defined herein.

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 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 on the prepayment amount.
- (ii) 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-based 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 December 31, 2025.

Demand Loan

On June 2, 2025, the Company amended its Demand Loan, as defined herein, of \$15.0 million with a Canadian chartered bank, of which \$nil was drawn at December 31, 2025 (December 31, 2024 - \$7.4 million). Borrowings bear interest at the bank's prime rate plus 2.0%. Letters of credit issued under the Demand Loan are supported by a performance guarantee from Export Development Canada for an amount up to \$10.8 million and incur an issuance fee of 2.38%. At December 31, 2025, the Company had issued \$10.8 million in letters of credit (December 31, 2024 - \$6.6 million) and had credit capacity on the Demand Loan of \$15.0 million (December 31, 2024 - \$7.6 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. “**Senior Debt 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 December 31, 2025.

Liquidity

As at December 31, 2024, the Company's capital comprises shareholders' equity, Term Loan and working capital, including 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 \$22.2 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)	December 31, 2025	December 31, 2024	\$ Change
Cash	4,066	-	4,066
Accounts receivable	20,781	23,702	(2,921)
Prepaid expenses and deposits	4,484	5,722	(1,238)
Less:			
Accounts payable and accrued liabilities	(37,683)	(35,236)	(2,447)
Term loan	(41,262)	(49,153)	7,891
Demand loan	-	(7,358)	7,358
Net debt ¹	(49,614)	(62,323)	12,709

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

Share Capital

Share capital	March 4, 2026	December 31, 2025	December 31, 2024
Common Shares	358,791,562	358,791,562	358,067,145
Stock options	26,834,370	27,037,370	27,256,078
RSUs	2,883,914	2,883,914	-
DSUs	517,240	517,240	-

COMMITMENTS AND CONTINGENCIES

As at December 31, 2025, the Company has the following commitments and other contractual obligations:

	2026	2027	2028	2029	2030	Thereafter
(\$000s)						
Accounts payable and accrued liabilities	37,683	-	-	-	-	-
Term loan ¹	8,766	7,232	34,391	-	-	-
Share awards liability	476	250	166	-	56	-
Risk management contracts ²	309	45	-	-	-	-
Lease obligations ¹	1,398	830	484	185	-	-
Transportation ³	10,008	6,899	5,760	1,401	616	46
Total commitments and contingencies	58,640	15,256	40,801	1,586	672	46

¹ These amounts include the notional principal and interest and payments.

² Risk management contracts represent the fair value of all outstanding financial derivative instruments and are comprised of net risk management liabilities.

³ Firm transportation agreements.

SUBSEQUENT EVENTS**Dividends**

On January 30, 2026 and February 27, 2026, the Company paid a monthly dividend of \$0.00125 per Common Share.

Office Lease

On January 16, 2026, the Company entered into a long-term office lease agreement commencing July 1, 2026. The lease will be accounted for under IFRS 16 and will result in recognition of a right-of-use asset and corresponding lease liability at commencement. The impact has not been reflected in these financial statements.

QUARTERLY TRENDS AND SELECTED FINANCIAL INFORMATION

(\$000s, unless otherwise indicated)	Q4-2025	Q3-2025	Q2-2025	Q1-2025	Q4-2024	Q3-2024	Q2-2024	Q1-2024
FINANCIAL								
Total revenue	41,352	37,605	39,605	45,990	43,860	42,058	46,611	47,672
Cash provided by operating activities	(909)	6,764	7,715	11,488	518	8,058	5,692	9,527
Adjusted funds flow ¹	7,795	5,716	4,876	11,506	8,608	8,131	10,780	10,498
Per share – Basic and diluted (\$/share) ¹	0.02	0.02	0.01	0.03	0.02	0.02	0.03	0.03
Net income (loss)	3,797	(5,998)	(7,136)	(2,737)	(5,607)	(6,886)	(4,095)	(4,858)
Per share – Basic and diluted (\$/share)	0.01	(0.02)	(0.02)	(0.01)	(0.02)	(0.02)	(0.01)	(0.01)
Capital expenditures	8,727	2,505	2,310	1,243	32	901	1,037	559
Dividends	1,345	1,346	1,344	5,373	5,371	5,370	5,357	9,499
Per share – Basic and diluted (\$/share)	0.00	0.00	0.00	0.02	0.01	0.02	0.02	0.03
Dispositions	(14,911)	(1,042)	(4)	(292)	(6,901)	(1,503)	(492)	(1,623)
Net debt ¹	49,614	58,609	58,890	58,775	62,323	67,281	68,647	72,687
Weighted average common shares outstanding (000s):								
Basic	358,792	358,511	358,556	358,178	358,086	357,965	357,114	356,319
Diluted	361,361	358,511	358,556	358,178	358,086	357,965	357,114	356,319
PRODUCTION VOLUMES								
Natural gas (Mcf/d)	97,025	99,473	102,528	100,918	108,212	107,985	112,531	113,633
NGLs (Bbl/d)	2,766	2,514	2,849	2,986	3,170	3,105	3,334	3,352
Crude oil (Bbl/d)	1,236	1,283	1,299	1,477	1,533	1,443	1,599	1,574
Average sales volumes (Boe/d)	20,173	20,376	21,236	21,283	22,738	22,546	23,688	23,865
Average sales volumes (Mcf/d)	121,038	122,256	127,416	127,698	136,428	135,276	142,128	143,190
PRICES AND NETBACKS								
Total commodity sales (\$/Boe)	23.00	20.38	21.66	25.83	22.51	20.93	22.42	23.62
Operating netback (\$/Boe) ¹	6.44	4.54	5.01	8.38	6.31	5.89	7.14	7.30
Corporate netback (\$/Boe) ¹	4.20	3.05	2.52	6.00	4.11	3.91	5.01	4.84
Total commodity sales (\$/Mcf)	3.83	3.40	3.61	4.31	3.75	3.49	3.74	3.94
Operating netback (\$/Mcf) ¹	1.07	0.76	0.84	1.40	1.05	0.98	1.19	1.22
Corporate netback (\$/Mcf) ¹	0.70	0.51	0.42	1.00	0.69	0.65	0.84	0.81

¹This 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 2024 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. Average production volumes in the third quarter of 2025 decreased from the second quarter of 2025, primarily due to shut-ins during periods of weak AECO pricing. Average production volumes in the fourth quarter of 2025 decreased from the third quarter of 2025, reflecting an asset disposition completed during the quarter.
- 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. Adjusted funds flow increased in the third quarter of 2025 compared to the second quarter of 2025, due to realized gains on risk management contracts and lower G&A expenses. Adjusted funds flow increased in the fourth quarter of 2025 compared to the third quarter of 2025 due primarily to higher realized commodity prices and improved operating netbacks.

- 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. Net loss decreased in the third quarter of 2025 compared to the second quarter of 2025, primarily due to realized gains on risk management contracts and lower G&A expenses. Net income was generated in the fourth quarter of 2025 compared to a net loss in the third quarter of 2025, primarily due to stronger operating netbacks and gain recognized on an asset disposition completed during the quarter.
- 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. Total revenue decreased in the third quarter of 2025 compared to the second quarter of 2025, due to lower production volumes combined with weaker realized natural gas and crude oil pricing, partially offset by higher realized NGL prices. Total revenue increased in the fourth quarter of 2025 compared to the third quarter of 2025 due primarily to higher realized natural gas pricing, partially offset by lower sales volumes following an asset disposition.

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, risk management 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. The fair value of the risk management contracts is determined based on forward benchmark commodity prices consistent with observable market data.

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 benchmark commodity prices, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. The Company's risk management contracts are classified as Level 2 financial instruments. 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 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 and 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, pipeline restrictions, weather, economic changes and geopolitical factors. Changes in natural gas, crude oil and NGL prices may have a significant effect, positively or negatively, on the ability of the Company to meet its obligations, capital spending targets and expected operational results. A material decline or extended period of low natural gas, crude oil or NGL prices will result in a reduction of net production revenue. The economics of producing from some wells may change because of lower prices, which will result in reduced production of natural gas, crude oil or NGL prices and a reduction in the volumes of Pine Cliff's reserves. Management may also elect not to produce from certain wells at lower prices.

Sensitivity Analysis

Based on historic movements and volatilities in natural gas prices and management's current assessment of the commodity markets, the Company believes that a 10% variation in natural gas prices is within the range of reasonable volatility.

A 10% increase in natural gas prices would increase the unrealized loss on risk management contracts from \$0.2 million to \$0.7 million, resulting in an increase to the loss before income taxes of \$0.5 million, assuming the change in commodity prices occurred at December 31, 2025.

A 10% decrease in natural gas prices would result in an unrealized gain on risk management contracts of \$0.3 million, decreasing the loss before income taxes by \$0.5 million, assuming the change in commodity prices occurred at December 31, 2025.

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 December 31, 2025, the Company had the following physical natural gas sales contracts in place:

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Contract Price (\$CAD/GJ) ¹	Contract Price (\$CAD/Mcf) ^{1,2}
January 1, 2026 to October 31, 2026	AECO	7,500	\$2.50	\$2.63
January 1, 2026 to December 31, 2026	AECO	2,500	\$2.92	\$3.06
January 1, 2026 to June 30, 2027	AECO	5,000	\$2.79	\$2.93
January 1, 2026 to 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 to October 31, 2026	AECO	5,000	\$2.90	\$3.05
November 1, 2026 to March 31, 2027	AECO	5,000	\$3.45	\$3.62
July 1, 2026 to June 30, 2027	AECO	5,000	\$3.20	\$3.35
January 1, 2026 to March 31, 2026	AECO	5,000	\$1.75 - \$3.11 ³	\$1.84 - \$3.27 ³
January 1, 2027 to December 31, 2027	AECO	7,500	\$2.87	\$3.01
January 1, 2026 to October 31, 2026	TransGas ⁴	13,500	AECO 5A + 0.36/GJ	AECO 5A + 0.38/Mcf
April 1, 2026 to October 31, 2026	DAWN ⁵	5,000	\$4.86	\$5.10

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

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

³ Price is a floor and ceiling for a fixed price costless collar.

⁴ Subsidiary of SaskEnergy, Saskatchewan.

⁵ Dawn Hub into Dawn Township, Ontario.

At December 31, 2025, the Company had the following physical crude oil sales contracts in place:

Contractual Term	Crude Oil	Physical Delivery Quantity (Bbl/day)	Contract Price (\$USD/Bbl) ¹
January 1, 2026 to June 30, 2026	WTI Fixed Price	100	\$60.76
January 1, 2026 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
March 1, 2026 to June 30, 2026	WTI Fixed Price	100	\$56.00

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

Subsequent to December 31, 2025, the Company had the following additional physical crude oil sales contracts in place:

Contractual Term	Crude Oil	Physical Delivery Quantity (Bbl/day)	Contract Price (\$USD/Bbl) ¹
March 1, 2026 to December 31, 2026	WTI Fixed Price	200	\$60.00 - \$66.00

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

² Price is a floor and ceiling for a fixed price costless collar

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 benchmark commodity prices to estimate the fair value of financial derivatives.

At December 31, 2025, the Company had the following AECO natural gas derivative contracts in place:

Contractual Term	Basis	Quantity (GJ/day)	Contract Price (\$CAD/GJ) ¹	Contract Price (\$CAD/Mcf) ^{1,2}
January 1, 2026 to March 31, 2026	AECO	5,000	\$2.10	\$2.20
January 1, 2026 to June 30, 2027	AECO	2,500	\$2.79	\$2.93
January 1, 2027 to December 31, 2027	AECO	3,500	\$2.80	\$2.94

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

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

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 December 31, 2025, the Company's debt facilities consist of a \$41.3 million non-revolving first lien term loan (the "**Term Loan**") and a \$15.0 million demand operating loan (the "**Demand Loan**"), secured by specific equipment assets, of which \$nil was drawn. The borrowings under the Term Loan are at the Prime Rate plus 3.65%, (whereby Prime Rate cannot be less than 6.95%) and the Demand Loan is at the banks' prime lending rate plus 2.0%.

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 over a 12-month period.

A 1.0% increase in the Prime Rate would increase the loss before income taxes by \$nil, 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 December 31, 2025.

A 1.0% decrease in the Prime Rate would decrease the loss before income taxes by \$nil, 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 December 31, 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 December 31, 2025 of \$20.8 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 25 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 December 31, 2025, there was \$2.1 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 year ended December 31, 2025, the Company recorded a bad debt expense of \$0.1 million (December 31, 2024 - \$0.5 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. After examining the economic factors that are causing the liquidity risk facing the Company, the judgement applied to these factors, and the various initiatives that the Company has and will undertake to strengthen its financial position, the Company believes it will have sufficient liquidity to support its ongoing operations and meet its financial obligations as they come due for at least the next twelve months. A continued decline in commodity prices may challenge the Company's ability to resolve its working capital deficit and comply with EBITDA based covenants disclosed in the Term Loan note herein and could ultimately require the Company to pursue alternative sources of funding. 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 December 31, 2025:

	2026	2027	2028	2029	2030	Thereafter
(\$000s)						
Accounts payable and accrued liabilities	37,683	-	-	-	-	-
Term loan ¹	8,766	7,232	34,391	-	-	-
Share awards liability	476	250	166	-	56	-
Risk management contracts ²	309	45	-	-	-	-
Lease obligations ¹	1,398	830	484	185	-	-
Total financial liabilities	48,632	8,357	35,041	185	56	-

¹ These amounts include the notional principal and interest payments.

² Risk management contracts represent the fair value of all outstanding financial derivative instruments and are comprised of net risk management liabilities.

RISK FACTORS

Certain activities of the Company are affected by factors that are beyond its control or influence. Additional risks and uncertainties that management may be unaware of, or that they determine to be immaterial, may also become important factors which affect the Company. Along with the risks discussed in this MD&A, other business risks faced by the Company may be found under "Risk Factors" in the Company's most recent Annual Information Form which is available under the Company's profile at www.sedarplus.ca or by contacting the Company.

Environmental

All production phases of oil, NGLs and natural gas are subject to environmental regulation pursuant to a variety of Canadian federal, provincial and municipal laws and regulations (collectively, the “**Environmental Regulations**”). Environmental Regulations provide that wells, facility sites and other properties and practices associated with the company’s operations be constructed, operated, maintained, abandoned, reclaimed and undertaken in accordance with the requirements set out therein. In addition, certain types of operations, including exploration and development projects and changes to certain existing projects, may require the submission and approval of environmental impact assessments or permit applications. Environmental Regulations impose, among other things, costs, restrictions, liabilities and obligations in connection with the generation, handling, use, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases and emissions of various substances in the environment. They also impose restrictions, liabilities and obligations in connection with the management of water sources that are being used, or whose use is contemplated, in connection with oil and gas operations. The complexities of changes in Environmental Regulations make it difficult to predict the potential future impact to Pine Cliff.

Compliance with Environmental Regulations requires expenditures. Pine Cliff’s future capital expenditures and operating expenses could increase as a result of, among other things, developments in the Company’s business, operations, plans and objectives and changes to existing, or implementation of new, Environmental Regulations. Failure to comply with Environmental Regulations may result in, among other things, the imposition of fines, penalties, environmental protection orders, suspension of operations, and could adversely affect the Company’s reputation. The costs of complying with Environmental Regulations may have a material adverse effect on Pine Cliff’s business, financial condition, results of operations and cash flows from operating activities. The implementation of new Environmental Regulations or the modification of existing Environmental Regulations affecting the oil and natural gas industry generally could reduce demand for crude oil and natural gas as well as shift hydrocarbon demand toward relatively lower carbon sources, increase compliance costs, lengthen project implementation times, and have an adverse effect on Pine Cliff’s business, financial condition, results of operations and cash flows.

Fiscal Environment

Resource industries are subject to payments to various levels of government, predominantly corporate income taxes to the federal and provincial governments and royalties to provincial governments. A series of changes have had at times both positive and negative effects but have certainly served to emphasize the materiality of this risk. There is potential for additional future changes to the taxation and royalty regime in Alberta and Saskatchewan and corresponding changes in other jurisdictions where Pine Cliff may operate has created uncertainty surrounding the ability to accurately estimate future taxation and royalties, resulting in additional volatility and uncertainty in the oil and gas market. As a single company, Pine Cliff has no ability to mitigate this risk other than through geographic diversification.

North American tariffs

Since the advent of the Second Trump Administration in 2025, the United States has made tariffs a signature foreign policy tool. This has disrupted trade flows and caused profound supply chain uncertainty across the world. On February 1, 2025, President Trump signed an executive order announcing a 25% tariff under the International Emergency Economic Powers Act on all goods originating in Canada and imported into the U.S. (later increased to 35%) and a 10% tariff on “energy and energy resources” from Canada, including crude oil, natural gas, and NGLs, which took effect on March 4, 2025. Most Canadian exports were exempt from these tariffs due to a carve-out for USMCA-qualifying goods. On February 20, 2026, the United States Supreme Court struck down the tariffs as unlawful, but the Trump Administration responded the same day by imposing a temporary global tariff of 10% under s.122 of the Trade Act of 1974 to remain in effect for up to 150 days. The new tariff measure similarly exempts all USMCA-eligible goods. However, in 2025 the United States also imposed 25%-50% “national security” tariffs under s.232 of the Trade Expansion Act of 1962 on specific categories of goods including steel, aluminum and copper products and certain derivatives thereof, autos and auto parts, timber and softwood lumber, and certain furniture. The s.232 tariffs have no “USMCA exemption” and have heavily impacted certain sectors of the Canadian economy. The s.232 tariffs were not affected by the February 20, 2026 U.S. Supreme Court ruling, and remain in force.

Canada responded in early 2025 by issuing a surtax order that imposed a 25% surtax on an initial list of U.S. goods imported into Canada, with the scope of counter-tariff coverage fluctuating over the course of the year in response to diplomatic developments. Additional Canadian surtaxes of 25%-50% were also imposed on steel and aluminum products from other countries to protect the Canadian steel and aluminum sectors from harmful trade diversion, as well as on certain categories of derivative products. The government of Canada may continue to retaliate against the United States with additional surtax and other measures or implement additional trade actions to protect Canadian producers. Canadian governments at the federal, provincial, territorial, and municipal levels have implemented further retaliatory or protective measures, including local content requirements for government procurements and restrictions on the availability of U.S. goods at government-controlled distribution centers. Restrictions on exports energy goods from Canada to the United States have not been applied to date, although governments have indicated that such mechanisms remain under consideration as potential negotiating tools.

Operational

This category encompasses several risks. Wells may produce at lower initial production rates than planned or face steeper decline rates. Operating costs can increase due to such considerations as unanticipated workovers or higher than expected costs associated with corrosion. Pine Cliff follows prudent industry practices with respect to insurance where practicable and as guided by external experts but cannot fully insure against all risks. With respect to non-insurable operating risks, the Company has attempted to design business process controls and accountability to identify problems at the earliest possible occasion and implement solutions. However, operational risk is a characteristic of the business and can never be entirely eliminated.

Regulatory Risks

Regulatory risk is the risk of loss or lost opportunity resulting from the introduction of, or changes in, regulatory requirements or the failure to secure regulatory approval for upstream or downstream development projects. The implementation of new regulations or the modification of existing regulations could impact the Company's existing and planned projects as well as result in increased compliance costs, adversely impacting Pine Cliff's financial condition, results of operations and cash flows.

The oil and gas industry in general and the Company's operations in particular are subject to regulation and intervention under federal, provincial, territorial, and municipal legislation in Canada in matters such as, but not limited to: land tenure; permitting of production projects; royalties; current and future income taxes; government fees; production rates; environmental protection controls; protection of certain species or lands; provincial and federal land use designations; the reduction of greenhouse gases and other emissions; the export of crude oil, natural gas and other products; the transportation of crude-by-rail or marine transport; the awarding or acquisition of exploration and production, oil sands or other interests; the imposition of specific drilling obligations; control over the development, abandonment and reclamation of fields (including restrictions on production) and/or facilities; and possibly expropriation or cancellation of contract rights. Changes to government regulation could impact the Company's existing and planned projects or increase capital investment or operating expenses, adversely impacting Pine Cliff's financial condition, results of operations and cash flows from operating activities.

Reserves

Petroleum and natural gas reserves are used in the calculation of depletion, impairment and impairment reversals and are depleted on a unit of production basis at a rate calculated by reference to proved and probable reserves determined in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* which incorporate the estimated future cost of developing and extracting those reserves. Reserve estimates and their resulting cash flows are based on engineering data, probability assessments of reserve recoveries, future prices and costs, future production rates, discount rates and the timing and extent of future capital expenditures, all of which are subject to many uncertainties and interpretation. Management expects that over time its reserve estimates will be revised, either upward or downward, based on updated information such as the results of future drilling, production costs, testing and production levels and changes to forward petroleum and natural gas prices.

Safety

The operation of Pine Cliff's properties is subject to hazards of finding, recovering, transporting and processing hydrocarbons including, but not limited to: blowouts; fires; explosions; gaseous leaks; migration of harmful substances; oil spills; corrosion; acts of vandalism; and other accidents or hazards that may occur at or during transport to or from commercial or industrial sites. Any of these hazards can interrupt operations, impact the Company's reputation, cause loss of life or personal injury, result in loss of or damage to equipment, property, information technology systems, related data and control systems, cause environmental damage that may include polluting water, land or air, and may result in fines, civil suits, or criminal charges against Pine Cliff, any of which may have a material adverse effect on Pine Cliff's business, financial condition, results of operations, cash flows, and reputation.

Staffing

Pine Cliff functions in a competitive environment for professional staff, and this staff is key to the Company's ultimate success. Recognizing this, Pine Cliff's Board of Directors approved a competitive compensation program including bonuses based on the annual adjusted funds flow performance of the Company, benefits and a share-based compensation program including stock options and share units to provide long-term incentives and to retain staff.

To date, Pine Cliff has found that it has been able to attract qualified individuals to complement its existing team and to build strength in areas where required.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The timely preparation of the Financial Statements in accordance with IFRS requires Pine Cliff management to make judgments, assumptions and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities. Management believes that the most critical accounting policies that may have an impact on the Company's financial results are those that specifically relate to the accounting for its oil and gas interests, including amounts recorded for depletion and the impairment test which are both based on estimates of proved and probable reserves, production rates, oil prices, future costs and other relevant assumptions. Actual results could differ materially from such judgements or estimates.

Judgements

Cash Generating Units

CGUs are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The classification of assets into CGUs requires judgement and interpretations with respect to the integration between assets, the existence of active markets, external users, share infrastructures and the way in which management monitors Pine Cliff's operations.

Impairment indicators

At each reporting date, the Company is required to assess whether there are any internal or external indicators that its petroleum and natural gas properties and equipment within a CGU may be impaired or recovered. Pine Cliff is required to consider information from both external sources (such as negative downturn in forecasted oil and gas commodity prices, significant adverse changes in the technological, market, economic or legal environment in which the entity operates) and internal sources (such as downward revisions in the estimate of proved and probable oil and gas reserves and the related cash flows, significant adverse effect on the financial and operational performance of a CGU, evidence of obsolescence or physical damage to the asset). By their nature, these assumptions are subject to management's judgement.

Changing Regulation

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to environmental, social and governance and climate reporting, the International Sustainability Standards Board has issued IFRS Sustainability Disclosure Standards with the aim to develop sustainability disclosure standards that are globally consistent, comparable, and reliable. On April 23, 2025, the Canadian Securities Administrators ("CSA") announced that they have paused its efforts to develop a new mandatory climate-related disclosure rule for Canadian issuers (National Instrument 51-107 Disclosure of Climate-related Matters). The CSA will monitor developments and may revisit the project in the future.

Estimates

Reserves

Petroleum and natural gas reserves are used in the calculation of depletion, impairment and impairment reversals and are depleted on a unit of production basis at a rate calculated by reference to proved and probable reserves determined in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* which incorporate the estimated future cost of developing and extracting those reserves. Reserve estimates and their resulting cash flows are based on engineering data, probability assessments of reserve recoveries, future prices and costs, future production rates, discount rates and the timing and extent of future capital expenditures, all of which are subject to many uncertainties and interpretation. Management expects that over time its reserve estimates will be revised, either upward or downward, based on updated information such as the results of future drilling, production costs, testing and production levels and changes to forward petroleum and natural gas prices.

Decommissioning provision

Provisions for decommissioning provision and restoration obligations associated with Pine Cliff's PP&E assets are recognized as decommissioning provision. Decommissioning provisions are measured as the present value of management's best estimate of expenditures required to settle the liability at the end of the asset's useful life. On a periodic basis, management reviews these estimates and changes, if any, are applied prospectively. These changes are recognized as an increase or decrease to the liability, with a corresponding increase or decrease to the carrying amount of the related asset. The capitalized amount in PP&E is depreciation on a unit-of-production basis over the life of the associated proved plus probable reserve. The long-term liability is increased each reporting period with the passage of time and the associated accretion charge is recognized in the consolidated statements of comprehensive loss. Periodic revisions to the liability specific risk-free discount rate, estimated timing of cash flows or to the estimated undiscounted cost can also result in an

increase or decreased to the decommissioning provision and the related asset. Actual costs incurred upon settlement of the obligation are recorded against the decommissioning provision to the extent of the liability recognized.

Share-based compensation

All equity-settled, share-based awards issued by the Company are recorded at fair value using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date. For RSUs and DSUs measured at fair value at each reporting date, estimates includes expected vesting and the current share price of the Company's Common Shares at each reporting date. Actual results may differ from these estimates and could affect the amounts recognized in the Financial Statements.

Financial derivative instruments

The estimated fair values of financial derivative instruments recognized as assets or liabilities are, by their nature, subject to measurement uncertainty. Fair values are determined using observable market inputs as at the reporting date and may differ from the amounts realized upon settlement.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

Income tax

Tax regulations and legislation are subject to change and there are differing interpretations requiring management judgement. Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in future periods. Deferred tax liabilities are recognized when it is considered probable that temporary differences will be payable to tax authorities in future periods. Income tax filings are subject to audits and re-assessments and changes in facts, circumstances, and interpretations of the standards may result in a material increase or decrease in the Company's provision for income taxes.

Impairment

The impairment calculation is based on significant assumptions of proved plus probable oil and natural gas reserves, production rates, benchmark commodity prices, future costs, discount rates and other relevant assumptions. By their nature, these significant assumptions are subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

Future Accounting Pronouncements

The following are future accounting pronouncements issued and not yet effective as at December 31, 2025. The Company intends to adopt this standard as it becomes effective and does not expect a significant impact.

IFRS 9 Financial Instruments ("IFRS 9") and IFRS 7 Financial Instruments: Disclosure ("IFRS 7")

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 relating to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets. The amendments will be effective on January 1, 2026, but will not have a material impact on the Company's financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements ("IFRS 18")

In January 2024, the 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 consolidated 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.

CONTROL ENVIRONMENT

Disclosure controls and procedures

Disclosure controls and procedures (“**DC&P**”), as defined in National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings, are designed to provide reasonable assurance that information required to be disclosed in the Company’s annual filings, interim filings or other reports filed, or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified under securities legislation and include controls and procedures designed to ensure that information required to be so disclosed is accumulated and communicated to management, including the Chief Executive Officer (“**CEO**”) and the Chief Financial Officer (“**CFO**”), as appropriate, to allow timely decisions regarding required disclosure. The CEO and the CFO of Pine Cliff evaluated the effectiveness of the design and operation of the Company’s DC&P. Based on that evaluation, the CEO and CFO concluded that Pine Cliff’s DC&P were effective as at December 31, 2025.

Internal control over financial reporting

Internal control over financial reporting (“**ICFR**”), as defined in National Instrument 52-109, includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of Pine Cliff;
- are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of Financial Statements in accordance with generally accepted accounting principles and that receipts and expenditures of Pine Cliff are being made in accordance with authorizations of management of Pine Cliff; and
- are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the Financial Statements.

The CEO and CFO have designed, or caused to be designed under their supervision, ICFR as defined in National Instrument 52-109 of the Canadian Securities Administrators, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS. The control framework the Company used to design its ICFR was in accordance with the Committee of Sponsoring Organizations of the Treadway Commission “**COSO 2013**”.

The Company’s CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company’s internal controls over financial reporting at December 31, 2025 and concluded that such internal controls over financial reporting are effective. It should be noted that while Pine Cliff’s CEO and CFO believe that the Company’s internal controls and procedures provide a reasonable level of assurance and are effective, they do not expect that these controls will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that its objectives are met.

NON-GAAP MEASURES

This MD&A uses the terms “adjusted funds flow”, “operating netbacks”, “corporate netbacks”, “positive net cash” and “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 income (loss), 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 December 31,			Year ended December 31,		
	2025	2024	Change	2025	2024	Change
Cash provided by operating activities	(909)	518	(275)	25,058	23,795	5
Adjusted by:						
Change in non-cash working capital	4,937	4,726	4	(2,593)	7,853	(133)
Decommissioning obligations settled	3,767	3,364	12	7,428	6,369	17
Adjusted funds flow	7,795	8,608	(9)	29,893	38,017	(21)
Adjusted funds flow (\$/Boe)	4.20	4.11	2	3.94	4.48	(12)
Adjusted funds flow (\$/Mcf)	0.70	0.69	2	0.66	0.75	(12)
Adjusted funds flow – Basic and diluted (\$/Common Share)	0.02	0.02	-	0.08	0.11	(27)

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, processing and gathering income and realized gain (loss) on risk management contracts, 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 December 31,			Year ended December 31,		
	2025	2024	\$ Change	2025	2024	\$ Change
Commodity sales	23.00	22.51	0.49	22.73	22.34	0.39
Processing and gathering	0.72	0.66	0.06	0.74	0.65	0.09
Royalty expense	(1.65)	(2.20)	0.55	(1.85)	(1.81)	(0.04)
Transportation costs	(1.53)	(1.42)	(0.11)	(1.56)	(1.39)	(0.17)
Operating expenses	(14.14)	(13.24)	(0.90)	(14.08)	(13.12)	(0.96)
Realized gain on risk management contracts	0.04	-	0.04	0.12	-	0.12
Operating netback	6.44	6.31	0.13	6.10	6.67	(0.57)
General and administrative	(1.36)	(1.11)	(0.25)	(1.27)	(1.21)	(0.06)
Interest and bank charges	(0.88)	(1.09)	0.21	(0.89)	(0.98)	0.09
Corporate netback	4.20	4.11	0.09	3.94	4.48	(0.54)
Operating netback (\$ per Mcfe)	1.07	1.05	0.02	1.02	1.11	(0.09)
Corporate netback (\$ per Mcfe)	0.70	0.69	0.02	0.66	0.75	(0.09)

Net Debt

The Company considers net debt to be a key indicator of leverage. Net debt is calculated as the sum of cash, accounts receivable 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.

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 realized gain(loss) on commodity contracts, expected operating costs, expected transportation costs, expected interest costs, royalty and G&A levels; expected current and deferred income taxes, future capital expenditures, including the amount and nature thereof; future drilling opportunities and Pine Cliff's ability to generate reserves and production from the undrilled locations; oil and natural gas prices and demand; expansion and other development trends of the oil and natural gas industry; business strategy and guidance; expansion and growth of our business and operations; amounts due pursuant to Term Loan, Demand Loan and repayment thereof; maintenance of existing customer, supplier and partner relationships; supply channels; accounting policies; risks; Pine Cliff's ability to generate cash provided by operating activities and adjusted funds flow; dividends payments; and other such matters.

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

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

Undrilled locations consist of drilling and recompletion locations booked in the independent reserve report dated March 4, 2026 prepared by McDaniel & Associates Consultants Limited and unbooked drilling and recompletion locations. Unbooked drilling and recompletion locations are internal estimates based on evaluation of geologic, reserves and spacing based on industry practice. There is no guarantee that Pine Cliff will drill these locations and there is no certainty that the drilling or completing of these locations will result in additional reserves and production or achieve expected internal rates of return. Pine Cliff activity depends on availability of capital, regulatory approvals, commodity prices, drilling costs and other factors.

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

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

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

GLOSSARY

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

Measurement

Bbl/d¹ – barrels per day

Boe/d¹ – barrels of oil equivalent per day

Mcf/d¹ – thousand cubic feet per day

Mcfe/d¹ – thousand cubic feet equivalent per day

MBoe – thousands of barrels of oil equivalent

¹Pine 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

MMBoe – Millions of barrels of oil equivalent

MMBbl – Millions of barrels of oil

MMcf – Millions of cubic feet

The management of Pine Cliff Energy Inc. (the "**Company**") is responsible for the financial information and operating data presented in this financial report. The consolidated financial statements (the "**Financial Statements**") have been prepared by management in accordance with IFRS[®] Accounting Standards as issued by the International Accounting Standards Board ("**IASB**[®]") and utilize the best estimates and careful judgements of management where appropriate. Operational and other financial information contained throughout the annual report is consistent with that provided in the Financial Statements.

Management has developed and maintains a system of internal controls designed to provide reasonable assurance that all transactions are accurate and reliably recorded, that the Financial Statements accurately report the Company's operating and financial results within acceptable limits of materiality, that all other operational and financial information presented is accurate and that the Company's assets are properly safeguarded.

The Audit Committee, comprised of non-management directors, acts on behalf of the Board of Directors to ensure that management fulfills its financial reporting and internal control responsibilities. The Audit Committee meets regularly with management and the external auditors to discuss financial reporting and internal control matters and ensures each party is properly discharging its responsibilities. The Audit Committee reviewed the Financial Statements with management and the external auditors and recommended approval to the Board of Directors, who approved these Financial Statements.

The Financial Statements have been audited by Deloitte LLP, Chartered Professional Accountants, in accordance with generally accepted auditing standards on behalf of the shareholders and have unlimited and unrestricted access to the Audit Committee.

"Signed Philip B. Hodge"

"Signed Kristopher B. Zack"

Philip B. Hodge, President and Chief Executive Officer Kristopher B. Zack, Chief Financial Officer and Corporate Secretary

Independent Auditor's Report

To the Shareholders and the Board of Directors of Pine Cliff Energy Ltd.

Opinion

We have audited the consolidated financial statements of Pine Cliff Energy Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of comprehensive income loss, consolidated statements of changes in shareholders' equity (deficit) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Property, Plant and Equipment - Oil and gas properties - Refer to Notes 3 and 7 to the financial statements

Key Audit Matter Description

The Company's property, plant and equipment includes oil and gas properties. Oil and gas properties are depleted using the unit-of-production method ("depletion") over their proved plus probable reserves. The Company engages an independent reserve evaluator to estimate reserves using estimates, assumptions and engineering data. The determination of the Company's proved plus probable reserves used to determine depletion requires management to make significant estimates and assumptions related to future commodity prices, future production rates, and future operating and development costs.

Given the significant judgments made by management related to future commodity prices, future production rates, and future operating and development costs used to determine depletion of all oil and gas properties, these estimates and assumptions are subject to a high degree of estimation uncertainty. Auditing these estimates and assumptions required auditor judgment in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to future commodity prices, future production rates, and future operating and development costs used to determine depletion of all oil and gas properties included the following, among others:

- Evaluated future commodity prices by independently developing a reasonable range of forecasts based on reputable third-party forecasts and market data and comparing those to the future commodity prices selected by management;
- Assessed future production rates by evaluating the Company's independent external reserve evaluator by:
 - Examining reports and assessing their scope of work and findings;
 - Assessing the competence, capability and objectivity by evaluating their relevant professional qualifications and experience;
- Evaluated the reasonableness of future production rates by testing the source financial information underlying the rates and comparing the future production volumes to historical production volumes;

- Evaluated the reasonableness of future operating and development costs by testing the source financial information underlying the estimate, comparing future costs to historical results, and evaluating whether they are consistent with evidence obtained in other areas of the audit.

Deferred Income Taxes — Refer to Notes 3 and 9 to the financial statements

Key Audit Matter Description

The Company recognizes deferred income taxes for the tax expected to be payable or recoverable on differences arising between the financial statement and tax basis of assets and liabilities and is recorded at enacted or substantively enacted tax rates in effect for the years in which the differences are expected to be realized. The Company recognized a deferred income tax asset primarily arising from unused tax losses.

To determine whether it is probable that the deferred income tax assets will be realized, management makes assumptions related to the forecasts of future taxable income, specifically forecasts of future commodity prices, future production rates, and future operating and development costs. As a result of the significant measurement uncertainty, auditing the probability of the deferred income tax assets being realized and the forecast of future taxable income required a high degree of auditor judgment, which resulted in an increased extent of audit effort.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to assessing the probability of the deferred income tax assets being realized and management's forecasts of future taxable income included the following, among others:

- Evaluated management's ability to accurately forecast future taxable income by comparing actual results to management's historical forecasts;
- Evaluated forecasts of future taxable income, specifically forecasts of future commodity prices, future production rates, and future operating and development costs, by performing the audit procedures described above in the Property, Plant and Equipment – Oil and gas properties Key Audit Matter; and
- Evaluated whether management's estimates of future taxable income are consistent with the requirements of IAS 12 - Income Taxes relating to the probability of forecasted taxable income and the length of the forecasted period.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Christopher Gill.

/s/ Deloitte LLP

Chartered Professional Accountants
Calgary, Alberta
March 4, 2026

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Canadian dollars, 000s)

	Note	2025	As at December 31, 2024
ASSETS			
Current assets			
Cash		4,066	-
Accounts receivable	5	20,781	23,702
Prepaid expenses and deposits		4,484	5,722
Total current assets		29,331	29,424
Property, plant and equipment	7	239,570	302,452
Deferred income taxes	9	52,528	49,375
Total assets		321,429	381,251
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	5	37,683	35,236
Term loan	10	4,220	11,357
Demand loan	11	-	7,358
Lease liabilities	8	1,352	1,287
Decommissioning provision	12	7,500	7,500
Share awards liability	13	476	-
Risk management liability		309	-
Total current liabilities		51,540	62,738
Lease liabilities	8	1,318	2,026
Term loan	10	37,042	37,796
Decommissioning provision	12	195,553	224,367
Share awards liability	13	472	-
Risk management liability		45	-
Total liabilities		285,970	326,927
SHAREHOLDERS' EQUITY			
Share capital	13	279,265	278,982
Contributed surplus		23,756	21,422
Accumulated other comprehensive loss		(249)	(249)
Deficit		(267,313)	(245,831)
Total shareholders' equity		35,459	54,324
Total liabilities and shareholders' equity		321,429	381,251

Commitments (Note 18)

Subsequent events (Note 20)

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

The consolidated financial statements were approved by the Board of Directors and signed on its behalf by:

"Signed Philip B. Hodge"
Philip B. Hodge, President & CEO
and Director

"Signed Calvin B. Jacober"
Calvin B. Jacober, Chair of the Audit Committee
and Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Canadian dollars, 000s except per share data)

	Note	Years ended December 31,	
		2025	2024
REVENUE			
Commodity sales	14	172,223	190,118
Royalty expense		(14,041)	(15,426)
Commodity sales, net of royalties		158,182	174,692
Processing and gathering		5,624	5,509
Gain on commodity contracts		746	-
Total revenue		164,552	180,201
EXPENSES			
Operating		106,694	111,672
Transportation		11,804	11,867
Depletion and depreciation	7	44,340	53,669
Impairment	7	-	7,000
Share-based compensation	13	3,474	2,982
Finance	15	14,791	17,399
General and administrative	16	9,601	10,300
Gain on disposition	7	(10,925)	(7,450)
Total expenses		179,779	207,439
Loss before income taxes		(15,227)	(27,238)
Deferred income taxes	9	3,153	5,792
NET LOSS FOR THE YEAR		(12,074)	(21,446)
OTHER COMPREHENSIVE LOSS			
Realized loss on investments		-	(25)
OTHER COMPREHENSIVE LOSS		-	(25)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(12,074)	(21,471)
Net loss per share (\$)			
Basic and diluted	13	(0.03)	(0.06)

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

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

	Note	Share capital	Contributed surplus ¹	Accumulated other comprehensive loss ²	Deficit	Total Shareholders' equity
BALANCE AT DECEMBER 31, 2023		278,623	18,746	(224)	(197,217)	99,928
Net loss for the year		-	-	-	(21,446)	(21,446)
Dividends	13	-	-	-	(25,597)	(25,597)
Tax on excessive eligible dividends		-	-	-	(1,571)	(1,571)
Share-based compensation		-	2,982	-	-	2,982
Other comprehensive loss		-	-	(25)	-	(25)
Exercise of stock options		359	(306)	-	-	53
BALANCE AT DECEMBER 31, 2024	13	278,982	21,422	(249)	(245,831)	54,324
Net loss for the year		-	-	-	(12,074)	(12,074)
Dividends	13	-	-	-	(9,408)	(9,408)
Share-based compensation		-	2,527	-	-	2,527
Exercise of stock options	13	283	(193)	-	-	90
BALANCE AT DECEMBER 31, 2025		279,265	23,756	(249)	(267,313)	35,459

¹Contributed surplus is comprised of share-based compensation.

²Accumulated other comprehensive loss is comprised of realized losses on financial assets held at fair value through other comprehensive loss.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Canadian dollars, 000s)

	Note	Years ended December 31,	
		2025	2024
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Net loss for the year		(12,074)	(21,446)
Items not affecting cash:			
Depletion and depreciation	7	44,340	53,669
Impairment		-	7,000
Share-based compensation	13	3,474	2,982
Finance expenses	15	14,791	17,399
Deferred income taxes	9	(3,153)	(5,792)
Gain on disposition	7	(10,925)	(7,450)
Unrealized loss on commodity contracts		162	-
Interest and bank charges	15	(6,722)	(8,345)
Decommissioning obligations settled	12	(7,428)	(6,369)
Changes in non-cash working capital accounts	15	2,593	(7,853)
Cash provided by operating activities		25,058	23,795
FINANCING ACTIVITIES			
Exercise of stock options	13	90	53
Term loan	10	(8,190)	(6,330)
Demand loan	11	(7,358)	3,356
Dividends	13	(9,408)	(25,597)
Tax on excessive eligible dividends		-	(1,571)
Payments on lease obligations	8	(1,362)	(2,045)
Changes in non-cash working capital accounts	15	(1,571)	1,571
Cash used in financing activities		(27,799)	(30,563)
INVESTING ACTIVITIES			
Property, plant and equipment	7	(14,785)	(2,529)
Dispositions	7	16,249	10,519
Acquisitions	7	(433)	(645)
Proceeds on sale of investments		-	191
Changes in non-cash working capital accounts	15	5,776	(768)
Cash provided by investing activities		6,807	6,768
Increase in cash		4,066	-
Cash - beginning of year		-	-
CASH - END OF YEAR		4,066	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2025 and 2024 and for the years then ended
(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**”), traded on the OTC Markets Group (“**OTCQX**”) 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 crude oil in the Western Canadian Sedimentary Basin and conducts many of its activities jointly with others; these consolidated financial statements (the “**Financial Statements**”) reflect only the Company’s proportionate interest in such activities.

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

These consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (“**IASB**®”) as at and for the year ended December 31, 2025, including 2024 comparative periods.

The policies applied in these consolidated financial statements are based on international financial reporting standards (“**IFRS**”) issued and outstanding as of March 4, 2026, the date the Board of Directors approved the statements.

Basis of measurement

The Financial Statements are prepared on a going concern basis, under the historical cost convention, except for certain financial assets and liabilities and cash-settled share-based payments, which have been measured at fair value in note 5.

b) Functional and presentation currency

The Company’s functional and presentation currency is the Canadian dollar.

c) Use of judgements and estimates

The timely preparation of the Financial Statements in accordance with IFRS Accounting Standards as issued by the IASB requires Pine Cliff management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities as at the date of the consolidated statements of financial position. Actual results could differ materially from estimated amounts and affect the results reported in the Financial Statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised.

Information about significant areas of estimation uncertainty in applying accounting principles that have the most significant effect on the amounts recognized in the Financial Statements are included in the notes.

Judgements

In the process of applying Pine Cliff’s accounting policies, judgements have been made, of which the following may have the most significant effect on the amounts recognized in the Financial Statements:

- Note 5 – Financial instruments
- Note 7 – Property, plant and equipment (“**PP&E**”)
- Note 9 – Deferred income taxes
- Note 12 – Decommissioning provision
- Note 13 – Share capital

Cash Generating Units

Cash generating units (“**CGUs**”) are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The classification of assets into CGUs requires judgement and interpretations with respect to the integration between assets, the existence of active markets, external users, share infrastructures and the way in which management monitors Pine Cliff’s operations.

Impairment indicators

At each reporting date, the Company is required to assess whether there are any internal or external indicators that its petroleum and natural gas properties and equipment within a CGU may be impaired or recovered. Pine Cliff is required to consider information from both external sources (such as negative downturn in forecasted oil and gas commodity prices, significant adverse changes in the technological, market, economic or legal environment in which the entity operates) and internal sources (such as downward revisions in the estimate of proved and probable oil and gas reserves and the related cash flows, significant adverse effect on the financial and operational performance of a CGU, evidence of obsolescence or physical damage to the asset). By their nature, these assumptions are subject to management’s judgement.

Estimates

Reserves

Petroleum and natural gas reserves are used in the calculation of depletion, impairment and impairment reversals and are depleted on a unit of production basis at a rate calculated by reference to proved and probable reserves determined in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* which incorporate the estimated future cost of developing and extracting those reserves. Reserve estimates and their resulting cash flows are based on engineering data, probability assessments of reserve recoveries, future prices and costs, future production rates, discount rates and the timing and extent of future capital expenditures, all of which are subject to many uncertainties and interpretation. Management expects that over time its reserve estimates will be revised, either upward or downward, based on updated information such as the results of future drilling, production costs, testing and production levels and changes to forward petroleum and natural gas prices.

Decommissioning provision

Provisions for decommissioning provision and restoration obligations associated with Pine Cliff’s PP&E assets are recognized as decommissioning provision. Decommissioning provisions are measured as the present value of management’s best estimate of expenditures required to settle the liability at the end of the asset’s useful life. On a periodic basis, management reviews these estimates and changes, if any, are applied prospectively. These changes are recognized as an increase or decrease to the liability, with a corresponding increase or decrease to the carrying amount of the related asset. The capitalized amount in PP&E is depreciation on a unit-of-production basis over the life of the associated proved plus probable reserve. The long-term liability is increased each reporting period with the passage of time and the associated accretion charge is recognized in the consolidated statements of comprehensive loss. Periodic revisions to the liability specific risk-free discount rate, estimated timing of cash flows or to the estimated undiscounted cost can also result in an increase or decreased to the decommissioning provision and the related asset. Actual costs incurred upon settlement of the obligation are recorded against the decommissioning provision to the extent of the liability recognized.

Share-based compensation

All equity-settled, share-based awards issued by the Company are recorded at fair value using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date. For restricted share units (“**RSUs**”) and deferred share units (“**DSUs**”) measured at fair value at each reporting date, estimates include expected vesting and the current share price of the Company’s common shares (“**Common Shares**”) at each reporting date. Actual results may differ from these estimates and could affect the amounts recognized in the Financial Statements.

Financial derivative instruments

The estimated fair values of financial derivative instruments recognized as assets or liabilities are, by their nature, subject to measurement uncertainty. Fair values are determined using observable market inputs as at the reporting date and may differ from the amounts realized upon settlement.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

Income tax

Tax regulations and legislation are subject to change and there are differing interpretations requiring management judgement. Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in future periods. Deferred tax liabilities are recognized when it is considered probable that temporary differences will be payable to tax authorities in future periods. Income tax filings are subject to audits and re-assessments and changes in facts, circumstances, and interpretations of the standards may result in a material increase or decrease in the Company's provision for income taxes.

Impairment

The impairment calculation is based on significant assumptions of proved plus probable oil and natural gas reserves, production rates, benchmark commodity prices, future costs, discount rates and other relevant assumptions. By their nature, these significant assumptions are subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

3. MATERIAL ACCOUNTING POLICIES

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

a) Basis of consolidation

The Financial Statements include the accounts of Pine Cliff and its wholly owned subsidiary Pine Cliff Border Pipelines Limited. All intercompany balances, transactions and income or losses are eliminated on consolidation.

b) Revenue recognition

Revenue associated with the sale of natural gas, crude oil and natural gas liquids ("NGLs") is measured based on the consideration specified in contracts with customers. Revenue from contracts with customers is recognized when Pine Cliff satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of natural gas, crude oil and NGLs coincides with legal title passing to the customer and the customer taking physical possession.

The collection of revenue associated with the sale of natural gas, NGLs and crude oil occurs on or about the 25th of the month following production.

Revenues from fees charged to third parties for product processing and gathering services provided at facilities are recorded as these services are provided.

c) Joint arrangements

Pine Cliff conducts significant portions of its oil and gas operations through jointly controlled operations and the Financial Statements reflect only the Company's proportionate interest in such activities. Contractual arrangements for the Company's jointly controlled operations, where it does not have a 100% working interest, govern that the partners have rights to the assets and obligations for the liability. It is possible that at some future date allocation adjustments to revenues and expenditures could result from revised billings, audit or litigation with these other participants. Pine Cliff does not have any joint arrangements that are individually material to the Company or that are structured through joint venture arrangements.

d) Property, plant and equipment

PP&E include developed assets acquired, transferred-in exploration and evaluation costs, development drilling, right-of-use assets and other surface expenditures. PP&E assets are carried at cost less accumulated depletion and depreciation, and impairment. The initial cost of an asset is comprised of its purchase price, construction cost or estimated lease payments over the term of a lease, including expenditures such as drilling costs, the present value of the initial and changes in the estimate of any decommissioning obligation associated with the asset, expenses on qualifying assets and costs that are directly attributable to bringing the asset to the location and condition necessary to operate as intended by management and which result in an identifiable future benefit. Improvements that increase capacity or extend the useful lives of the assets are capitalized.

Expenditures on major maintenance of producing assets include the cost of replacement assets or parts of assets, plant turnaround costs, or major overhaul costs. Where an asset, or part of an asset that was separately depreciated, is replaced and it is probable that there are future economic benefits associated with the item, the expenditure is capitalized and the carrying amount of the replaced item is derecognized.

Subsequent costs incurred to the determination of technical feasibility and commercial viability are recognized as PP&E when they increase the future economic benefits in the specific asset to which they relate. Such capitalized developed and producing petroleum and natural gas interests generally represent costs incurred in developed proved and/or probable reserves and bringing in or enhancing production from such reserves. The cost of day-to-day servicing petroleum and natural gas properties and equipment is expensed as incurred.

Gains and losses on disposal of PP&E are determined as the difference between proceeds from disposal and the carrying amount of the asset sold and are recognized as a gain or loss on disposal in the consolidated statements of comprehensive loss.

e) Lease obligations

Lease obligations are initially measured at the present value of the lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate for that asset. Generally, the Company uses the implicit interest rate of the lease. The lease obligation is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of 12 months or less.

f) Depletion and depreciation

When commercial production has commenced in an area, PP&E assets, including estimated future development costs, are depleted using the unit-of-production method over their proved plus probable reserve life. Plant turnarounds and major overhauls are depreciated over their expected life. Other equipment is depreciated over estimated useful lives on a straight-line basis. Depletion and depreciation is recognized in the consolidated statements of comprehensive loss.

Depletion and depreciation methods, useful lives and residual values are reviewed annually, with any amendments considered to be changes in estimates and accounted for prospectively.

g) Impairment of PP&E

The carrying amounts of the Company's PP&E assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If such indication exists, then the assets' carrying amounts are assessed for impairment. For the purpose of impairment testing, assets that are not evaluated individually are grouped together into CGU's.

The recoverable amount of an asset or a CGU is the greater of its fair value less costs of disposal ("FVLCD") and value-in-use ("VIU"). An impairment is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. In assessing the carrying value of its unproved properties, the Company considers future plans for those properties, the remaining terms of the leases and other factors that may be indicators of potential impairment. Impairment is recognized in the consolidated statements of comprehensive loss. Impairment recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU.

Impairment recognized in prior periods are assessed at each reporting date for any indications that the impairment has decreased or no longer exists. If the amount of the impairment decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment had been recognized.

h) Impairment of financial assets

Impairment of financial assets is determined by measuring the assets' expected credit loss ("ECL"). The ECL pertaining to accounts receivable is assessed at initial recognition and this provision is re-assessed at each reporting date. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash provided by operating activities of that asset. Financial assets are tested for impairment on an individual basis. An impairment in respect of a financial asset held at fair value through other comprehensive income (loss) is calculated by reference to its current fair value.

Impairment is recognized in the consolidated statements of comprehensive loss. Impairment is reversed if there is an indicator that the impairment reversal can be related objectively to an event occurring after the impairment was recognized. For financial assets measured at amortized cost, the reversal is recognized in the consolidated statements of comprehensive loss.

i) Decommissioning provision

The Company recognizes a decommissioning provision in the period in which it has a present legal or constructive liability and a reasonable estimate of the amount can be made. On a periodic basis, Pine Cliff management reviews these estimates, and changes, if any, are prospectively applied. The decommissioning provision is recorded as a liability, with a corresponding increase to the carrying amount of the related asset. The capitalized amount is depleted on a unit-of-production basis over the life of the associated proved plus probable reserves. Periodic revisions to the liability specific discount rates, estimated timing of cash flows and/or to the original estimated undiscounted costs can also result in changes to the decommissioning provision. The decommissioning provision is increased each reporting period with the passage of time as an accretion of decommissioning provision expense is reported in finance expenses and changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the provision are recorded against the provision to the extent of the liability recorded and the remaining balance of the actual costs is recorded in the consolidated statements of comprehensive loss.

j) Stock-based compensation

The Company's stock-based compensation program consists of stock options, RSUs and DSUs granted under the Company's share-based compensation plans.

Stock options are measured at fair value at the grant date using the Black-Scholes option pricing model. The resulting fair value is recognized as compensation expense on a straight-line basis over the vesting period, with a corresponding increase to contributed surplus.

RSUs and DSUs are measured at fair value based on the Common Share price. The fair value is remeasured at each reporting date until settlement, with changes recognized in the consolidated statements of comprehensive loss. RSUs vest over one to three years and compensation expense is recognized over the vesting period; DSUs vest immediately upon grant and are recognized as compensation expense over an estimated five-year period.

k) Income taxes

Income tax comprises current and deferred taxes. Income tax is recognized in the consolidated statements of comprehensive loss except to the extent that it relates to items recognized in other comprehensive loss or directly in equity, in which the related income tax expense or recovery is also recognized directly into other comprehensive loss or elsewhere in shareholders' equity.

Current tax expense is the expected cash tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized based on temporary differences arising between the tax value of assets and liabilities and their carrying amounts in the Financial Statements. Deferred taxes are not recognized if they arise from the initial recognition of goodwill and are not accounted for if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is calculated on the basis of the tax laws enacted or substantively enacted as at the reporting date and apply to when the related deferred income tax asset is realized or the deferred income tax liability is settled. Current and deferred income tax assets and liabilities are offset when there is a legally enforceable right to settle on a net basis and when such assets and liabilities relate to income taxes imposed by the same taxation authority.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

l) Financial instruments

Financial instruments are measured at fair value on initial recognition of the instrument and are classified into one of the following three categories: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

Accounts receivable is classified as financial assets at amortized cost and reported at amortized cost. A provision for impairment of accounts receivable is established when there is evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Accounts payable and accrued liabilities, Term Loan, as defined herein, and Demand Loan, as defined herein, are classified as financial liabilities at amortized cost.

Subsequent measurement of financial instruments is based on their initial classification. FVTPL financial instruments are measured at fair value and changes in fair value are recognized in net income (loss). FVOCI financial instruments are measured at fair value and changes in fair value are recognized in other comprehensive income (loss). The remaining categories of financial instruments are recognized at amortized cost using the effective interest method.

Financial derivative instruments

Financial derivative instruments are classified as financial assets or liabilities at fair value with changes in fair value recognized in the consolidated statements of comprehensive loss. The Company has not designated any derivative contracts as hedging instruments for accounting purposes. Forward physical delivery contracts that are entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with the Company's expected purchase, sale or usage requirements are accounted for as executory contracts and are not recognized at fair value.

m) Net loss per share

Basic per share amounts are calculated by dividing the income or loss attributable to holders of Common Shares by the weighted average number of Common Shares outstanding during the reporting period.

Diluted per share amounts are calculated similar to basic per share amounts except that the weighted average Common Shares outstanding are increased to include additional Common Shares from the assumed exercise of dilutive share options, RSUs and DSUs. The number of additional outstanding Common Shares is calculated by assuming that the outstanding in-the-money share options, RSUs and DSUs were exercised and that the proceeds from such exercises were used to acquire Common Shares at the average market price during the reporting period.

n) Finance expenses

Finance expenses are comprised of interest expenses and bank charges on borrowings and the accretion of decommissioning provision and Term Loan as defined herein. Interest expenses and bank charges are considered operating expenses on the consolidated statements of cash flows. All other borrowing costs are recognized in income or loss.

4. FUTURE ACCOUNTING CHANGES

IFRS 9 Financial Instruments ("IFRS 9") and IFRS 7 Financial Instruments: Disclosure ("IFRS 7")

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 relating to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets. The amendments will be effective on January 1, 2026, but will not have a material impact on the Company's financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements ("IFRS 18")

In January 2024, the IASB issued amendments to IFRS 18, which introduce new presentation requirements for specified categories and defined subtotals in the consolidated 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, risk management 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). The fair value of the risk management contracts is determined based on forward benchmark commodity prices consistent with observable market data.

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 benchmark commodity prices, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. The Company's risk management contracts are classified as Level 2 financial instruments. 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 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 December 31, 2025 and December 31, 2024:

(\$000s) Description	December 31, 2025		December 31, 2024	
	Carrying value	Fair value	Carrying value	Fair value
Cash	4,066	4,066	-	-
Accounts receivable	20,781	20,781	23,702	23,702
Accounts payable and accrued liabilities	(37,683)	(37,683)	(35,236)	(35,236)
Share awards liability	(948)	(948)	-	-
Risk management contracts ¹	(354)	(354)	-	-
Demand loan	-	-	(7,358)	(7,358)
Term loan	(41,262)	(41,262)	(49,153)	(49,153)

¹Risk management contracts represent the fair value of all outstanding financial derivative instruments and are comprised of current and non-current risk management assets and liabilities.

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 and 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, pipeline restrictions, weather, economic changes and geopolitical factors. Changes in natural gas, crude oil and NGL prices may have a significant effect, positively or negatively, on the ability of the Company to meet its obligations, capital spending targets and expected operational results. A material decline or extended period of low natural gas, crude oil or NGL prices will result in a reduction of net production revenue. The economics of producing from some wells may change because of lower prices, which will result in reduced production of natural gas, crude oil or NGLs and a reduction in the volumes of Pine Cliff's reserves. Management may also elect not to produce from certain wells at lower prices.

Sensitivity Analysis

Based on historic movements and volatilities in natural gas prices and management's current assessment of the commodity markets, the Company believes that a 10% variation in natural gas prices is within the range of reasonable volatility.

A 10% increase in natural gas prices would increase the unrealized loss on risk management contracts from \$0.2 million to \$0.7 million, resulting in an increase to the loss before income taxes of \$0.5 million, assuming the change in commodity prices occurred at December 31, 2025.

A 10% decrease in natural gas prices would result in an unrealized gain on risk management contracts of \$0.3 million, decreasing the loss before income taxes by \$0.5 million, assuming the change in commodity prices occurred at December 31, 2025.

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 December 31, 2025, the Company had the following physical natural gas sales contracts in place:

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Contract Price (\$CAD/GJ) ¹	Contract Price (\$CAD/Mcf) ^{1,2}
January 1, 2026 to October 31, 2026	AECO	7,500	\$2.50	\$2.63
January 1, 2026 to December 31, 2026	AECO	2,500	\$2.92	\$3.06
January 1, 2026 to June 30, 2027	AECO	5,000	\$2.79	\$2.93
January 1, 2026 to 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 to October 31, 2026	AECO	5,000	\$2.90	\$3.05
November 1, 2026 to March 31, 2027	AECO	5,000	\$3.45	\$3.62
July 1, 2026 to June 30, 2027	AECO	5,000	\$3.20	\$3.35
January 1, 2026 to March 31, 2026	AECO	5,000	\$1.75 - \$3.11 ³	\$1.84 - \$3.27 ³
January 1, 2027 to December 31, 2027	AECO	7,500	\$2.87	\$3.01
January 1, 2026 to October 31, 2026	TransGas ⁴	13,500	AECO 5A + 0.36/GJ	AECO 5A + 0.38/Mcf
April 1, 2026 to October 31, 2026	DAWN ⁵	5,000	\$4.86	\$5.10

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

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

³ Price is a floor and ceiling for a fixed price costless collar.

⁴ Subsidiary of SaskEnergy, Saskatchewan.

⁵ Dawn Hub into Dawn Township, Ontario.

At December 31, 2025, the Company had the following physical crude oil sales contracts in place:

Contractual Term	Crude Oil	Physical Delivery Quantity (Bbl/day)	Contract Price (\$USD/Bbl) ¹
January 1, 2026 to June 30, 2026	WTI Fixed Price	100	\$60.76
January 1, 2026 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
March 1, 2026 to June 30, 2026	WTI Fixed Price	100	\$56.00

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

Subsequent to December 31, 2025, the Company had the following additional physical crude oil sales contracts in place:

Contractual Term	Crude Oil	Physical Delivery Quantity (Bbl/day)	Contract Price (\$USD/Bbl) ¹
March 1, 2026 to December 31, 2026	WTI Fixed Price	200	\$60.00 - \$66.00

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

² Price is a floor and ceiling for a fixed price costless collar

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 benchmark commodity prices to estimate the fair value of financial derivatives.

At December 31, 2025, the Company had the following AECO natural gas derivative contracts in place:

Contractual Term	Basis	Quantity (GJ/day)	Contract Price (\$CAD/GJ) ¹	Contract Price (\$CAD/Mcf) ^{1,2}
January 1, 2026 to March 31, 2026	AECO	5,000	\$2.10	\$2.20
January 1, 2026 to June 30, 2027	AECO	2,500	\$2.79	\$2.93
January 1, 2027 to December 31, 2027	AECO	3,500	\$2.80	\$2.94

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

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

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 December 31, 2025, the Company's debt facilities consist of a \$41.3 million non-revolving first lien term loan (the "**Term Loan**") and a \$15.0 million demand operating loan (the "**Demand Loan**"), secured by specific equipment assets, of which \$nil was drawn. The borrowings under the Term Loan are at the Canadian prime lending rate ("**Prime Rate**") plus 3.65%, (whereby Prime Rate cannot be less than 6.95%) and the Demand Loan is at the banks' prime lending rate plus 2.0%.

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 over a 12-month period.

A 1.0% increase in the Prime Rate would increase the loss before income taxes by \$nil, 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 December 31, 2025.

A 1.0% decrease in the Prime Rate would decrease the loss before income taxes by \$nil, 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 December 31, 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 December 31, 2025 of \$20.8 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 25 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 December 31, 2025, there was \$2.1 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 year ended December 31, 2025, the Company recorded a bad debt expense of \$0.1 million (December 31, 2024 - \$0.5 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. After examining the economic factors that are causing the liquidity risk facing the Company, the judgement applied to these factors, and the various initiatives that the Company has and will undertake to strengthen its financial position, the Company believes it will have sufficient liquidity to support its ongoing operations and meet its financial obligations as they come due for at least the next twelve months. A continued decline in commodity prices may challenge the Company's ability to resolve its working capital deficit and comply with EBITDA based covenants disclosed in note 10, and could ultimately require the Company to pursue alternative sources of funding. 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 December 31, 2025:

	2026	2027	2028	2029	2030	Thereafter
(\$000s)						
Accounts payable and accrued liabilities	37,683	-	-	-	-	-
Term loan ¹	8,766	7,232	34,391	-	-	-
Share awards liability	476	250	166	-	56	-
Risk management contracts ²	309	45	-	-	-	-
Lease obligations ¹	1,398	830	484	185	-	-
Total financial liabilities	48,632	8,357	35,041	185	56	-

¹ These amounts include the notional principal and interest payments.

² Risk management contracts represent the fair value of all outstanding financial derivative instruments and are comprised of net risk management liabilities.

7. PROPERTY, PLANT AND EQUIPMENT

Cost:	(\$000s)
Balance at December 31, 2023	890,121
Additions	2,529
Right-of-use assets	1,479
Acquisitions	645
Dispositions	(3,069)
Decommissioning provision	(41,528)
Balance at December 31, 2024	850,177
Additions	14,785
Right-of-use assets	720
Acquisitions	433
Dispositions	(7,085)
Decommissioning provision	(29,372)
Balance at December 31, 2025	829,658

Accumulated depletion and depreciation:	(\$000s)
Balance at December 31, 2023	(487,826)
Depletion and depreciation	(53,669)
Impairment	(7,000)
Dispositions	770
Balance at December 31, 2024	(547,725)
Depletion and depreciation	(44,340)
Dispositions	1,977
Balance at December 31, 2025	(590,088)

Carrying value at:	(\$000s)
December 31, 2024	302,452
December 31, 2025	239,570

During the year, the Company disposed of certain assets in the Central CGU for gross cash proceeds of \$16.2 million before closing adjustments. The carrying value of the disposed assets was \$5.3 million and the resulting gain on disposition of \$10.9 million is recorded in the consolidated statements of loss for the year ended December 31, 2025.

PP&E Impairment Assessment

As at December 31, 2025, the Company had three 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 December 31, 2025, there were no indicators of impairment or additional 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	As at December 31, 2024
2025	-	1,418
2026	1,398	1,223
2027	830	622
2028	484	299
2029	185	88
Total lease payments as at December 31	2,897	3,650
Amounts representing interest	(227)	(337)
Present value of lease payments	2,670	3,313
Current portion of lease obligations	(1,352)	(1,287)
Non-current portion of lease obligations	1,318	2,026

For the year ended December 31, 2025, interest expense of \$0.2 million (December 31, 2024 - \$0.2 million) and a total cash outflow of \$1.4 million (December 31, 2024 - \$2.0 million) was recognized relating to lease obligations.

The right-of-use assets and lease obligation relates to the Company's vehicle and head office lease in Calgary. A right-of-use asset of \$10.4 million (December 31, 2024 - \$9.7 million) and \$7.9 million (December 31, 2024 - \$6.6 million) in accumulated depreciation on the right-of-use-assets are included in PP&E. Refer to Note 7.

9. DEFERRED INCOME TAXES

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

	Years ended December 31,	
	2025	2024
Loss before income taxes	(15,227)	(27,238)
Corporate income tax rate	23.2%	23.2%
Computed income tax expense (recovery)	(3,532)	(6,325)
Non-deductible compensation expense	586	693
Non-taxable portion of gain on disposition	-	(813)
Other deductible expenses	65	(291)
Impact of difference in tax rates	74	720
Changes in the unrecognized deferred tax assets	(578)	(92)
Return to provision true-up	232	316
Deferred income taxes	(3,153)	(5,792)

The Company has recorded a deferred tax asset of \$52.5 million (December 31, 2024 - \$49.4 million) related to the benefit of tax pools, as it is probable these pools will be recovered.

	2025	As at December 31, 2024
Deferred income tax assets		
Share issue costs	187	457
Other	908	501
Decommissioning provision	47,100	53,836
Property and equipment	(10,012)	(17,877)
Lease liabilities	619	769
Capital losses carried forward	-	229
Non-capital losses carried forward	30,298	28,610
Asset before unrecognized deferred income tax	69,100	66,525
Less: unrecognized deferred income tax asset	(16,572)	(17,150)
Net deferred income tax asset	52,528	49,375

Pine Cliff has approximately \$327.8 million in tax pools as at December 31, 2025 (December 31, 2024 - \$352.4 million), available for future use as deductions from taxable income. Included in the Company's tax pools are estimated non-capital loss carry-forwards of \$130.6 million (December 31, 2024 - \$123.2 million) that expire between the years 2032 and 2045.

The Company had the following tax pools, including non-capital loss carry-forwards, at December 31, 2025:

Category of tax pool (\$000s)	Rate of Utilization (%)	As at December 31, 2025
Undepreciated capital costs	7 - 55	27,249
Canadian oil and gas property expenditures	10	148,711
Canadian development expenditures	30	20,279
Canadian exploration expenditures	100	167
Share issue costs	20	806
Non-capital losses carried forward ¹	100	130,618
Total		327,830

¹ Non-capital losses expire between the years 2032 and 2045.

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 the Prime Rate plus 3.65%, where Prime Rate cannot be less than 6.95%. The Company is required to make mandatory principal quarterly repayments equal to \$1.0 million, payable on the first banking day of January, April, July and October of each calendar year. 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 December 31, 2025 was \$41.3 million (December 31, 2024 - \$49.2 million). Based on the calculated fair value of the Term Loan as at December 31, 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 December 31, 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:

- 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 on the prepayment amount.
- 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-based 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 December 31, 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 \$nil was drawn at December 31, 2025 (December 31, 2024 - \$7.4 million). Borrowings bear interest at the bank’s prime rate plus 2.0%. Letters of credit issued under the Demand Loan are supported by a performance guarantee from Export Development Canada for an amount up to \$10.8 million and incur an issuance fee of 2.38%. At December 31, 2025, the Company had issued \$10.8 million in letters of credit (December 31, 2024 - \$6.6 million and had credit capacity on the Demand Loan of \$15.0 million (December 31, 2024 - \$7.6 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. “**Senior Debt 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 December 31, 2025.

12. DECOMMISSIONING PROVISION

The total current and long-term decommissioning provision of \$203.1 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 December 31, 2025, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was \$328.6 million (December 31, 2024 - \$323.8 million). The discounted and inflated amount required to settle the decommissioning liabilities of \$203.1 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 3.59% (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)
Decommissioning provision, January 1, 2024	271,165
Provisions related to acquisitions	(354)
Decommissioning expenditures	(6,369)
Changes in estimates and discount rates	(41,169)
Accretion	8,594
Decommissioning provision, December 31, 2024	231,867
Provisions related to acquisitions	216
Provisions related to dispositions	(10,861)
Decommissioning expenditures	(7,428)
Changes in estimates and discount rates	(18,511)
Accretion	7,770
Decommissioning provision, December 31, 2025	203,053
Less current portion of decommissioning provision	(7,500)
Non-current portion of decommissioning provision	195,553

The following table demonstrates the change in decommissioning provision as a result of reasonably possible changes in discount rate:

(\$000s)	December 31, 2025	December 31, 2024
Increase of 1.0%	(41,057)	(46,248)
Decrease of 1.0%	58,341	65,390

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:		
Balance, January 1, 2024	356,298	278,623
Exercise of stock options	1,802	359
Balance, December 31, 2024	358,100	278,982
Exercise of stock options	692	283
Balance, December 31, 2025	358,792	279,265

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 RSUs and DSUs (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. RSUs vest equally 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 in line with settlement expectations. A copy of the Share Unit Plan is available on SEDAR+ www.sedarplus.ca.

	RSUs (000s)	DSUs (000s)	Total (000s)
Awards issued and outstanding:			
Balance, December 31, 2024	-	-	-
Granted	2,969	517	3,486
Forfeited	(85)	-	(85)
Dividend reinvestment	31	6	37
Balance, December 31, 2025	2,915	523	3,438

A share awards liability of \$0.9 million was recognized as at December 31, 2025 (December 31, 2024 – \$nil).

Stock Options

The Company provides an equity settled stock option plan (the "**Option Plan**"). Stock options and share units are granted to certain officers, directors, and employees with the number, term and vesting period being determined at the discretion of the Company's Board of Directors to a collective maximum of 10% of the outstanding Common Shares. The term and vesting period of the options granted are determined at the discretion of the Company's Board of Directors. The exercise price of each option granted equals the market price of the Common Shares immediately preceding the date of grant and the option's maximum term is five years.

Stock options issued and outstanding:	Options (000s)	Weighted-average exercise price (\$ per Common Share)
Outstanding, January 1, 2024	20,705	1.28
Granted	12,971	1.04
Exercised	(2,504)	0.31
Expired	(1,703)	1.88
Forfeited	(2,213)	1.32
Outstanding, December 31, 2024	27,256	1.22
Granted	6,878	0.56
Exercised	(1,098)	0.33
Expired	(5,029)	1.51
Forfeited	(970)	0.94
Outstanding, December 31, 2025	27,037	1.04
Exercisable, December 31, 2025	9,008	1.30

Exercise price:	Stock options outstanding (000s)	Weighted-average remaining term (years)	Stock options exercisable (000s)	Weighted-average remaining term (years)
\$0.55 - \$0.99	6,572	2.4	-	-
\$1.00 - \$1.25	11,726	1.4	3,909	0.4
\$1.26 - \$1.50	7,028	0.9	3,424	0.4
\$1.51 - \$1.92	1,711	0.4	1,675	0.4
	27,037	1.4	9,008	0.4

The Company records share-based compensation expense over the vesting period, based on the fair value of the options granted to employees, directors and consultants. Typically, one third of the stock options granted vest annually on the first, second, and third anniversaries of the grant date and expire one year after each respective vesting date. During the year ended December 31, 2025, the Company granted 6,878,298 stock options (December 31, 2024 – 12,970,857) with a fair value of \$0.15 (December 31, 2024 - \$0.26) per option using the Black-Scholes option pricing model using the following key assumptions:

Assumptions (weighted average):	Years ended December 31,	
	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 (%)	8.0	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 was based on quoted market prices for the period that the options were outstanding.

Net loss per share calculation (\$000s):	Years ended December 31,	
	2025	2024
Numerator		
Net loss for the year	(12,074)	(21,446)
Denominator (000s)		
Weighted-average Common Shares outstanding – basic	358,581	357,375
Dilutive effect of options outstanding	-	-
Weighted-average Common Shares outstanding – diluted	358,581	357,375
Net loss per Common Share – Basic and diluted (\$)	(0.03)	(0.06)

Dividends declared and paid for the year ended December 31, 2025 were \$9.4 million (December 31, 2024 - \$25.6 million) or \$0.03 per Common Share (\$0.07 per Common Share for the year ended December 31, 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)	Years ended December 31,	
	2025	2024
Natural gas	96,304	90,674
Crude oil	38,498	50,110
NGLs	37,421	49,334
Total commodity sales	172,223	190,118

15. SUPPLEMENTAL CASH FLOW INFORMATION

	Years ended December 31,	
	2025	2024
Changes in non-cash working capital:		
Accounts receivable	2,921	(45)
Prepaid expenses and deposits	1,238	1,599
Risk management contracts	192	-
Accounts payable and accrued liabilities	2,447	(8,604)
	6,798	(7,050)
Change related to:		
Operating activities	2,593	(7,853)
Financing activities	(1,571)	1,571
Investing activities	5,776	(768)
	6,798	(7,050)

	Years ended December 31,	
	2025	2024
Finance expenses:		
Interest expense and bank charges	6,722	8,345
Non cash:		
Accretion on decommissioning provision	7,770	8,594
Accretion on promissory notes and term loan/term debt	299	460
Total finance expenses	14,791	17,399

Cash interest paid in the year ended December 31, 2025, was \$6.6 million (December 31, 2024 - \$8.4 million).

16. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses by nature were as follows:

	Years ended December 31,	
	2025	2024
General and administration expenses:		
Salary and benefits	8,777	9,169
Administrative and other costs	4,183	4,207
Overhead recoveries from joint venture partners	(3,359)	(3,076)
Total general and administrative expenses	9,601	10,300

17. KEY MANAGEMENT REMUNERATION

Key management personnel are those persons, including all directors and officers, having authority and responsibility for planning, directing and controlling the activities of the Company. In addition to their salaries, the Company also provides short-term cash benefits and its directors and officers also participate in the Option Plan and the Share Unit Plan. Director and officer compensation was as follows:

Key management remuneration:	Years ended December 31,	
	2025	2024
Short-term benefits ¹	2,211	2,219
Share-based compensation ²	1,691	1,408
Total key management remuneration	3,902	3,627

¹ Short-term benefits includes the salary and short-term cash benefits and directors fees paid to the Company's officers and directors.

² Share-based compensation computed for officers and directors are included in note 13. Share-based compensation includes the fair value of stock options and Awards expensed in the year.

18. COMMITMENTS

As at December 31, 2025, the Company has the following commitments and other contractual obligations:

	2026	2027	2028	2029	2030	Thereafter
(\$000s)						
Accounts payable and accrued liabilities	37,683	-	-	-	-	-
Term loan ¹	8,766	7,232	34,391	-	-	-
Share awards liability	476	250	166	-	56	-
Risk management contracts ²	309	45	-	-	-	-
Lease obligations ¹	1,398	830	484	185	-	-
Transportation ³	10,008	6,899	5,760	1,401	616	46
Total commitments and contingencies	58,640	15,256	40,801	1,586	672	46

¹ These amounts include the notional principal and interest and payments.

² Risk management contracts represent the fair value of all outstanding financial derivative instruments and are comprised of net risk management liabilities.

³ Firm transportation agreements.

19. CAPITAL STRUCTURE

The Company's objectives when managing capital, which the Company defines to include shareholders' equity and net debt, is to ensure that it has the financial capacity, liquidity and flexibility to fund its capital program and acquisitions. As it is not unusual for capital expenditures and acquisitions to exceed cash flow provided by (used in) operating activities in a given period, the Company is required to maintain financial flexibility and liquidity to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may issue debt, Common Shares or a combination thereof and make adjustments to its capital investment and dividend programs.

The Company defines and computes its net debt as follows:

(\$000s)	As at December 31,	
	2025	2024
Cash	4,066	-
Accounts receivable	20,781	23,702
Prepaid expenses and deposits	4,484	5,722
Less:		
Accounts payable and accrued liabilities	(37,683)	(35,236)
Term loan	(41,262)	(49,153)
Demand loan	-	(7,358)
Net debt	(49,614)	(62,323)
Equity	35,459	54,324

The Company's cash provided by (used in) operating activities is expected to provide the necessary capital for oil and gas exploration and development activities. However, due to the potential impact of adverse changes in commodity prices, production rates, capital efficiencies and service costs, the Company may not generate sufficient cash provided by operating activities to entirely fund its planned oil and gas capital programs or future acquisitions. Accordingly, the Company will continually evaluate the stage of development of its proved and producing reserves and the expected return on investment of acquisitions and consider issuing equity and/or debt or amend its dividend to provide additional financing to maintain appropriate net debt and equity levels.

The Company considers adjusted funds flow to be a key performance measure as it demonstrates the Company's ability to generate funds necessary to fund future growth through capital investment, to pay dividends and where necessary repay debt. Net debt-to-adjusted funds flow is computed as follows:

	As at December 31,	
Net debt-to-adjusted funds flow calculation:	2025	2024
Cash provided by operating activities	25,058	23,795
Changes in non-cash working capital	(2,593)	7,853
Decommissioning obligations settled in cash	7,428	6,369
Adjusted funds flow	29,893	38,017
Net debt	(49,614)	(62,323)
Net debt-to-adjusted funds flow	1.7	1.6

The Company's financial objectives and strategy as described above have remained substantially unchanged over the reporting periods. These objectives and strategy are reviewed on an annual basis.

20. SUBSEQUENT EVENTS

Dividends

On January 30, 2026 and February 27, 2026, the Company paid a monthly dividend of \$0.00125 per Common Share.

Office Lease

On January 16, 2026, the Company entered into a long-term office lease agreement commencing July 1, 2026. The lease will be accounted for under IFRS 16 and will result in recognition of a right-of-use asset and corresponding lease liability at commencement. The impact has not been reflected in these financial statements.

BOARD OF DIRECTORS

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

OFFICERS

Philip B. Hodge
President and Chief Executive Officer
Terry L. McNeill
Chief Operating Officer
Kristopher B. Zack
Chief Financial Officer and Corporate Secretary
Daniel C. Keenan
Vice President Exploitation
Austin W. Nieuwdorp
Vice President Finance and Controller

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REGISTRAR AND TRANSFER AGENT

Odyssey Trust Company of Canada

AUDITORS

Deloitte LLP

STOCK LISTINGS

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

OTC Markets Group Inc. (“OTCQX”)
Trading Symbol: PIFYF

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INVESTOR CONTACT

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