Long-term Value Focus

Q2 2026 Quarterly Report

Pine Cliff Energy Ltd.

This second quarter was characterized by the most material energy infrastructure announcements in Canadian history. It also had substantial swings in commodity prices, particularly for oil. Thankfully, Canadian natural gas prices were stronger than in Q2 last year and forward AECO gas prices are projected higher later this year and into 2027.

Our team continues to maintain a disciplined approach to business and capital allocation through this volatility to pay down debt, preserve our monthly dividend and prepare for our next Glauconite well to be drilled this quarter.

Second Quarter 2026 Highlights

Key accomplishments for Pine Cliff in the second quarter of 2026 included:

- Generated $5.9 million ($0.02 per basic and fully diluted share) of adjusted funds flow[1];
- Production averaged 19,747 Boe/d[2], which included continued strong production from the 4-23 Glauconite well which averaged over 1,100 Boe/d[3] over the first 150 days of being online;
- Net debt[1] decreased 14% to $50.8 million as of June 30, 2026, from $58.9 million at the same point last year; and
- Paid dividends of $1.3 million ($0.004 per basic and fully diluted share).

Capex Budget Update

Following the success of our first Glauconite well, our Board of Directors has approved an increase in our capital budget to drill and complete a second 100% working interest Glauconite well in our Central Alberta Caroline area. We expect to drill this quarter and bring it on production in the fourth quarter of 2026.

Pine Cliff has identified 59 gross (37.0 net) Glauconite locations in the Caroline area, with 29 gross (22.0 net) locations booked in our total proved plus probable reserves as of December 31, 2025. The range of values of these locations at various commodity prices is highlighted in our corporate presentation available at **www.pinecliffenergy.com**.

Dividend

Since the implementation of our dividend program in June 2022, our priority has been to maintain a sustainable dividend supported by free cash flow, prudent hedging and a strong balance sheet. At current commodity prices, we are maintaining our monthly dividend at $0.00125 per share. As of June 30, 2026, Pine Cliff has paid $107.4 million, or approximately $0.30 per share, in cumulative dividends.

Our dividend has been deemed non-eligible for tax purposes since May 2024. Based on similar prices to where the strip is today, we expect to return the dividend to eligible status before the end of 2026.

Hedging and Diversification Update

Our hedging and internal marketing strategies continue to mitigate the impact of commodity price volatility. In the second quarter, Pine Cliff realized an average natural gas price of C$2.38/Mcf, representing a 47% premium to the AECO Daily 5A price of C$1.62/Mcf.

For the remaining two quarters of 2026, we have approximately 41% of gross natural gas production[4] hedged at an average price of C$3.16/Mcf and approximately 48% of gross crude oil production[5] hedged at US$68.51/Bbl.

Webcast

Pine Cliff will host a webcast at 9:00 AM MDT (11:00 AM EDT) on Thursday, August 13, 2026. Participants can access the live webcast via **Pine Cliff Q2 Conference Call** or through the link provided on our website at **www.pinecliffenergy.com**. A recorded archive of the webcast will also be available on the website.

Outlook

We believe that the stronger AECO prices this summer compared to last year reflect the positive impact that LNG Canada Phase 1 has had on natural gas storage balances in Western Canada. LNG Canada Phase 1 exports were sporadic in July but appear to be regaining the consistency that they showed in June when it set Canadian monthly export records. At capacity, that project's 2 Bcf/d of demand has a significant impact on Canadian storage as Canada's natural gas production still is only at 19 Bcf/d today.

Q2 2026 saw the largest number and size of energy infrastructure announcements in Canadian history. Governments across Canada have expressed their support for more pipelines and export facilities to help deliver our energy to a world in desperate need of oil and gas from safe and reliable suppliers. I think this quarter might have been the catalyst to another prosperous era for our energy sector and country.

We are optimistic that the attractiveness of our business model will become more obvious to investors in the back half of this year and in 2027. We believe that continuing to strategically exploit our extensive drilling inventory will position us favorably as we enter winter 2026-27. Pine Cliff's approach to capital allocation has never wavered since we started the company almost 15 years ago. By focusing on low-cost operations, we have shown that our business model is resilient in the face of volatile commodity prices. We will continue to protect the balance sheet while pursuing attractive assets and drilling opportunities in our core areas. We believe that prudent capital allocation through uncertain times creates long-term shareholder value and we, as Pine Cliff shareholders, make every decision with the goal of making our shares more valuable. This alignment with our shareholders continues to be our driving motivation to get better.

Thank you for your continued support.

Yours truly,

Phil Hodge
President and Chief Executive Officer
August 12, 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 and definitions, as this President's message is subject to the same cautionary statements as set out therein.
[2] Comprised of 94,969 Mcf/d natural gas, 2,763 Bbl/d NGLs and 1,156 Bbl/d light and medium oil.
[3] Comprised of approximately 3,300 Mcf/d natural gas and 555 Bbl/d NGLs.
[4] Based on Q2 2026 sales volumes of 94,969 Mcf/d natural gas.
[5] Based on Q2 2026 sales volumes of 1,156 Bbl/d of light and medium oil.

This Management's Discussion and Analysis ("**MD&A**") is a review of the operations and current financial position of Pine Cliff Energy Ltd. ("**Pine Cliff**" or the "**Company**") for the period ended June 30, 2026. This MD&A is dated and based on information available as at August 12, 2026 and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2026 ("**Financial Statements**"), the audited annual consolidated financial statements for the year ended December 31, 2025 ("**Annual Financial Statements**") and the annual management's discussion and analysis for the year ended December 31, 2025 ("**Annual MD&A**"). The Financial Statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" using accounting principles consistent with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") using Generally Accepted Accounting Principles ("**GAAP**"). Additional information relating to the Company, including the Company's annual information form ("**AIF**"), may be found on www.sedarplus.ca and by visiting Pine Cliff's website at 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 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 ("**Mcfe**") using a ratio of one (1) Bbl to six (6) thousand cubic feet. Natural gas volumes recorded in thousand cubic feet ("**Mcf**") are converted to barrels of oil equivalent ("**Boe**") using the ratio of six (6) thousand cubic feet to one (1) Bbl. This conversion ratio is based on energy equivalence primarily at the burner tip and does not represent a value equivalency at the wellhead. The terms Boe or Mcfe may be misleading, particularly if used in isolation.

Q2 2026 RESULTS

Results for the second quarter of 2026 are as follows:

- Generated $5.9 million ($0.02 per basic and fully diluted share) and $15.5 million ($0.04 per basic and fully diluted share) of adjusted funds flow for the three and six months ended June 30, 2026, compared to $4.9 million ($0.01 per basic and fully diluted share) and $16.4 million ($0.05 per basic and fully diluted share) for the same periods in 2025;
- Production averaged 19,747 Boe/d and 19,905 Boe/d for the three and six months ended June 30, 2026, compared to 21,236 Boe/d and 21,259 Boe/d for the same periods in 2025;
- Paid dividends of $1.3 million ($0.004 per basic and fully diluted share) and $2.7 million ($0.008 per basic and fully diluted share) during the three and six months ended June 30, 2026, compared to $1.3 million ($0.004 per basic and fully diluted share) and $6.7 million ($0.019 per basic and fully diluted share) during the same periods in 2025; and
- Net debt decreased 14% to $50.8 million as at June 30, 2026 from $58.9 million at the same point last year.

	Three months ended June 30, 2026	2025	Six months ended June 30, 2026	2025
($000s, unless otherwise indicated)				
FINANCIAL				
Commodity sales (before royalties)	**42,692**	41,850	**86,537**	91,328
Cash provided by operating activities	**2,913**	7,715	**15,173**	19,203
Adjusted funds flow[1]	**5,913**	4,876	**15,515**	16,382
Per share – Basic and diluted ($/share)[1]	**0.02**	0.01	**0.04**	0.05
Net loss	**(4,911)**	(7,136)	**(6,558)**	(9,873)
Per share – Basic and diluted ($/share)	**(0.01)**	(0.02)	**(0.02)**	(0.03)
Capital expenditures	**2,836**	2,310	**10,367**	3,553
Dividends	**1,346**	1,344	**2,691**	6,717
Per share – Basic and diluted ($/share)	**0.004**	0.004	**0.008**	0.019
Net debt[1]	**50,786**	58,890	**50,786**	58,890
Weighted average common shares outstanding (000s) – Basic and diluted	**358,793**	358,556	**358,792**	358,368
OPERATIONS				
Production				
Natural gas (Mcf/d)	**94,969**	102,528	**95,504**	101,727
NGLs (Bbl/d)	**2,763**	2,849	**2,831**	2,917
Crude oil (Bbl/d)	**1,156**	1,299	**1,157**	1,387
Total (Boe/d)	**19,747**	21,236	**19,905**	21,259
Realized commodity sales prices				
Natural gas ($/Mcf)	**2.38**	2.48	**2.66**	2.69
NGLs ($/Bbl)	**46.78**	35.94	**42.46**	39.55
Crude oil ($/Bbl)	**98.41**	79.13	**89.58**	83.20
Combined ($/Boe)	**23.76**	21.66	**24.02**	23.73
Netback ($/Boe)				
Commodity sales	**23.76**	21.66	**24.02**	23.73
Processing and gathering	**0.75**	0.78	**0.76**	0.75
Royalty expense	**(3.18)**	(1.94)	**(2.54)**	(2.24)
Transportation expenses	**(1.50)**	(1.56)	**(1.52)**	(1.57)
Operating expenses	**(15.30)**	(13.93)	**(14.74)**	(13.99)
Realized gain on risk management contracts	**0.39**	-	**0.19**	-
Operating netback ($/Boe)[1]	**4.92**	5.01	**6.17**	6.68
General and administrative expenses	**(0.89)**	(1.46)	**(1.18)**	(1.43)
Interest and bank charges	**(0.74)**	(1.03)	**(0.69)**	(1.00)
Corporate netback ($/Boe)[1]	**3.29**	2.52	**4.30**	4.25
Operating netback ($ per Mcfe)[1]	**0.82**	0.83	**1.03**	1.11
Corporate netback ($ per Mcfe)[1]	**0.55**	0.42	**0.72**	0.71

[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	3,102	0.01
Realized NGLs price[3]	1.00	920	0.00
Realized crude oil price[3]	1.00	376	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 six months ended June 30, 2026.
[3] Pine Cliff has prepared this analysis using its six months ended June 30, 2026 production volumes annualized for twelve months.
[4] Based on the Q2 2026 basic weighted average shares outstanding.

BENCHMARK PRICES

	Three months ended June 30,			Six months ended June 30,		
	2026	2025	% Change	**2026**	2025	% Change
Natural gas						
NYMEX (US$/Mmbtu)[1]	**2.90**	3.44	(16)	**3.97**	3.55	12
AECO Daily 5A (C$/Mcf)[2]	**1.62**	1.68	(4)	**1.81**	1.92	(6)
Crude oil						
WTI (US$/Bbl)	**92.79**	63.74	46	**82.36**	67.58	22
Edmonton Light (C$/Bbl)	**131.72**	84.14	57	**112.56**	89.71	25
Foreign exchange						
US$/C$	**1.384**	1.384	-	**1.378**	1.410	(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.

	Q2-2026	Q1-2026	Q4-2025	Q3-2025	Q2-2025	Q1-2025	Q4-2024	Q3-2024
Natural gas								
NYMEX (US$/MMBtu)[1]	**2.90**	5.04	3.55	3.07	3.44	3.65	2.79	2.16
AECO Daily 5A (C$/Mcf)[2]	**1.62**	2.00	2.22	0.64	1.68	2.16	1.51	0.68
Pine Cliff realized natural gas price (C$/Mcf)	**2.38**	2.94	2.97	2.21	2.48	2.90	2.30	2.00
Crude oil								
WTI (US$/Bbl)	**92.79**	71.93	59.14	64.93	63.74	71.42	70.27	75.09
Edmonton Light (C$/Bbl)	**131.72**	93.40	76.39	86.19	84.14	95.27	94.97	97.92
Pine Cliff realized NGLs price (C$/Bbl)	**46.78**	38.29	30.87	37.54	35.94	43.03	40.33	40.69
Pine Cliff realized oil price (C$/Bbl)	**98.41**	80.66	73.06	78.78	79.13	86.83	88.27	90.11
Foreign exchange								
US$/C$	**1.384**	1.372	1.395	1.377	1.384	1.435	1.399	1.360

[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 and six months ended June 30, 2026, the AECO daily benchmark was 4% and 6% lower compared to the same period of 2025. 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 increased by 46% and 22%, for the three and six months ended June 30, 2026, as compared to the same period in 2025, 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 continue to influence global supply dynamics, with shifting strategies contributing to market uncertainty. While crude oil prices reflect current supply and demand dynamics, future crude oil prices remain volatile given the uncertainty associated with the impact of global economic conditions and geopolitical factors.

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

	Three months ended June 30,			Six months ended June 30,		
Total sales volumes by product	**2026**	2025	% Change	**2026**	2025	% Change
Natural gas (Mcf)	**8,642,196**	9,330,052	(7)	**17,286,470**	18,412,652	(6)
NGLs (Bbl)	**251,444**	259,278	(3)	**512,454**	528,054	(3)
Crude oil (Bbl)	**105,164**	118,195	(11)	**209,344**	251,089	(17)
Total Boe	**1,796,974**	1,932,482	(7)	**3,602,876**	3,847,918	(6)
Total Mcfe	**10,781,844**	11,594,890	(7)	**21,617,258**	23,087,510	(6)
Natural gas weighting	**80%**	80%	-	**80%**	80%	-

	Three months ended June 30,			Six months ended June 30,		
Average daily sales volumes by product	**2026**	2025	% Change	**2026**	2025	% Change
Natural gas (Mcf/d)	**94,969**	102,528	(7)	**95,504**	101,727	(6)
NGLs (Bbl/d)	**2,763**	2,849	(3)	**2,831**	2,917	(3)
Crude oil (Bbl/d)	**1,156**	1,299	(11)	**1,157**	1,387	(17)
Total (Boe/d)	**19,747**	21,236	(7)	**19,905**	21,259	(6)
Total (Mcfe/d)	**118,482**	127,416	(7)	**119,430**	127,554	(6)

	Three months ended June 30,			Six months ended June 30,		
Average daily sales volumes by area	**2026**	2025	% Change	**2026**	2025	% Change
Central (Boe/d)	**13,235**	14,300	(7)	**13,363**	14,399	(7)
Southern (Boe/d)	**5,303**	5,675	(7)	**5,354**	5,557	(4)
Edson (Boe/d)	**1,209**	1,261	(4)	**1,188**	1,303	(9)
Total (Boe/d)	**19,747**	21,236	(7)	**19,905**	21,259	(6)

Pine Cliff sales volumes decreased by 7% and 6% to 19,747 Boe/d (118,482 Mcfe/d) and 19,905 Boe/d (119,430 Mcfe/d) in the three and six months ended June 30, 2026, compared to the same period in 2025, primarily due to natural production declines and third-party facility downtime, partially offset by new production from the one gross (1.0 net) well that came on production in the first quarter of 2026.

COMMODITY SALES

($000s)	Three months ended June 30, 2026	2025	% Change	Six months ended June 30, 2026	2025	% Change
Natural gas	**20,579**	23,180	(11)	**46,027**	49,553	(7)
NGLs	**11,764**	9,318	26	**21,758**	20,884	4
Crude oil	**10,349**	9,352	11	**18,752**	20,891	(10)
Total commodity sales	**42,692**	41,850	2	**86,537**	91,328	(5)
% of revenue from natural gas sales	**48%**	55%	(7)	**53%**	54%	(1)

Realized Prices

$ per unit	Three months ended June 30, 2026	2025	% Change	Six months ended June 30, 2026	2025	% Change
Natural gas ($/Mcf)	**2.38**	2.48	(4)	**2.66**	2.69	(1)
NGLs ($/Bbl)	**46.78**	35.94	30	**42.46**	39.55	7
Crude oil ($/Bbl)	**98.41**	79.13	24	**89.58**	83.20	8
Total ($/Boe)	**23.76**	21.66	10	**24.02**	23.73	1
Total ($/Mcfe)	**3.96**	3.61	10	**4.00**	3.96	1

Commodity sales in the three months ended June 30, 2026 of $42.7 million increased 2% from $41.9 million in the corresponding period in the prior year. The quarterly increase of $0.8 million consists of $3.7 million attributed to higher realized commodity prices partially offset by $2.9 million attributed to lower production volumes. Commodity sales in the six months ended June 30, 2026 of $86.5 million decreased 5% from $91.3 million in the six months ended June 30, 2025. The year to date decrease of $4.7 million consists of $5.7 million attributed to lower production volumes partially offset by an increase of $1.0 million attributed to higher realized commodity prices.

Pine Cliff's realized natural gas price was $2.38 per Mcf and $2.66 per Mcf in the three and six months ended June 30, 2026, 4% and 1% lower than the $2.48 per Mcf per Mcf and $2.69 per Mcf realized in the corresponding periods of the prior year. Pine Cliff's realized natural gas price remained at a premium to the AECO 5A benchmark price as a result of Pine Cliff's marketing diversification and hedging programs.

For the three and six months ended June 30, 2026, Pine Cliff's realized NGLs price was $46.78 per Bbl and $42.46 per Bbl, compared to $35.94 per Bbl and $39.55 per Bbl in the corresponding periods of the prior year. Pine Cliff's realized NGLs prices in the three and six months ended June 30, 2026, were 36% and 38% of Edmonton light compared to 43% and 44% in the corresponding periods of the prior year. For the three and six months ended June 30, 2026, Pine Cliff's realized crude oil price was $98.41 per Bbl and $89.58 per Bbl, compared to $79.13 per Bbl and $83.20 per Bbl in the corresponding periods of the prior year. Pine Cliff's realized crude oil prices in the three and six months ended June 30, 2026 were 75% and 80% respectively of Edmonton Light compared to 94% and 93% in the corresponding periods of the prior year.

ROYALTY EXPENSE

($000s)	Three months ended June 30, 2026	2025	% Change	Six months ended June 30, 2026	2025	% Change
Total royalty expense	**5,720**	3,748	53	**9,136**	8,630	6
$ per Boe	**3.18**	1.94	64	**2.54**	2.24	13
$ per Mcfe	**0.53**	0.32	64	**0.42**	0.37	13
Royalty expense as a % of commodity sales	**13%**	9%	44	**11%**	9%	22

For the three and six months ended June 30, 2026, total royalty expense increased by 53% and 6% to $5.7 million and $9.1 million from $3.7 million and $8.6 million respectively, in the corresponding periods of the prior year. Royalty expense as a percentage of commodity sales increased to 13% and 11% in the three and six months ended June 30, 2026, compared to 9% in the three and six months ended June 30, 2025. The increase in royalty expenses for the three and six months ended June 30, 2026 is primarily due to higher realized crude oil and NGLs prices and reduction in annual gas cost allowance credits.

TRANSPORTATION COSTS

($000s)	Three months ended June 30, **2026**	2025	% Change	Six months ended June 30, **2026**	2025	% Change
Total transportation costs	**2,698**	3,007	(10)	**5,476**	6,035	(9)
$ per Boe	**1.50**	1.56	(4)	**1.52**	1.57	(3)
$ per Mcfe	**0.25**	0.26	(4)	**0.25**	0.26	(3)

For the three and six months ended June 30, 2026, total transportation costs decreased to $2.7 million and $5.5 million from $3.0 million and $6.0 million in the corresponding periods, primarily due to lower production volumes. On a per Boe basis, transportation expenses decreased by 4% and 3% to $1.50 per Boe and $1.52 per Boe, compared to the corresponding periods of 2025.

NET OPERATING EXPENSES

($000s)	Three months ended June 30, **2026**	2025	% Change	Six months ended June 30, **2026**	2025	% Change
Operating expenses	**27,500**	26,917	2	**53,107**	53,821	(1)
Less: processing and gathering income	**(1,352)**	(1,503)	(10)	**(2,738)**	(2,897)	(5)
Net operating expenses	**26,148**	25,414	3	**50,369**	50,924	(1)
$ per Boe	**14.55**	13.15	11	**13.98**	13.24	6
$ per Mcfe	**2.43**	2.19	11	**2.33**	2.21	5

Net operating expenses increased by 3% to $26.1 million for the three months ended June 30, 2026, as compared to $25.4 million in the corresponding period of the prior year, primarily due to workover activity on oil wells in the Central area. Net operating expenses for the six months ended June 30, 2026 of $50.4 million decreased slightly from the $50.9 million in the corresponding period of the prior year. On a per Boe basis, net operating expenses increased 11% and 6% to $14.55 per Boe and $13.98 per Boe compared to the corresponding periods of 2025, primarily due to fixed costs being spread over lower sales volumes.

GENERAL AND ADMINISTRATIVE EXPENSES ("G&A")

($000s)	Three months ended June 30, **2026**	2025	% Change	Six months ended June 30, **2026**	2025	% Change
Gross G&A	**3,234**	3,278	(1)	**6,490**	6,703	(3)
Less: overhead recoveries	**(1,641)**	(455)	261	**(2,250)**	(1,187)	90
Total G&A expenses	**1,593**	2,823	(44)	**4,240**	5,516	(23)
$ per Boe	**0.89**	1.46	(39)	**1.18**	1.43	(17)
$ per Mcfe	**0.15**	0.24	(39)	**0.20**	0.24	(17)

Total G&A expenses decreased by 44% and 23% to $1.6 million and $4.2 million in the three and six months ended June 30, 2026, as compared to $2.8 million and $5.5 million in the corresponding periods of the prior year, primarily due to higher overhead recoveries. On a per Boe basis, G&A expenses decreased 39% and 17% to $0.89 per Boe and $1.18 per Boe from $1.46 per Boe and $1.43 per Boe in the corresponding periods of the prior year.

SHARE-BASED COMPENSATION

($000s)	Three months ended June 30, **2026**	2025	% Change	Six months ended June 30, **2026**	2025	% Change
Total share-based compensation	**651**	827	(21)	**1,343**	1,664	(19)
$ per Boe	**0.36**	0.43	(16)	**0.37**	0.43	(14)
$ per Mcfe	**0.06**	0.07	(16)	**0.06**	0.07	(14)

For the three and six months ended June 30, 2026, share-based compensation decreased by 21% and 19% when compared to the corresponding periods of 2025, primarily due to changes in the fair value of share-based compensation awards, including restricted share units ("**RSUs**") and deferred share units ("**DSUs**").

As at June 30, 2026, the Company had 26,719,511 stock options outstanding, representing 7.4% of Common Shares outstanding (June 30, 2025 – 28,571,370; 8.0% of Common Shares outstanding) and 6,216,966 awards outstanding (RSUs and DSUs), representing 1.7% of Common Shares outstanding (June 30, 2025 – 3,414,287; 1.0% of Common Shares outstanding).

DEPLETION AND DEPRECIATION

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2026**	2025	% Change	**2026**	2025	% Change
Total depletion and depreciation	**10,307**	11,284	(9)	**20,519**	22,931	(11)
$ per Boe	**5.74**	5.84	(2)	**5.70**	5.96	(4)
$ per Mcfe	**0.96**	0.97	(2)	**0.95**	0.99	(4)

Depletion and depreciation expense for the three and six months ended June 30, 2026, totaled $10.3 million and $20.5 million compared to $11.3 million and $22.9 million in the corresponding periods of the prior year. The decrease for the period is primarily a result of lower production 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, which are subject to revision.

Property, Plant and Equipment ("PP&E") Impairment Assessment

As at June 30, 2026, the Company had three cash generating units ("**CGU's**") being the Southern CGU, Central CGU and Edson CGU. In accordance with IFRS, an impairment test is performed if the Company identifies indicators of impairment or impairment reversal at the end of a reporting period. As at June 30, 2026, there were no indicators of impairment or impairment reversals for PP&E assets and therefore an impairment test was not required.

FINANCE EXPENSES

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2026**	2025	% Change	**2026**	2025	% Change
Interest and debt charges	**1,324**	1,982	(33)	**2,482**	3,841	(35)
$ per Boe	**0.74**	1.03	(28)	**0.69**	1.00	(31)
$ per Mcfe	**0.12**	0.17	(28)	**0.11**	0.17	(31)
Non-cash:						
Accretion on decommissioning provision	**1,968**	1,902	3	**3,895**	3,806	2
Accretion on term loan	**60**	61	(2)	**120**	176	(32)
Total finance expenses	**3,352**	3,945	(15)	**6,497**	7,823	(17)
$ per Boe	**1.87**	2.04	(8)	**1.80**	2.03	(11)
$ per Mcfe	**0.31**	0.34	(8)	**0.30**	0.34	(11)

Finance expenses decreased by 15% and 17% to $3.4 million and $6.5 million for the three and six months ended June 30, 2026, compared to $3.9 million and $7.8 million in the corresponding periods of the prior year, primarily due to lower borrowings on the Term Loan, as defined herein. Please refer to the "DEBT, LIQUIDITY AND CAPITAL RESOURCES" section for additional information.

CAPITAL EXPENDITURES, ACQUISITIONS AND DISPOSITIONS

($000s)	**Six months ended June 30, 2026**	Year ended December 31, 2025
Capital expenditures	**10,367**	14,785
Acquisitions	**12**	433
Dispositions	**(450)**	(16,249)
Total	**9,929**	(1,031)

Capital expenditures on PP&E have totaled $10.4 million in the six months ended June 30, 2026, including completion and tie-in costs for one gross (1.0 net) well, associated Central Alberta Caroline area infrastructure, and facilities, optimization and maintenance capital.

DECOMMISSIONING PROVISION

The total current and long-term decommissioning provision of $209.7 million was estimated by management based on the Company's working interest and estimated costs to remediate, reclaim and abandon its wells, pipelines, and facilities and estimated timing of the costs to be incurred in future periods.

At June 30, 2026, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was $327.2 million (December 31, 2025 - $328.6 million). The discounted and inflated amount required to settle the decommissioning liabilities of $209.7 million (December 31, 2025 - $203.1 million) has been calculated assuming a 2.00% inflation rate (December 31, 2025 – 2.00%) and discounted using an average risk-free interest rate of 3.53% (December 31, 2025 – 3.59%). 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

The total current and long-term amount under the term loan (the "**Term Loan**") at June 30, 2026 was $39.3 million (December 31, 2025 – $41.3 million). Based on the calculated fair value of the Term Loan as at June 30, 2026, the effective interest rate was determined to be 11.3% using the effective interest method. The value of the loan will be accreted up to the principal balance at maturity. Interest accrued at June 30, 2026 was $nil (December 31, 2025 - $nil).

The amounts borrowed under the Term Loan bear interest at an annual interest rate equal to the prime rate ("**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 is January 3, 2028 on which date the remaining outstanding principal balance is to be paid.

Security for the Term Loan consists of demand debentures totaling $110.0 million (December 31, 2025 - $110.0 million) over all of the Company's assets and a general security agreement with first priority ranking over all personal and real property other than the general security agreement with the Demand Loan.

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

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

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

(i) at any time from and after 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 June 30, 2026.

Demand Loan

The Company has a demand loan (the "**Demand Loan**") of $15.0 million with a Canadian chartered bank, of which $0.8 million was drawn at June 30, 2026 (December 31, 2025 - $nil). 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 June 30, 2026, the Company had issued $10.8 million in letters of credit (December 31, 2025 - $10.8 million) and had credit capacity on the Demand Loan of $14.2 million (December 31, 2025 - $15.0 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, 2025 - $50.0 million) 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 to EBITDA**" shall mean net income excluding finance costs, provision for current and deferred income tax, depletion and depreciation, share-based compensation and gain or loss on sale of assets and impairment of assets, less cash taxes and dividends paid, on a trailing twelve-month basis.

The Company was in compliance with its Demand Loan covenant at June 30, 2026.

Liquidity

As at June 30, 2026, the Company's capital comprises shareholders' equity, the Term Loan and working capital, including the Demand Loan. Pine Cliff manages the capital structure and adjusts considering economic conditions and the risks of the underlying assets. The Company currently has a working capital deficiency of $23.2 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)	**June 30, 2026**	December 31, 2025	$ Change
Cash	**-**	4,066	(4,066)
Accounts receivable	**19,640**	20,781	(1,141)
Prepaid expenses and deposits	**5,545**	4,484	1,061
Less:			
Accounts payable and accrued liabilities	**(35,929)**	(37,683)	1,754
Demand Loan	**(770)**	-	(770)
Term Loan	**(39,272)**	(41,262)	1,990
Net debt[1]	**(50,786)**	(49,614)	(1,172)

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

Share Capital

Share capital	**August 12, 2026**	June 30, 2026	December 31, 2025
Common Shares	**358,795,286**	358,795,286	358,791,562
Stock options	**25,921,457**	26,719,511	27,037,370
RSUs	**5,194,825**	5,311,370	2,883,914
DSUs	**905,596**	905,596	517,240

COMMITMENTS AND CONTINGENCIES

As at June 30, 2026, the Company has the following commitments and other contractual obligations:

($000s)	2026	2027	2028	2029	2030	Thereafter
Accounts payable and accrued liabilities	35,929	-	-	-	-	-
Demand Loan[1]	770	-	-	-	-	-
Term Loan[1]	4,489	7,232	34,390	-	-	-
Share awards liability	12	398	253	18	59	5
Risk management contracts[2]	-	17	33	-	-	-
Lease obligations[1]	736	1,062	716	417	100	-
Transportation[3]	4,405	7,014	5,943	1,572	665	141
Total commitments and contingencies	**46,341**	**15,723**	**41,335**	**2,007**	**824**	**146**

[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

Office Lease

On July 1, 2026, subsequent to period end, the Company obtained possession of new long-term office premises under a lease agreement entered into during the six months ended June 30, 2026. No amounts have been recognized in these Financial Statements as at June 30, 2026. The lease will be accounted for under IFRS 16 *Leases* from July 1, 2026, the commencement date, and will result in the recognition of a right-of-use asset and corresponding lease liability.

Dividends

On July 31, 2026, the Company paid a monthly dividend of $0.00125 per Common Share.

On August 4, 2026, the Company declared a monthly dividend of $0.00125 per Common Share. The dividend is payable August 31, 2026, to all shareholders of record on August 14, 2026.

QUARTERLY TRENDS AND SELECTED FINANCIAL INFORMATION

($000s, unless otherwise indicated)	**Q2-2026**	Q1-2026	Q4-2025	Q3-2025	Q2-2025	Q1-2025	Q4-2024	Q3-2024
FINANCIAL								
Total revenue	**39,456**	42,889	41,352	37,605	39,605	45,990	43,860	42,058
Cash provided by operating activities	**2,913**	12,260	(909)	6,764	7,715	11,488	518	8,058
Adjusted funds flow[1]	**5,913**	9,602	7,795	5,716	4,876	11,506	8,608	8,131
Per share – Basic and diluted ($/share)[1]	**0.02**	0.03	0.02	0.02	0.01	0.03	0.02	0.02
Net income (loss)	**(4,911)**	(1,647)	3,797	(5,998)	(7,136)	(2,737)	(5,607)	(6,886)
Per share – Basic and diluted ($/share)	**(0.01)**	(0.00)	0.01	(0.02)	(0.02)	(0.01)	(0.02)	(0.02)
Capital expenditures	**2,836**	7,531	8,727	2,505	2,310	1,243	32	901
Dividends	**1,346**	1,345	1,345	1,346	1,344	5,373	5,371	5,370
Per share – Basic and diluted ($/share)	**0.004**	0.004	0.004	0.004	0.004	0.015	0.015	0.015
Acquisitions	**(3)**	15	2	431	-	-	86	243
Dispositions	**(256)**	(194)	(14,911)	(1,042)	(4)	(292)	(6,901)	(1,503)
Net debt[1]	**50,786**	50,537	49,614	58,609	58,890	58,775	62,323	67,281
Weighted average common shares outstanding (000s):								
Basic	**358,793**	358,792	358,792	358,511	358,556	358,178	358,086	357,965
Diluted	**358,793**	358,792	361,361	358,511	358,556	358,178	358,086	357,965
PRODUCTION VOLUMES								
Natural gas (Mcf/d)	**94,969**	96,048	97,025	99,473	102,528	100,918	108,212	107,985
NGLs (Bbl/d)	**2,763**	2,900	2,766	2,514	2,849	2,986	3,170	3,105
Crude oil (Bbl/d)	**1,156**	1,158	1,236	1,283	1,299	1,477	1,533	1,443
Average sales volumes (Boe/d)	**19,747**	20,066	20,173	20,376	21,236	21,283	22,738	22,546
Average sales volumes (Mcfe/d)	**118,482**	120,396	121,038	122,256	127,416	127,698	136,428	135,276
PRICES AND NETBACKS								
Total commodity sales ($/Boe)	**23.76**	24.28	23.00	20.38	21.66	25.83	22.51	20.93
Operating netback ($/Boe)[1]	**4.92**	7.43	6.44	4.54	5.01	8.38	6.31	5.89
Corporate netback ($/Boe)[1]	**3.29**	5.32	4.20	3.05	2.52	6.00	4.11	3.91
Total commodity sales ($/Mcfe)	**3.96**	4.05	3.83	3.40	3.61	4.31	3.75	3.49
Operating netback ($/Mcfe)[1]	**0.82**	1.24	1.07	0.76	0.84	1.40	1.05	0.98
Corporate netback ($/Mcfe)[1]	**0.55**	0.89	0.70	0.51	0.42	1.00	0.69	0.65

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

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

- Average production volumes decreased in the first quarter of 2026 compared to the fourth quarter of 2025 due primarily to natural production declines, partially offset by new production from the one gross (1.0 net) Glauconite well that came on production in the second half of February 2026. Average production volumes decreased in the second quarter of 2026 compared to the first quarter of 2026 primarily due to third-party facility downtime, natural production declines and minor natural gas shut-ins during periods of low natural gas prices, partially offset by incremental production from oil well workover activity in the Central area.

- Adjusted funds flow increased in the first quarter of 2026 compared to the fourth quarter of 2025 primarily due to higher realized commodity prices and improved operating netbacks. Adjusted funds flow decreased in the second quarter of 2026 compared to the first quarter of 2026 primarily due to lower realized natural gas prices and higher royalty expense, partially offset by higher realized crude oil and NGLs prices.

- Net loss was recorded in the first quarter of 2026 compared to net income in the fourth quarter of 2025, primarily due to gains recognized on asset dispositions in the fourth quarter of 2025. Net loss increased in the second quarter of 2026 compared to the first quarter of 2026 primarily due to lower realized natural gas prices and higher royalty expense, partially offset by higher realized crude oil and NGLs prices.

- Total revenue increased in the first quarter of 2026 compared to the fourth quarter of 2025 primarily due to higher realized commodity prices, partially offset by lower sales volumes. Total revenue decreased in the second quarter of 2026 compared to the first quarter of 2026 primarily due to lower realized natural gas prices and lower sales volumes, partially offset by higher realized crude oil and NGLs prices.

OFF BALANCE SHEET TRANSACTIONS

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

FINANCIAL INSTRUMENTS

Financial instruments and fair value measurement

Financial instruments of the Company consist of cash, accounts receivable, accounts payable and accrued liabilities, share awards liability, risk management liability, the Demand Loan, and the 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 the 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 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, 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 natural gas, NGLs and crude oil. 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, NGLs and crude oil 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, NGLs and crude oil 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, NGLs and crude oil and a reduction in the volumes of Pine Cliff's reserves. Management may also elect not to produce from certain wells at lower prices.

Physical Sales Contracts

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

At June 30, 2026, 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]
July 1, 2026 to October 31, 2026	AECO	15,000	$2.50	$2.62
July 1, 2026 to December 31, 2026	AECO	10,000	$3.00	$3.15
July 1, 2026 to June 30, 2027	AECO	10,000	$2.99	$3.14
November 1, 2026 to March 31, 2027	AECO	5,000	$3.45	$3.62
January 1, 2027 to December 31, 2027	AECO	9,500	$2.80	$2.94
July 1, 2027 to October 31, 2028	AECO	2,500	$2.33	$2.45
July 1, 2026 to October 31, 2026	TransGas[3]	13,500	AECO 5A + 0.36/GJ	AECO 5A + 0.38/Mcf
July 1, 2026 to October 31, 2026	DAWN[4]	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] Subsidiary of SaskEnergy, Saskatchewan.
[4] Dawn Hub into Dawn Township, Ontario.

At June 30, 2026, 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]
July 1, 2026 to September 30, 2026	WTI Fixed Price	100	$65.51
July 1, 2026 to December 31, 2026	WTI Fixed Price	200	$65.90
July 1, 2026 to December 31, 2026	WTI Fixed Price	200	$60.00 - $66.00[2]
July 1, 2026 to June 30, 2027	WTI Fixed Price	100	$80.10
October 1, 2026 to June 30, 2027	WTI Fixed Price	100	$71.30

[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 June 30, 2026, 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]
July 1, 2026 to June 30, 2027	AECO	2,500	$2.79	$2.93
July 1, 2026 to March 31, 2028	AECO	5,000	$2.29	$2.40
January 1, 2027 to December 31, 2027	AECO	3,500	$2.80	$2.94
April 1, 2027 to June 30, 2028	AECO	5,000	$2.30	$2.42

[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.

Sensitivity Analysis - Derivatives

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 decrease the unrealized gain on financial derivative risk management contracts from $1.4 million to an unrealized loss of $0.3 million, resulting in an increase to the loss before income taxes of $1.7 million, assuming the change in commodity prices occurred at June 30, 2026.
A 10% decrease in natural gas prices would increase the unrealized gain on financial derivative risk management contracts from $1.4 million to $3.1 million, resulting in a decrease to the loss before income taxes of $1.7 million, assuming the change in commodity prices occurred at June 30, 2026.

Interest Rate Risk

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

At June 30, 2026, the Company's debt facilities consist of the $39.3 million Term Loan and the $15.0 million Demand Loan, secured by specific equipment assets, of which $0.8 million 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%.

Sensitivity Analysis – Interest Rate

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 June 30, 2026.

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 June 30, 2026.

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.

Credit Risk

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

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

The Company's accounts receivable balance at June 30, 2026 of $19.6 million (December 31, 2025 – $20.8 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 June 30, 2026, there was $1.4 million (December 31, 2025 - $2.1 million) of accounts receivable over 90 days. Pine Cliff assesses its accounts receivable quarterly to determine if there has been any impairment. During the six months ended June 30, 2026, the Company recorded a bad debt expense of $0.1 million (June 30, 2025 – $nil) against accounts receivable.

Liquidity Risk

Liquidity risk is the risk that Pine Cliff will not be able to meet its financial obligations as they become due. Pine Cliff manages its liquidity risk through actively managing its capital, which it defines as cash, debt and equity. Capital management strategies include continuously monitoring forecasted and actual cash provided by (used in) operating, financing and investing activities and opportunities to issue additional equity. 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. 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 June 30, 2026:

($000s)	2026	2027	2028	2029	2030	Thereafter
Accounts payable and accrued liabilities	35,929	-	-	-	-	-
Demand Loan[1]	770	-	-	-	-	-
Term Loan[1]	4,489	7,232	34,390	-	-	-
Share awards liability	12	398	253	18	59	5
Risk management contracts[2]	-	17	33	-	-	-
Lease obligations[1]	736	1,062	716	417	100	-
Total financial liabilities	**41,936**	**8,709**	**35,392**	**435**	**159**	**5**

[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.

Future Accounting Pronouncements

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

In April 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.

INTERNAL CONTROLS

Disclosure controls and procedures

Pine Cliff is required to comply with National Instrument 52-109 Certification of Disclosure on Issuers' Annual and Interim Filings ("**NI 52-109**"). NI 52-109 requires that Pine Cliff disclose in its interim MD&A any material weaknesses relating to design existing at the end of the period in Pine Cliff's internal control over financial reporting and/or any changes in Pine Cliff's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect, Pine Cliff's internal controls over financial reporting. Pine Cliff confirms that no material weaknesses or such changes were identified in Pine Cliff's internal controls over financial reporting at the end of or during the second quarter of 2026. The Chief Executive Officer and Chief Financial Officer have signed form 52-109F2, Certification of Interim Filings, which can be found on SEDAR+ at www.sedar.ca.

NON-GAAP MEASURES

This MD&A uses the terms "adjusted funds flow", "operating netbacks", "corporate netbacks" 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 earnings, cash provided by operating activities, or total liabilities.

Adjusted Funds Flow

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

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2026**	2025	Change	2026	2025	Change
Cash provided by operating activities	**2,913**	7,715	(62)	**15,173**	19,203	(21)
Adjusted by:						
Change in non-cash working capital	**1,890**	(3,854)	(149)	**(1,833)**	(5,022)	(64)
Decommissioning obligations settled	**1,110**	1,015	9	**2,175**	2,201	(1)
Adjusted funds flow	**5,913**	4,876	21	**15,515**	16,382	(5)
Adjusted funds flow ($/Boe)	**3.29**	2.52	31	**4.30**	4.25	1
Adjusted funds flow ($/Mcfe)	**0.55**	0.42	31	**0.72**	0.71	1
Adjusted funds flow – Basic and diluted ($/Common Share)	**0.02**	0.01	100	**0.04**	0.05	(20)

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.

	Three months ended June 30,			Six months ended June 30,		
($ per Boe, unless otherwise indicated)	**2026**	2025	$ Change	**2026**	2025	$ Change
Commodity sales	**23.76**	21.66	2.10	**24.02**	23.73	0.29
Processing and gathering	**0.75**	0.78	(0.03)	**0.76**	0.75	0.01
Royalty expense	**(3.18)**	(1.94)	(1.24)	**(2.54)**	(2.24)	(0.30)
Transportation costs	**(1.50)**	(1.56)	0.06	**(1.52)**	(1.57)	0.05
Operating expenses	**(15.30)**	(13.93)	(1.37)	**(14.74)**	(13.99)	(0.75)
Realized gain on commodity contracts	**0.39**	-	0.39	**0.19**	-	0.19
Operating netback	**4.92**	5.01	(0.09)	**6.17**	6.68	(0.51)
General and administrative	**(0.89)**	(1.46)	0.57	**(1.18)**	(1.43)	0.25
Interest and bank charges	**(0.74)**	(1.03)	0.29	**(0.69)**	(1.00)	0.31
Corporate netback	**3.29**	2.52	0.77	**4.30**	4.25	0.05
Operating netback ($ per Mcfe)	**0.82**	0.83	(0.01)	**1.03**	1.11	(0.08)
Corporate netback ($ per Mcfe)	**0.55**	0.42	0.13	**0.72**	0.71	0.01

Net Debt

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

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

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

GLOSSARY

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

Measurement

Bbl/d[1] – barrels per day
Boe/d[1] – barrels of oil equivalent per day
Mcf/d[1] – thousand cubic feet per day
Mcfe/d[1] – thousand cubic feet equivalent per day
MBoe – thousands of barrels of oil equivalent

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

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

Financial and Business Environment

AECO – Alberta Energy Company
CGU – Cash Generating Unit
Glauconite – a sandstone reservoir formation in Central Alberta
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

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

	Note	**As at June 30, 2026**	As at December 31, 2025
ASSETS			
Current assets			
Cash		**-**	4,066
Accounts receivable	4	**19,640**	20,781
Prepaid expenses and deposits		**5,545**	4,484
Risk management asset		**1,620**	-
Total current assets		**26,805**	29,331
Property, plant and equipment	6	**234,973**	239,570
Deferred income taxes		**54,568**	52,528
Total assets		**316,346**	321,429
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	4	**35,929**	37,683
Term loan	8	**4,220**	4,220
Demand loan	9	**770**	-
Lease liabilities	7	**1,223**	1,352
Decommissioning provision	10	**7,500**	7,500
Share awards liability	11	**403**	476
Risk management liability		**-**	309
Total current liabilities		**50,045**	51,540
Lease liabilities	7	**1,556**	1,318
Term loan	8	**35,052**	37,042
Decommissioning provision	10	**202,173**	195,553
Share awards liability	11	**342**	472
Risk management liability		**50**	45
Total liabilities		**289,218**	285,970
SHAREHOLDERS' EQUITY			
Share capital	11	**279,265**	279,265
Contributed surplus		**24,674**	23,756
Deficit		**(276,811)**	(267,562)
Total shareholders' equity		**27,128**	35,459
Total liabilities and shareholders' equity		**316,346**	321,429

Commitments (Note 14)
Subsequent events (Note 15)

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

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

		Three months ended June 30,		Six months ended June 30,	
	Note	**2026**	2025	**2026**	2025
REVENUE					
Commodity sales	12	**42,692**	41,850	**86,537**	91,328
Royalty expense		**(5,720)**	(3,748)	**(9,136)**	(8,630)
Commodity sales, net of royalties		**36,972**	38,102	**77,401**	82,698
Processing and gathering		**1,352**	1,503	**2,738**	2,897
Gain on commodity contracts		**1,132**	-	**2,206**	-
Total revenue		**39,456**	39,605	**82,345**	85,595
EXPENSES					
Operating		**27,500**	26,917	**53,107**	53,821
Transportation		**2,698**	3,007	**5,476**	6,035
Depletion and depreciation	6	**10,307**	11,284	**20,519**	22,931
Share-based compensation	11	**651**	827	**1,343**	1,664
Finance	13	**3,352**	3,945	**6,497**	7,823
General and administrative		**1,593**	2,823	**4,240**	5,516
Gain on disposition		**(239)**	-	**(239)**	-
Total expenses		**45,862**	48,803	**90,943**	97,790
Loss before income taxes		**(6,406)**	(9,198)	**(8,598)**	(12,195)
Deferred income tax recovery		**1,495**	2,062	**2,040**	2,322
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(4,911)**	(7,136)	**(6,558)**	(9,873)
Net loss per share ($)					
Basic and diluted	11	**(0.01)**	(0.02)	**(0.02)**	(0.03)

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

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

	Note	Share capital	Contributed surplus[1]	Deficit	Total Shareholders' equity
BALANCE AT JANUARY 1, 2025		**278,982**	**21,422**	**(246,080)**	**54,324**
Net loss for the period		-	-	(9,873)	(9,873)
Dividends	11	-	-	(6,717)	(6,717)
Share-based compensation		-	1,527	-	1,527
Exercise of stock options		283	(193)	-	90
BALANCE AT JUNE 30, 2025		**279,265**	**22,756**	**(262,670)**	**39,351**
Net loss for the period		-	-	(2,201)	(2,201)
Dividends	11	-	-	(2,691)	(2,691)
Share-based compensation		-	1,000	-	1,000
BALANCE AT DECEMBER 31, 2025		**279,265**	**23,756**	**(267,562)**	**35,459**
Net loss for the period		-	-	(6,558)	(6,558)
Dividends	11	-	-	(2,691)	(2,691)
Share-based compensation		-	918	-	918
BALANCE AT JUNE 30, 2026		**279,265**	**24,674**	**(276,811)**	**27,128**

[1]Contributed surplus is comprised of share-based compensation.

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

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

	Note	Three months ended June 30, 2026	Three months ended June 30, 2025	Six months ended June 30, 2026	Six months ended June 30, 2025
CASH PROVIDED BY (USED IN):					
OPERATING ACTIVITIES					
Net loss for the period		**(4,911)**	(7,136)	**(6,558)**	(9,873)
Items not affecting cash:					
Depletion and depreciation	6	**10,307**	11,284	**20,519**	22,931
Share-based compensation	11	**651**	827	**1,343**	1,664
Finance expenses	13	**3,352**	3,945	**6,497**	7,823
Deferred income tax recovery		**(1,495)**	(2,062)	**(2,040)**	(2,322)
Gain on disposition		**(239)**	-	**(239)**	-
Unrealized gain on commodity contracts		**(428)**	-	**(1,525)**	-
Interest and debt charges	13	**(1,324)**	(1,982)	**(2,482)**	(3,841)
Decommissioning obligations settled	10	**(1,110)**	(1,015)	**(2,175)**	(2,201)
Changes in non-cash working capital accounts	13	**(1,890)**	3,854	**1,833**	5,022
Cash provided by operating activities		**2,913**	7,715	**15,173**	19,203
FINANCING ACTIVITIES					
Exercise of stock options		**-**	80	**-**	90
Term loan	8	**(1,055)**	(1,054)	**(2,110)**	(6,080)
Demand loan	9	**770**	(3,055)	**770**	(1,829)
Dividends	11	**(1,346)**	(1,344)	**(2,691)**	(6,717)
Payments on lease obligations	7	**(385)**	(346)	**(745)**	(689)
Changes in non-cash working capital accounts	13	**(628)**	-	**(628)**	(1,571)
Cash used in financing activities		**(2,644)**	(5,719)	**(5,404)**	(16,796)
INVESTING ACTIVITIES					
Property, plant and equipment		**(2,836)**	(2,310)	**(10,367)**	(3,553)
Proceeds from dispositions		**256**	4	**450**	296
Property acquisitions		**3**	-	**(12)**	-
Changes in non-cash working capital accounts	13	**(993)**	310	**(3,906)**	850
Cash used in investing activities		**(3,570)**	(1,996)	**(13,835)**	(2,407)
Decrease in cash		**(3,301)**	-	**(4,066)**	-
Cash - beginning of period		**3,301**	-	**4,066**	-
CASH - END OF PERIOD		**-**	-	-	-

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2026 and December 31, 2025, and for the three and six month periods ended June 30, 2026 and 2025 (unaudited). All tabular amounts in Canadian dollars 000s, unless otherwise indicated.

1. NATURE OF BUSINESS

Pine Cliff Energy Ltd. ("**Pine Cliff**" or the "**Company**") is a public company listed on the Toronto Stock Exchange ("**TSX**"), 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 oil in the Western Canadian Sedimentary Basin and conducts many of its activities jointly with others; these interim condensed consolidated financial statements (the "**Financial Statements**") reflect only the Company's proportionate interest in such activities.

2. BASIS OF PREPARATION

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

The Financial Statements do not include all the information required for annual financial statements and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2025 ("**Annual Financial Statements**").

The accounting policies, basis of measurement, critical accounting judgments and significant estimates to prepare the Annual Financial Statements as at and for the year ended December 31, 2025 have been applied in the preparation of these Financial Statements.

The Financial Statements were authorized for issue by the Company's board of directors (the "**Board of Directors**") on August 12, 2026.

3. FUTURE ACCOUNTING CHANGES

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

In April 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.

4. 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, the Demand Loan, as defined herein and the 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 the 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 ("**Common Share**") price and dividends distributed (see note 11). 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 June 30, 2026 and December 31, 2025:

($000s)	**June 30, 2026**		December 31, 2025	
Description	**Carrying value**	**Fair value**	Carrying value	Fair value
Cash	**-**	**-**	4,066	4,066
Accounts receivable	**19,640**	**19,640**	20,781	20,781
Accounts payable and accrued liabilities	**(35,929)**	**(35,929)**	(37,683)	(37,683)
Share awards liability	**(745)**	**(745)**	(948)	(948)
Risk management contracts[1]	**1,570**	**1,570**	(354)	(354)
Demand Loan	**(770)**	**(770)**	-	-
Term Loan	**(39,272)**	**(39,272)**	(41,262)	(41,262)

[1]Risk 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.

5. RISK MANAGEMENT

The Company is exposed to both financial and non-financial risks inherent in the oil and gas business. Financial risks include: commodity prices, interest rates and foreign exchange, 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 natural gas, natural gas liquids ("**NGLs**") and crude oil. 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, NGLs and crude oil 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, NGLs and crude oil 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, NGLs and crude oil and a reduction in the volumes of Pine Cliff's reserves. Management may also elect not to produce from certain wells at lower prices.

Physical Sales Contracts

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

At June 30, 2026, 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]
July 1, 2026 to October 31, 2026	AECO	15,000	$2.50	$2.62
July 1, 2026 to December 31, 2026	AECO	10,000	$3.00	$3.15
July 1, 2026 to June 30, 2027	AECO	10,000	$2.99	$3.14
November 1, 2026 to March 31, 2027	AECO	5,000	$3.45	$3.62
January 1, 2027 to December 31, 2027	AECO	9,500	$2.80	$2.94
July 1, 2027 to October 31, 2028	AECO	2,500	$2.33	$2.45
July 1, 2026 to October 31, 2026	TransGas[3]	13,500	AECO 5A + 0.36/GJ	AECO 5A + 0.38/Mcf
July 1, 2026 to October 31, 2026	DAWN[4]	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] Subsidiary of SaskEnergy, Saskatchewan.
[4] Dawn Hub into Dawn Township, Ontario.

At June 30, 2026, 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]
July 1, 2026 to September 30, 2026	WTI Fixed Price	100	$65.51
July 1, 2026 to December 31, 2026	WTI Fixed Price	200	$65.90
July 1, 2026 to December 31, 2026	WTI Fixed Price	200	$60.00 - $66.00[2]
July 1, 2026 to June 30, 2027	WTI Fixed Price	100	$80.10
October 1, 2026 to June 30, 2027	WTI Fixed Price	100	$71.30

[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 June 30, 2026, 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]
July 1, 2026 to June 30, 2027	AECO	2,500	$2.79	$2.93
July 1, 2026 to March 31, 2028	AECO	5,000	$2.29	$2.40
January 1, 2027 to December 31, 2027	AECO	3,500	$2.80	$2.94
April 1, 2027 to June 30, 2028	AECO	5,000	$2.30	$2.42

[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.

Sensitivity Analysis - Derivatives

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 decrease the unrealized gain on financial derivative risk management contracts from $1.4 million to an unrealized loss of $0.3 million, resulting in an increase to the loss before income taxes of $1.7 million, assuming the change in commodity prices occurred at June 30, 2026.

A 10% decrease in natural gas prices would increase the unrealized gain on financial derivative risk management contracts from $1.4 million to $3.1 million, resulting in a decrease to the loss before income taxes of $1.7 million, assuming the change in commodity prices occurred at June 30, 2026.

Interest Rate Risk

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

At June 30, 2026, the Company's debt facilities consist of the $39.3 million term loan (the "**Term Loan**") and the $15.0 million demand operating loan (the "**Demand Loan**"), secured by specific equipment assets, of which $0.8 million 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%.

Sensitivity Analysis – Interest Rate

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 June 30, 2026.

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 June 30, 2026.

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.

Credit Risk

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

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

The Company's accounts receivable balance at June 30, 2026 of $19.6 million (December 31, 2025 – $20.8 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 June 30, 2026, there was $1.4 million (December 31, 2025 - $2.1 million) of accounts receivable over 90 days. Pine Cliff assesses its accounts receivable quarterly to determine if there has been any impairment. During the six months ended June 30, 2026, the Company recorded a bad debt expense of $0.1 million (June 30, 2025 –$nil) against accounts receivable.

Liquidity Risk

Liquidity risk is the risk that Pine Cliff will not be able to meet its financial obligations as they become due. Pine Cliff manages its liquidity risk through actively managing its capital, which it defines as cash, debt and equity. Capital management strategies include continuously monitoring forecasted and actual cash provided by (used in) operating, financing and investing activities and opportunities to issue additional equity. 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. 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 8, 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 June 30, 2026:

($000s)	2026	2027	2028	2029	2030	Thereafter
Accounts payable and accrued liabilities	35,929	-	-	-	-	-
Demand Loan[1]	770	-	-	-	-	-
Term Loan[1]	4,489	7,232	34,390	-	-	-
Share awards liability	12	398	253	18	59	5
Risk management contracts[2]	-	17	33	-	-	-
Lease obligations[1]	736	1,062	716	417	100	-
Total financial liabilities	**41,936**	**8,709**	**35,392**	**435**	**159**	**5**

[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.

6. PROPERTY, PLANT AND EQUIPMENT ("PP&E")

Cost:	($000s)
Balance at December 31, 2025	**829,658**
Additions	10,367
Right-of-use assets	854
Acquisitions	12
Dispositions	(2,125)
Decommissioning provision	4,900
Balance at June 30, 2026	**843,666**

Accumulated depletion and depreciation:	($000s)
Balance at December 31, 2025	**(590,088)**
Depletion and depreciation	(20,519)
Dispositions	1,914
Balance at June 30, 2026	**(608,693)**

Carrying value at:	($000s)
December 31, 2025	239,570
June 30, 2026	**234,973**

PP&E Impairment Assessment

As at June 30, 2026, the Company had three cash generating units ("**CGU's**") being the Southern CGU, Central CGU and Edson CGU. In accordance with IFRS, an impairment test is performed if the Company identifies indicators of impairment or impairment reversal at the end of a reporting period. As at June 30, 2026, there were no indicators of impairment or impairment reversals for PP&E assets and therefore an impairment test was not required.

7. LEASE LIABILITIES

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

	($000s)
2026	736
2027	1,062
2028	716
2029	417
2030	100
Total lease payments as at June 30, 2026	**3,031**
Amounts representing interest	(252)
Present value of lease payments	**2,779**
Current portion of lease obligations	(1,223)
Non-current portion of lease obligations	**1,556**

For the three and six months ended June 30, 2026, interest expense of $0.05 million and $0.1 million (three and six months ended June 30, 2025 - $0.05 million and $0.1 million) and a total cash outflow of $0.4 million and $0.7 million (three and six months ended June 30, 2025 - $0.3 million and $0.7 million) was recognized relating to lease obligations.

The right-of-use assets and lease obligation relates to the Company's leases for vehicles and the head office in Calgary. A right-of-use asset of $11.3 million and $8.6 million in accumulated depreciation on the right-of-use-assets are included in PP&E. Refer to Note 6.

8. TERM LOAN

The total current and long-term amount under the Term Loan at June 30, 2026 was $39.3 million (December 31, 2025 – $41.3 million). Based on the calculated fair value of the Term Loan as at June 30, 2026, the effective interest rate was determined to be 11.3% using the effective interest method. The value of the loan will be accreted up to the principal balance at maturity. Interest accrued at June 30, 2026 was $nil (December 31, 2025 - $nil).

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 is January 3, 2028 on which date the remaining outstanding principal balance is to be paid.

Security for the Term Loan consists of demand debentures totaling $110.0 million (December 31, 2025 - $110.0 million) over all of the Company’s assets and a general security agreement with first priority ranking over all personal and real property other than the general security agreement with the Demand Loan.

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

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

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

(i) at any time from and after 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 June 30, 2026.

9. DEMAND LOAN

The Company has a Demand Loan of $15.0 million with a Canadian chartered bank, of which $0.8 million was drawn at June 30, 2026 (December 31, 2025 - $nil). 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 June 30, 2026, the Company had issued $10.8 million in letters of credit (December 31, 2025 - $10.8 million) and had credit capacity on the Demand Loan of $14.2 million (December 31, 2025 - $15.0 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, 2025 - $50.0 million) 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 to 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 covenants at June 30, 2026.

10. DECOMMISSIONING PROVISION

The total current and long-term decommissioning provision of $209.7 million was estimated by management based on the Company's working interest and estimated costs to remediate, reclaim and abandon its wells, pipelines, and facilities and estimated timing of the costs to be incurred in future periods.

At June 30, 2026, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was $327.2 million (December 31, 2025 - $328.6 million). The discounted and inflated amount required to settle the decommissioning liabilities of $209.7 million (December 31, 2025 - $203.1 million) has been calculated assuming a 2.00% inflation rate (December 31, 2025 – 2.00%) and discounted using an average risk-free interest rate of 3.53% (December 31, 2025 – 3.59%). These obligations are currently expected to be settled based on the useful lives of the underlying assets, some of which extend beyond 50 years into the future.

	($000s)
Decommissioning provision, December 31, 2025	**203,053**
Increase in liabilities relating to development activities	35
Decommissioning expenditures	(2,175)
Revisions (changes in estimates and discount rates)	4,865
Accretion	3,895
Decommissioning provision, June 30, 2026	**209,673**
Less current portion of decommissioning provision	(7,500)
Non-current portion of decommissioning provision	**202,173**

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

($000s)	**June 30, 2026**	December 31, 2025
Increase of 1.0%	**(41,983)**	(41,057)
Decrease of 1.0%	**59,589**	58,341

11. 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

Issued and outstanding share capital continuity:	Common Shares (000s)	Share capital ($000s)
Balance, December 31, 2025	**358,792**	**279,265**
Exercise of stock options	3	-
Balance, June 30, 2026	**358,795**	**279,265**

Share Unit Plan

Pine Cliff's share unit plan ("**Share Unit Plan**") enables the Company to grant restricted share units ("**RSUs**") and deferred share units ("**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 and 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.

Awards issued and outstanding:	RSUs (000s)	DSUs (000s)	Total (000s)
Balance, December 31, 2025	**2,915**	**523**	**3,438**
Granted	3,397	492	3,889
Exercised	(950)	(105)	(1,055)
Forfeited	(9)	-	(9)
Cancelled	(27)	-	(27)
Dividend reinvestment	39	5	44
Balance, June 30, 2026	**5,365**	**915**	**6,280**

A share awards liability of $0.7 million was recognized as at June 30, 2026 (December 31, 2025 – $0.9 million).

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, December 31, 2025	**27,037**	**1.04**
Granted	8,595	0.61
Expired	(8,368)	1.28
Forfeited	(248)	1.16
Cancelled	(224)	1.11
Exercised	(72)	0.55
Outstanding, June 30, 2026	**26,720**	**0.83**
Exercisable, June 30, 2026	**9,311**	**0.83**

Exercise price:	Stock options outstanding (000s)	Weighted-average remaining term (years)	Stock options exercisable (000s)	Weighted-average remaining term (years)
$0.55 - $0.99	15,095	2.5	2,119	0.9
$1.00 - $1.25	7,543	1.4	3,771	0.9
$1.26 - $1.50	3,943	0.9	3,302	0.8
$1.51 - $1.90	139	0.4	119	0.3
	26,720	**1.9**	**9,311**	**0.8**

Loss per share calculation ($000s):	Three months ended June 30, **2026**	2025	Six months ended June 30, **2026**	2025
Numerator				
Net loss for the period	**(4,911)**	(7,136)	**(6,558)**	(9,873)
Denominator (000s)				
Weighted-average Common Shares outstanding – Basic and diluted	**358,793**	358,556	**358,792**	358,368
Loss per Common Share – Basic and diluted ($)	**(0.01)**	(0.02)	**(0.02)**	(0.03)

Dividends declared and paid for the three and six months ended June 30, 2026 were $1.3 million and $2.7 million (three and six months ended June 30, 2025 - $1.3 million and $6.7 million). Dividends declared and paid for the three and six months ended June 30, 2026 was $0.004 and $0.008 per Common Share ($0.004 and $0.019 per Common Share for the three and six months ended June 30, 2025).

12. COMMODITY SALES

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

($000s)	Three months ended June 30, **2026**	2025	Six months ended June 30, **2026**	2025
Natural gas	**20,579**	23,180	**46,027**	49,553
NGLs	**11,764**	9,318	**21,758**	20,884
Crude oil	**10,349**	9,352	**18,752**	20,891
Total commodity sales	**42,692**	41,850	**86,537**	91,328

13. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30, **2026**	2025	Six months ended June 30, **2026**	2025
Changes in non-cash working capital:				
Accounts receivable	**(126)**	4,254	**1,141**	5,214
Prepaid expenses and deposits	**(983)**	(1,610)	**(1,061)**	(1,738)
Risk management contracts	**(56)**	-	**(399)**	-
Share awards liability	**(628)**	-	**(628)**	-
Accounts payable and accrued liabilities	**(1,718)**	1,520	**(1,754)**	825
	(3,511)	4,164	**(2,701)**	4,301
Change related to:				
Operating activities	**(1,890)**	3,854	**1,833**	5,022
Financing activities	**(628)**	-	**(628)**	(1,571)
Investing activities	**(993)**	310	**(3,906)**	850
	(3,511)	4,164	**(2,701)**	4,301

Finance expenses:	Three months ended June 30, **2026**	2025	Six months ended June 30, **2026**	2025
Interest and debt charges	**1,324**	1,982	**2,482**	3,841
Noncash:				
Accretion on decommissioning provision	**1,968**	1,902	**3,895**	3,806
Accretion on term loan	**60**	61	**120**	176
Total finance expenses	**3,352**	3,945	**6,497**	7,823

Cash interest and debt charges paid in the three and six months ended June 30, 2026, were $1.2 million and $2.4 million (three and six months ended June 30, 2025 - $1.7 million and $3.5 million).

14. COMMITMENTS

As at June 30, 2026, the Company has the following commitments and other contractual obligations:

($000s)	**2026**	**2027**	**2028**	**2029**	**2030**	**Thereafter**
Accounts payable and accrued liabilities	35,929	-	-	-	-	-
Demand Loan[1]	770	-	-	-	-	-
Term Loan[1]	4,489	7,232	34,390	-	-	-
Share awards liability	12	398	253	18	59	5
Risk management contracts[2]	-	17	33	-	-	-
Lease obligations[1]	736	1,062	716	417	100	-
Transportation[3]	4,405	7,014	5,943	1,572	665	141
Total commitments and contingencies	**46,341**	**15,723**	**41,335**	**2,007**	**824**	**146**

[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.
[3] Firm transportation agreements.

15. SUBSEQUENT EVENTS

Office Lease

On July 1, 2026, the Company obtained possession of new long-term office premises under a lease agreement entered into during the six months ended June 30, 2026. No amounts have been recognized in these Financial Statements as at June 30, 2026. The lease will be accounted for under IFRS 16 *Leases* from July 1, 2026, the commencement date, and will result in the recognition of a right-of-use asset and corresponding lease liability.

Dividends

On July 31, 2026, the Company paid a monthly dividend of $0.00125 per Common Share.

On August 4, 2026, the Company declared a monthly dividend of $0.00125 per Common Share. The dividend is payable August 31, 2026, to all shareholders of record on August 14, 2026.

BOARD OF DIRECTORS
Hilary A. Foulkes - Chair
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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