



Long-term Value Focus
Q2 Report 2022

I hope all of Pine Cliff's supporters are enjoying their summer. I sure am. Pine Cliff is pleased to report a third consecutive quarter with its highest quarterly adjusted funds flow in its history at \$55.8 million in Q2 2022. This surpassed our previous quarterly adjusted funds flow record set last quarter by 73%. Q2 2022 adjusted funds flow is only 6% less than our entire adjusted funds flow in 2021, which was Pine Cliff's best full year. After the first six months of 2022, we have already exceeded 2021's annual funds flow record by \$29.0 million or 49%. It has been a great start to 2022. We hope that this success validates and rewards the patience of our shareholders who have continued to believe in our business model.

Highlights from the six-months ended June 30, 2022 include:

- generated \$55.8 million (\$0.16 per basic and \$0.15 per fully diluted share) and \$88.1 million (\$0.26 per basic and \$0.25 per fully diluted share) of adjusted funds flow for the three and six months ended June 30, 2022, compared to \$9.5 million (\$0.03 per basic and fully diluted share) and \$19.5 million (\$0.06 per basic and fully diluted share) for comparable periods in 2021, increases of 587% and 452%, respectively;
- generated net earnings of \$50.2 million (\$0.15 per basic and \$0.14 per fully diluted share) and \$65.6 million (\$0.19 per basic and \$0.18 per fully diluted share) for the three and six months ended June 30, 2022, compared to a net loss of \$0.7 million (\$0.00 per basic and fully diluted share) and a net loss of \$1.4 million (\$0.00 per basic and fully diluted share) for comparable periods in 2021;
- change in positive net cash (net debt) position of \$72.1 million from December 31, 2021 to June 30, 2022;
- production averaged 21,331 Boe/d and 20,866 Boe/d for the three and six months ended June 30, 2022, 18% and 15% higher respectively than comparable periods in 2021;
- repaid all debt during the six months ended June 30, 2022, including \$30.0 million of term debt, \$6.0 million of related party debt and \$6.0 million of promissory notes; and
- paid the Company's first monthly dividend on June 30, 2022 of \$0.0083 per common share.

Positive Net Cash Position

Pine Cliff's primary focus in the first half of 2022 was to pay down debt. This initiative resulted in Pine Cliff reducing its net debt position from \$49.7 million as of December 31, 2021 to a positive net cash position of \$22.5 million as at June 30, 2022, a decrease of \$72.1 million. The largest contribution to this decrease was paying down all \$30.0 million of the remaining AIMCo debt and \$12.0 million in promissory notes. The removal of all debt removes interest charges from our overhead, strengthens our balance sheet for possible acquisitions, and allows Pine Cliff to move its focus to alternative ways to return capital to our shareholders.

Increase in Dividend

Our team was excited to announce that Pine Cliff's Board of Directors approved a 20% increase in our monthly dividend to \$0.01 per common share (effective annual rate of \$0.12 per common share). The increased dividend payment will be payable August 31, 2022 to shareholders of record on August 15, 2022. With current forward strip prices and our production profile, we are proud that Pine Cliff was able to increase its dividend only two months after initiating our dividend program. This increased dividend equates to a 6.6% annual yield at today's closing price of \$1.83, one of the higher dividend yields available in the Canadian public markets.

Future Capital Allocations

The Pine Cliff management and Board continue to discuss the optimal strategies for returning capital to our shareholders, and although our thinking is always evolving, here are some of our current considerations:

a) Capital Expenditures

Our 2022 capital program of \$29.5 million consists of the drilling of four gross (2.8 net) Pekisko wells, six gross (1.15 net) Edson gas wells, recompletions, optimizations, maintenance capital and abandonment projects. Our 2022 drilling program is intended to maintain our production level with the possibility of some moderate growth. I am appreciative of our operations and field staff who, working together, have not only achieved this goal but their efforts have exceeded our production expectations.

Pine Cliff has never focused on material organic growth. We pride ourselves in our ability to continually maintain and improve production from our existing wells or wells we acquire, while at the same time strategically drilling new wells to replace production each year. Pine Cliff has one of the lowest production declines of any public energy producer in Canada, and that affords us the ability to spend minimum amounts on our CAPEX program compared to other producers of similar production size. This philosophy has never changed since we formed Pine Cliff and it is unlikely to change soon. In this time of inflation and supply chain stress, we are particularly grateful for the production growth path we have chosen.

b) Asset Purchases

Asset purchases have been the prime contributor to the growth of our business. With 11 acquisitions since 2012, we have grown from 100 Boe/d to over 21,000 Boe/d today. We think we have shown discipline and patience in our past acquisitions as several of them took multiple years to finally arrive at a price that we felt was optimal for our shareholders. This is where we believe having employees who own Pine Cliff stock brings the most value. We look at all deals as if it was our "own" money that we are spending, because as Pine Cliff shareholders, it is. We will remain active in the acquisition and disposition markets as that enables us to better understand where market pricing on assets we own or covet are being priced. We also continue to manage our cash and credit resources in contemplation of potential transactions that we may see on the horizon.

c) Dividend Structure

We continually seek feedback and consult with our fellow shareholders and market participants about the pros and cons of various dividend structures. Our starting point has been to set a base dividend that we believe is sustainable in the context of current and forecasted commodity prices. We believe we can continue to raise this base level as we did this quarter but recognize that oil and gas pricing volatility will continue to play a prominent role in our decision process.

Our goal with all our capital return decisions is to try and deliver the highest level of return to our long-term shareholders. With this in mind, we closely watch the market reactions to other energy producers who have implemented variable dividend structures or paid special dividends. I will continue to report to you on our thinking on this topic and I welcome your input.

d) Share Buybacks

While Pine Cliff has a high level of insider ownership, we have seen an increase in the average volume and value traded in our “public float” of stock since the initial dividend announcement in May 2022. This increase in share volume and value has helped alleviate some of our liquidity concerns. We continue to consider the merits of applying for an issuer bid program.

Outlook

As the world wrestles with the issues of the Russian invasion, record setting summer heat, decarbonization efforts and lack of sufficient supply response from oil and gas producers, global commodity prices continue to be extremely volatile. Natural gas storage remains below five years average levels in Canada and the United States and European natural gas storage is desperately trying to fill before this winter in anticipation of more possible Russian pipeline curtailments. LNG exports out of the United States are expected to return to record heights this winter after dealing with a summer fire that removed 15% of exports from the US. Although the resumption of those LNG exports will assist Europe in its plight, it will also put additional upward pressure on North American gas prices as we enter the winter with less domestic supply available for use.

Most Canadians appear to be in favour of helping our European friends with their energy crisis, however the reality is we will not be able to assist until we have material LNG export ability from Canada. LNG Canada continues to move forward with their project and is advising that it expects it will be able to begin exports by mid-decade. Canada, and our natural gas, are now frequent topics of conversation of Governments around the world as they have become acutely aware of the importance of energy security and the critical role natural gas will play in their efforts to reduce carbon emissions in combatting climate change.

On today's 2022 forward strip pricing, Pine Cliff can expect to generate more than \$185 million of adjusted funds flow in 2022. It is safe to say that it is a good time to be a natural gas producer in Western Canada.

Thank you to everyone for your continued support and we look forward to working at increasing shareholder value in the second half of 2022 and beyond.

Yours truly,



Phil Hodge
President and Chief Executive Officer
August 3, 2022

Please refer to the attached Management's Discussion and Analysis for Reader Advisories regarding forward looking information, non-GAAP measures, oil and gas measurements, definitions and is subject to the same cautionary statements as set out therein.

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is a review of the operations and current financial position of Pine Cliff Energy Ltd. ("Pine Cliff" or the "Company") for the period ended June 30, 2022. This MD&A is dated and based on information available as at August 3, 2022 and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2022 ("Financial Statements"), the audited annual consolidated financial statements for the year ended December 31, 2021 ("Annual Financial Statements") and the annual management's discussion and analysis for the year ended December 31, 2021 ("Annual MD&A"). The Financial Statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" using accounting principles consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board using Generally Accepted Accounting Principles ("GAAP"). Additional information relating to the Company, including the Company's annual information form ("AIF"), may be found on www.sedar.com and by visiting Pine Cliff's website at <http://www.pinecliffenergy.com>.

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

READER ADVISORIES

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

Other Measurements

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

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

2022 HIGHLIGHTS

Highlights from the three and six months ended June 30, 2022 are as follows:

- generated \$55.8 million (\$0.16 per basic and \$0.15 per fully diluted share) and \$88.1 million (\$0.26 per basic and \$0.25 per fully diluted share) of adjusted funds flow for the three and six months ended June 30, 2022, compared to \$9.5 million (\$0.03 per basic and fully diluted share) and \$19.5 million (\$0.06 per basic and fully diluted share) for the comparable periods in 2021;
- generated net earnings of \$50.2 million (\$0.15 per basic and \$0.14 per fully diluted share) and \$65.6 million (\$0.19 per basic and \$0.18 per fully diluted share) for the three and six months ended June 30, 2022, compared to a net loss of \$0.7 million ((\$0.00) per basic and fully diluted share) and a net loss of \$1.4 million ((\$0.00) per basic and fully diluted share) for the comparable periods in 2021;
- change in positive net cash (net debt) position of \$72.1 million from December 31, 2021 to June 30, 2022;
- production averaged 21,331 Boe/d and 20,866 Boe/d for the three and six months ended June 30, 2022, 18% and 15% higher respectively than the comparable periods in 2021;
- repaid all debt during the six months ended June 30, 2022, including \$30.0 million of Term Debt, as defined herein, \$6.0 million of related party debt and \$6.0 million of promissory notes; and
- paid the Company's first monthly dividend on June 30, 2022 of \$0.0083 per common share.

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
(\$000s, unless otherwise indicated)				
FINANCIAL¹				
Commodity sales (before royalties)	90,426	34,163	156,606	69,682
Cash provided by operating activities	50,532	8,171	74,403	16,642
Adjusted funds flow²	55,816	9,494	88,123	19,494
Per share – Basic (\$/share)	0.16	0.03	0.26	0.06
Per share – Diluted (\$/share)	0.15	0.03	0.25	0.06
Earnings (loss)	50,192	(744)	65,625	(1,424)
Per share – Basic (\$/share)	0.15	(0.00)	0.19	(0.00)
Per share – Diluted (\$/share)	0.14	(0.00)	0.18	(0.00)
Capital expenditures	4,282	1,556	9,849	1,924
Dividends paid	2,889	-	2,889	-
Positive net cash (net debt)²	22,496	(45,292)	22,496	(45,292)
Weighted-average common shares outstanding (000s)				
Basic	345,402	336,802	343,131	336,183
Diluted	360,703	336,802	359,257	336,183
OPERATIONS				
Production				
Natural gas (Mcf/d)	111,951	99,528	109,963	99,398
NGLs (Bbl/d)	1,475	1,166	1,412	1,283
Crude oil (Bbl/d)	1,197	341	1,127	352
Total (Boe/d)	21,331	18,095	20,866	18,200
Realized commodity sales prices				
Natural gas (\$/Mcf)	6.45	3.03	5.68	3.08
NGLs (\$/Boe)	81.73	42.83	76.03	43.40
Crude oil (\$/Bbl)	126.23	69.90	118.05	64.87
Total (\$/Boe)	46.59	20.75	41.47	21.15
Netback (\$/Boe)				
Commodity sales	46.59	20.75	41.47	21.15
Processing and gathering	0.55	0.60	0.54	0.58
Royalty expense	(4.50)	(2.28)	(4.35)	(2.14)
Transportation expenses	(1.39)	(1.37)	(1.41)	(1.36)
Operating expenses	(10.85)	(10.20)	(11.18)	(10.54)
Operating netback (\$/Boe) ²	30.40	7.50	25.07	7.69
General and administrative	(1.17)	(0.93)	(1.14)	(0.98)
Interest and bank charges	(0.47)	(0.80)	(0.58)	(0.79)
Corporate netback (\$/Boe) ²	28.76	5.77	23.35	5.92
Operating netback (\$ per Mcfe) ²	5.07	1.25	4.18	1.28
Corporate netback (\$ per Mcfe) ²	4.79	0.96	3.89	0.99

¹ Includes results from acquisitions and excludes results for disposition from the closing date.

² 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		
	Change ²	\$000s	\$ per share ⁴
Realized natural gas price ³	\$0.10	3,572	0.01
Realized NGL price ³	\$1.00	459	0.00
Realized crude oil price ³	\$1.00	366	0.00

¹ This analysis does not adjust for changes in working capital and uses corporate royalty rates from the six months ended June 30, 2022.

² Sensitivity pricing changes are based on a change in realized prices for natural gas of \$0.10/Mcf and \$1.00 Bbl for both NGLs and crude oil.

³ Pine Cliff has prepared this analysis using its six months ended June 30, 2022, production volumes annualized for twelve months.

⁴ Based on the Q2 2022 diluted weighted average shares outstanding.

BENCHMARK PRICES

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Natural gas						
NYMEX (US\$/Mmbtu) ¹	7.17	2.83	153	6.06	2.76	120
AECO Daily 5A (C\$/Mcf) ²	7.20	3.08	134	5.96	3.11	92
Crude oil						
WTI (US\$/Bbl)	108.41	66.07	64	101.35	61.96	64
Edmonton Light (C\$/Bbl)	137.84	77.28	78	126.75	71.93	76
Foreign exchange						
US\$/C\$	1.277	1.231	4	1.271	1.249	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, dollar exchange rates and price differentials. The following table shows select market benchmark average prices and foreign exchange rates in the last eight quarters to assist in understanding the volatility in prices and foreign exchange rates that have impacted Pine Cliff's business.

	Q2-2022	Q1-2022	Q4-2021	Q3-2021	Q2-2021	Q1-2021	Q4-2020	Q3-2020
Natural gas								
NYMEX (US\$/Mmbtu) ¹	7.17	4.95	5.83	4.01	2.83	2.69	2.66	1.98
AECO Daily 5A (C\$/Mcf) ²	7.20	4.72	4.63	3.58	3.08	3.14	2.63	2.23
Pine Cliff realized natural gas price (C\$/Mcf)	6.45	4.88	4.56	3.43	3.03	3.14	2.73	2.18
Crude oil								
WTI (US\$/Bbl)	108.41	94.29	77.19	70.56	66.07	57.84	42.66	40.93
Edmonton Light (C\$/Bbl)	137.84	115.66	93.30	83.78	77.28	66.58	50.24	49.83
Pine Cliff realized NGL price (C\$/Bbl)	81.73	69.72	57.42	50.53	42.83	43.87	28.89	25.07
Pine Cliff realized oil price (C\$/Bbl)	126.23	108.68	82.75	74.94	69.90	60.09	43.46	40.54
Foreign exchange								
US\$/C\$	1.277	1.266	1.260	1.260	1.231	1.266	1.303	1.332

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.

SALES VOLUMES

Total sales volumes by product	Three months ended June 30,			Six months ended June 30		
	2022	2021	% Change	2022	2021	% Change
Natural gas (Mcf)	10,187,523	9,057,084	12	19,903,457	17,991,108	11
NGLs (Bbl)	134,247	106,098	27	255,489	232,133	10
Crude oil (Bbl)	108,907	31,035	251	204,017	63,636	221
Total Boe	1,941,075	1,646,647	18	3,776,749	3,294,287	15
Total Mcfe	11,646,447	9,879,882	18	22,660,493	19,765,722	15
Natural gas weighting	87%	92%	(5)	88%	91%	(3)

Average daily sales volumes by product	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Natural gas (Mcf/d)	111,951	99,528	12	109,963	99,398	11
NGLs (Bbl/d)	1,475	1,166	27	1,412	1,283	10
Crude oil (Bbl/d)	1,197	341	251	1,127	352	221
Total (Boe/d)	21,331	18,095	18	20,866	18,200	15
Total (Mcfe/d)	127,986	108,570	18	125,196	109,200	15

Average daily sales volumes by area	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Central (Boe/d)	12,049	9,630	25	11,894	9,636	23
Southern (Boe/d)	7,019	7,166	(2)	6,959	7,155	(3)
Edson (Boe/d)	2,263	1,299	74	2,013	1,409	43
Total (Boe/d)	21,331	18,095	18	20,866	18,200	15

Pine Cliff's sales volumes increased by 18% to 21,331 Boe/d (127,986 Mcfe/d) and by 15% to 20,866 Boe/d (125,196 Mcfe/d) for the three months and six months ended June 30, 2022, as compared to the same periods in 2021. The increase in production is due to the private company acquisition that closed December 29, 2021 and additional sales volumes from the completion and tie-in of three (2.1 net) wells put on production in Q1 2022, slightly offset by production declines in the second half of 2021.

COMMODITY SALES

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Natural gas	65,706	27,449	139	113,098	55,480	104
NGL	10,972	4,545	141	19,424	10,074	93
Crude oil	13,748	2,169	534	24,084	4,128	483
Total commodity sales	90,426	34,163	165	156,606	69,682	125
% of revenue from natural gas sales	73%	80%	(7)	72%	80%	(8)

Realized prices

\$ per unit	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Natural gas (\$/Mcf)	6.45	3.03	113	5.68	3.08	84
NGL (\$/Bbl)	81.73	42.83	91	76.03	43.40	75
Crude oil (\$/Bbl)	126.23	69.90	81	118.05	64.87	82
Total (\$/Boe)	46.59	20.75	125	41.47	21.15	96
Total (\$/Mcfe)	7.77	3.46	125	6.91	3.53	96

Commodity sales in the three months ended June 30, 2022 of \$90.4 million increased 165% from \$34.2 million in the same period of 2021, due to higher realized commodity prices and higher production volumes. Commodity sales in the six months ended June 30, 2022, increased 125% to \$156.6 million from \$69.7 million in the six months ended June 30, 2021, due to higher realized commodity prices and higher production volumes.

Natural Gas

Pine Cliff's realized natural gas price was \$6.45 per Mcf and \$5.68 per Mcf in the three and six months ended June 30, 2022, 113% and 84% higher than the \$3.03 per Mcf and \$3.08 per Mcf realized in the corresponding periods of the prior year. The increase in realized natural gas price correlates with the AECO 5A reference price increase of 134% and 92% in the three and six months ended June 30, 2022, primarily due to higher global and domestic demand, which increased storage withdrawal rates. In addition, global natural gas and liquified natural gas "LNG" prices are reaching record levels driven largely by economic recovery from the pandemic and geopolitical unrest in eastern Europe. Pine Cliff's realized natural gas price was 10% and 5% lower than the AECO 5A benchmark in the three and six months ended June 30, 2022, both a result of Pine Cliff's fixed price physical natural gas sales contracts.

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

NGLs

For the three and six months ended June 30, 2022, Pine Cliff's realized NGL price was \$81.73 per Bbl and \$76.03 per Bbl, compared to \$42.83 per Bbl and \$43.40 per Bbl in the corresponding periods of the prior year. Pine Cliff's realized NGL prices in the three and six months ended June 30, 2022, were 59% and 60% of Edmonton Light compared to 55% and 60% in the corresponding periods of the prior year. The increase in realized NGLs price in the three and six months ended June 30, 2022, compared to the corresponding periods of 2021, is mainly due to higher base pricing for propane, butane and pentane as demand increased and storage levels remain depressed within North America.

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

Crude Oil

For the three and six months ended June 30, 2022, Pine Cliff's realized oil price was \$126.23 per Bbl and \$118.05 per Bbl, compared to \$69.90 per Bbl and \$64.87 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, 2022 were 92% and 93% of Edmonton Light compared to 90% in the corresponding periods of the prior year. This increase in crude oil pricing in the three and six months ended June 30, 2022, compared to the corresponding periods of 2021, is mainly due to the economic recovery from the pandemic and decreased global investment in crude oil supply.

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

ROYALTY EXPENSE

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Total royalty expense	8,736	3,755	133	16,444	7,044	133
\$ per Boe	4.50	2.28	97	4.35	2.14	103
\$ per Mcfe	0.75	0.38	97	0.73	0.36	103
Royalty expense as a % of commodity sales	10%	11%	(9)	11%	10%	10

For the three and six months ended June 30, 2022, total royalty expense increased by 133% to \$8.7 million and \$16.4 million from \$3.8 million and \$7.0 million in the corresponding periods of the prior year. Royalty expense as a percentage of commodity sales decreased to 10% in the three ended June 30, 2022, compared to 11% in the three months ended June 30, 2021 due to gas crown allowance adjustments. Royalty expense as a percentage of commodity sales increased to 11% in the six months ended June 30, 2022, compared to 10% in the six months ended June 30, 2021 as crown royalty rates increase disproportionately with higher commodity prices.

TRANSPORTATION COSTS

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Total transportation costs	2,696	2,264	19	5,336	4,468	19
\$ per Boe	1.39	1.37	1	1.41	1.36	4
\$ per Mcfe	0.23	0.23	1	0.24	0.23	4

Transportation costs increased by 19% to \$2.7 million and \$5.3 million for the three and six months ended June 30, 2022, as compared to \$2.3 million and \$4.5 million in the corresponding periods of the prior year. The higher transportation expenses from the comparable quarters of 2021 are mainly due to the increase in sales volumes and the Company delivering a higher proportion of its natural gas to delivery points with pricing greater than AECO.

NET OPERATING EXPENSES

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Operating expenses	21,063	16,790	25	42,233	34,743	22
Less: processing income	(1,065)	(982)	8	(2,042)	(1,922)	6
Net operating expense	19,998	15,808	27	40,191	32,821	22
\$ per Boe	10.30	9.60	7	10.64	9.96	7
\$ per Mcfe	1.72	1.60	7	1.77	1.66	7

Net operating expenses increased by 27% and 22% to \$20.0 million and \$40.2 million for the three and six months ended June 30, 2022, as compared to \$15.8 million and \$32.8 million in the corresponding periods of the prior year, primarily as a result of a higher weighting of oil and NGL production volumes acquired in the December 2021 corporate acquisition, slightly offset by increased processing income. On a per Boe basis, net operating expenses increased to \$10.30 per Boe and \$10.64 per Boe for the three and six months ended June 30, 2022, compared to \$9.60 per Boe and \$9.96 per Boe in the corresponding periods of 2021, due primarily to inflationary increases on variable expenditures.

GENERAL AND ADMINISTRATIVE EXPENSES ("G&A")

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Gross G&A	2,907	2,039	43	5,655	4,443	27
Less: overhead recoveries	(643)	(508)	(27)	(1,349)	(1,199)	(13)
Total G&A expenses	2,264	1,531	48	4,306	3,244	33
\$ per Boe	1.17	0.93	26	1.14	0.98	16
\$ per Mcfe	0.20	0.16	26	0.19	0.16	16

G&A increased by 48% and 33% to \$2.3 million and \$4.3 million in the three and six months ended June 30, 2022, as compared to \$1.5 million and \$3.2 million in the corresponding periods of the prior year, due primarily to higher compensation costs pursuant to the Company's short-term incentive bonus program.

On a per Boe basis, G&A for the three and six months ended June 30, 2022, increased 26% and 16% to \$1.17 per Boe and \$1.14 per Boe from \$0.93 per Boe and \$0.98 per Boe in the corresponding periods of the prior year, primarily a result the increase in compensation costs.

SHARE-BASED PAYMENTS

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Total share-based payments	555	213	161	892	327	173
\$ per Boe	0.29	0.13	123	0.24	0.10	140
\$ per Mcfe	0.05	0.02	123	0.04	0.02	140

The increase in share-based payments of 161% and 173% for the three and six months ended June 30, 2022 compared to the corresponding periods in 2021, is primarily a result of the increase in the fair value of the stock options granted during the respective periods.

The Company has an equity settled stock-based compensation plan. Stock options are granted to certain officers, directors and employees, with the number, term and vesting period of the options granted being determined at the discretion of the Company and the Company's board of directors (the "**Board**") to a maximum of 10% of the outstanding Common Shares.

During the six months ended June 30, 2022, Pine Cliff granted 6,828,600 stock options at a weighted average exercise price of \$1.90 (June 30, 2021 – 11,191,600 at an average exercise price of \$0.33). As at June 30, 2022, the Company had 22,198,386 stock options outstanding representing 6.4% of Common Shares outstanding (June 30, 2021 – 28,301,124 representing 8.4% of Common Shares outstanding).

DEPLETION, DEPRECIATION AND IMPAIRMENT

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Total depletion and depreciation	10,925	9,981	9	22,115	20,246	9
\$ per Boe	5.63	6.06	(7)	5.86	6.15	(5)
\$ per Mcfe	0.94	1.01	(7)	0.98	1.02	(5)
Impairment reversal	(4,500)	-	-	(4,500)	-	-
Total depletion, depreciation and impairment	6,425	9,981	(36)	17,615	20,246	(13)
\$ per Boe	3.31	6.06	(45)	4.66	6.15	(24)
\$ per Mcfe	0.55	1.01	(45)	0.78	1.02	(24)

Depletion and depreciation expense for the three and six months ended June 30, 2022, totaled \$10.9 million and \$22.1 million, compared to \$10.0 million and \$20.2 million in the corresponding periods of the prior year. The increase is a result of an increase in the depletable base and changes in reserves volumes. Depletion and depreciation per Boe will fluctuate from one period to the next depending on changes in reserves and the amount and success of capital expenditures. Depletion is calculated using total proved and probable reserves and reserves estimates are subject to revision.

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

At June 30, 2022, the Company had three cash generating units ("**CGU's**") being the Southern CGU, Central CGU, and Edson CGU. The Company reviewed each CGU's PP&E at June 30, 2022 and identified indicators of impairment reversal in the Edson CGU due to increased commodity prices and an increase in the Company's market capitalization since the latest impairment reversal at December 31, 2021. As a result, recovery testing was performed by preparing estimates of future funds flows to determine the recoverable amount of the respective assets.

At June 30, 2022, the Company determined that the recoverable amount of the Company's Edson CGU exceeded its carrying value. A total impairment recovery of \$4.5 million was recognized in the Company's PP&E.

Impairment can be reversed for PP&E up to the lower of the recoverable amount of the original carrying value less any associated depletion and depreciation that would have been incurred had the impairment not occurred.

The following table outlines the forecasted benchmark commodity prices and exchange rates used in the reversal of impairment calculation of PP&E at June 30, 2022:

Year	WTI Oil (US\$/Bbl) ¹	\$C to US\$ Foreign exchange rate ¹	Edmonton Light Crude Oil (Cdn\$/Bbl) ¹	AECO Gas (Cdn\$/MMBtu) ¹
2022 (6 months)	103.17	1.28	129.42	6.19
2023	89.75	1.27	109.39	4.76
2024	82.05	1.26	97.96	4.27
2025	77.14	1.26	91.65	3.88
2026	78.69	1.26	93.48	3.96
2027	80.26	1.26	95.35	4.04
2028-2036	88.73	1.26	105.41	4.47
Thereafter	+2.0%/yr	1.26	+2.0%/yr	+2.0%/yr

¹ Source: Average of three independent consultant price forecasts, effective July 1, 2022 (McDaniel & Associates Consultants Ltd., GLJ Petroleum Consultants Ltd. and Sproule Associates Limited).

The Company used a pre-tax 15% discount rate for the June 30, 2022 impairment test which took into account risks specific to the CGU's and inherent in the oil and gas business. Changes in the key judgements, such as a revision in reserves, changes in forecast benchmark commodity prices, discount rates, foreign exchange rates, capital or operating costs would impact the recoverable amounts of assets and any recoveries or impairment changes would affect net earnings. The most sensitive assumptions to the calculation are the discount rate and the forecast benchmark commodity price estimates at July 1, 2022. The Company concluded that no reasonable change in the key assumptions, such as a two percent change in commodity prices or a one percent change in the discount rate, would result in a different impairment reversal being recorded.

CGU impairment was reversed as at June 30:

CGU (\$000s)	2022	2021
Edson	4,500	-
Total impairment reversal	4,500	-

FINANCE EXPENSES

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	%Change	2022	2021	%Change
Interest expense and bank charges	916	1,311	(30)	2,206	2,611	(16)
\$ per Boe	0.47	0.80	(41)	0.58	0.79	(27)
\$ per Mcfe	0.08	0.13	(41)	0.10	0.13	(27)
Non cash:						
Accretion on decommissioning provision	1,425	1,326	7	2,834	2,688	5
Accretion on Term Debt	58	27	115	96	54	78
Total finance expenses	2,399	2,664	(10)	5,136	5,353	(4)
\$ per Boe	1.24	1.62	(23)	1.36	1.62	(16)
\$ per Mcfe	0.21	0.27	(23)	0.23	0.27	(16)

Finance expenses decreased by 10% and 4% to \$2.4 million and \$5.1 million for the three and six months ended June 30, 2022, as compared to \$2.7 million and \$5.4 million for the corresponding periods of the prior year, primarily a result of repayment of Term Debt. The outstanding Term Debt was repaid in full during the period ended June 30, 2022. Please refer to the "DEBT, LIQUIDITY AND CAPITAL RESOURCES" section for additional information.

DEFERRED INCOME TAXES

The Company has recorded a deferred tax asset of \$47.5 million as at June 30, 2022 (December 31, 2021 - \$50.6 million) related to the benefit of tax pools, as it is probable that they will be recovered.

CAPITAL EXPENDITURES, ACQUISITIONS AND DISPOSITIONS

(\$000s)	Six months ended June 30, 2022	Year ended December 31, 2021
Exploration and evaluation	36	103
Property, plant and equipment	9,813	21,465
Capital expenditures	9,849	21,568
Acquisitions	591	23,147
Dispositions	(415)	(320)
Total	10,025	44,395

Capital expenditures

Capital expenditures on PP&E of \$10.0 million during the six months ended June 30, 2022 were directed towards the completion and tie-in of two (1.4 net) Pekisko oil wells drilled during the fourth quarter of 2021, drilling, completion and tie-in of one (0.3 net) natural gas well in Edson, drilling of one (0.7 net) Pekisko oil well, facility maintenance, field optimization and well reactivations capital.

DECOMMISSIONING PROVISION

The total current and long-term decommissioning provision of \$212.3 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, 2022, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was \$261.1 million (December 31, 2021 - \$263.2 million). The discounted and inflated amount required to settle the decommissioning liabilities of \$212.3 million has been calculated assuming a 2.00% inflation rate (December 31, 2021 - 2.00%) and discounted using an average risk-free interest rate of 3.13% (December 31, 2021 - 2.30%). These obligations are currently expected to be settled based on the useful lives of the underlying assets, some of which extend beyond 35 years into the future.

DEBT, LIQUIDITY AND CAPITAL RESOURCES**Term Debt**

The non-revolving credit facility ("Term Debt") with Alberta Investment Management Corporation ("AIMCO"), acting on behalf of its clients, was repaid in full during the six-month period ended June 30, 2022, resulting in an interest penalty of \$0.7 million paid during the six months ended June 30, 2022, including an interest penalty of \$0.4 million paid in the three months ended June 30, 2022. The security for the Term Debt consisting of floating demand debentures totaling \$150.0 million and a general security agreement with first ranking over all current and acquired properties was fully discharged during the period.

Borrowing Facility

The Company has a \$4.0 million borrowing facility (the "Facility") with the Company's Chairman of the Board (the "Lender"), whereby the Lender provides up to \$4.0 million of borrowings at an interest rate of 6.5% per annum, payable monthly. The term (the "Term") of the Facility expires on the later of: (i) December 31, 2024; or (ii) the date of full repayment of any outstanding borrowings. Amounts can be drawn, repaid and redrawn by the Company at any time during the Term and borrowings under the Facility are payable on demand to the Lender on 60 days written notice. The Facility can be cancelled at any time by the Lender on 60 days written notice, while the Term may also be extended by mutual consent of the Company and the Lender. There was no amount drawn on the Facility as at or during the six months ended June 30, 2022 (June 30, 2021 - \$nil). Interest paid on the Facility for the six months ended June 30, 2022 was \$nil (June 30, 2021 - \$nil).

Demand Loan Facility

The Company currently has a demand operating loan (the "Loan") of \$5.0 million with a Canadian chartered bank, of which no amount was drawn as at June 30, 2022 (June 30, 2021 - \$nil). Borrowings bear interest at the banks' prime lending rate plus 2.5%. The Loan is secured by a general security agreement over certain tangible field facilities of the Company. On July 21, 2022, the Company executed a commitment letter that increased the Loan to \$8.0 million.

Letter of Credit Facility

As at June 30, 2022 the Company had a \$2.6 million letter of credit facility (“**LC Facility**”) with a Canadian bank which is supported by a performance guarantee from Export Development Canada (December 31, 2021 - \$2.6 million). The LC Facility is for issuing letters of credit to counterparties and is available on a demand basis. Letters of credit issued under the LC Facility incur an issuance fee of 4.5% per annum. The LC Facility does not contain any financial covenants. As at June 30, 2022, the Company had \$2.5 million in letters of credit issued against its LC Facility (December 31, 2021 - \$2.5 million).

Due to Related Party Note

On June 30, 2022, Pine Cliff repaid in full the \$6.0 million promissory note to the Company’s Chairman of the Board. Interest paid on this promissory note for the three and six months ended June 30, 2022 was \$0.1 million and \$0.2 million (June 30, 2021 - \$0.1 million and \$0.2 million).

Promissory Notes

On June 30, 2022, Pine Cliff repaid in full the \$6.0 million promissory notes.

Liquidity and Capital Resources

On August 3, 2022, Pine Cliff’s approved capital budget for 2022 was increased by \$4.0 million from \$25.5 million to \$29.5 million. Pine Cliff anticipates funding its capital budget from adjusted funds flow. Budgeted future capital expenditures related to drilling are largely discretionary in nature and Pine Cliff is able to adjust the nature, amount and timing of most planned capital expenditures to changes in the business and commodity price environment.

The Company’s capital comprises shareholders’ equity and working capital. Pine Cliff manages the capital structure and makes adjustments considering economic conditions and the risks of the underlying assets. The Company may carry a working capital deficiency as cash balances are used to fund ongoing operations. However, 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 and issuing debt or equity when practical.

The Company defines and computes its positive net cash (net debt) as follows:

(\$000s)	June 30, 2022	December 31, 2021	\$ Change
Cash	18,736	6,874	11,862
Trade and other receivables	33,551	21,613	11,938
Prepaid expenses and deposits	5,525	3,446	2,079
Investments	200	-	200
Less:			
Trade and other payables	(35,516)	(39,585)	4,069
Term Debt	-	(30,000)	30,000
Due to related party	-	(6,000)	6,000
Promissory notes	-	(6,000)	6,000
Positive net cash (net debt) ¹	22,496	(49,652)	72,148

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

Share Capital

Share capital	August 3, 2022	June 30, 2022	December 31, 2021
Common shares	348,935,909	348,082,417	339,539,415
Stock options	21,178,719	22,198,386	25,269,810

COMMITMENTS AND CONTINGENCIES

As at June 30, 2022, the Company has the following commitments and other contractual obligations:

	2022	2023	2024	2025	2026	Thereafter
(\$000s)						
Trade and other payables	35,516	-	-	-	-	-
Lease obligations	583	1,112	975	823	584	2
Transportation ¹	3,976	5,849	5,299	4,969	4,645	3,641
Total commitments and contingencies	40,075	6,961	6,274	5,792	5,229	3,643

¹ Firm transportation agreements.

SUBSEQUENT EVENTS

On July 4, 2022, the Company confirmed a monthly dividend of \$0.0083 per Common Share. The monthly dividend was paid July 29, 2022, to all shareholders of record on July 15, 2022.

On August 3, 2022, the Company declared a dividend of \$0.01 per Common Share. The monthly dividend is payable August 31, 2022, to all shareholders of record on August 15, 2022.

QUARTERLY TRENDS AND SELECTED FINANCIAL INFORMATION¹

(\$000s, unless otherwise indicated)	Q2-2022	Q1-2022	Q4-2021	Q3-2021	Q2-2021	Q1-2021	Q4-2020	Q3-2020
FINANCIAL								
Total revenue	82,755	59,449	49,399	36,747	31,390	33,170	30,233	24,701
Cash provided by operating activities	50,532	23,871	20,431	12,411	8,171	8,471	2,665	3,945
Adjusted funds flow ¹	55,816	32,307	26,279	13,333	9,494	10,000	7,996	809
Adjusted funds flow per share – basic (\$/share) ¹	0.16	0.09	0.08	0.04	0.03	0.03	0.02	0.00
Adjusted funds flow per share – diluted (\$/share) ¹	0.15	0.09	0.07	0.04	0.03	0.03	0.02	0.00
Earnings (loss)	50,192	15,433	80,522	2,323	(744)	(680)	(3,822)	(12,110)
Earnings (loss) per share – basic (\$/share)	0.15	0.05	0.24	0.01	(0.00)	(0.00)	(0.01)	(0.04)
Earnings (loss) per share – diluted (\$/share)	0.14	0.04	0.23	0.01	(0.00)	(0.00)	(0.01)	(0.04)
Capital expenditures	4,282	5,567	10,741	8,903	1,556	368	1,307	2,213
Dividends paid	2,889	-	-	-	-	-	-	-
Acquisitions	319	272	23,136	11	-	-	(11)	10
Positive net cash (net debt) ¹	22,496	(24,752)	(49,652)	(41,413)	(45,292)	(53,122)	(63,050)	(69,312)
Weighted average common shares outstanding (000s):								
Basic	345,402	340,835	339,213	337,921	336,802	335,556	335,284	330,230
Diluted	360,703	349,304	350,806	346,732	336,802	335,556	335,284	330,230
PRODUCTION VOLUMES								
Natural gas (Mcf/d)	111,951	107,955	103,320	100,462	99,528	99,267	104,788	103,304
NGLs (Bbl/d)	1,475	1,347	1,258	1,178	1,166	1,400	1,270	1,171
Crude oil (Bbl/d)	1,197	1,057	578	394	341	362	395	367
Average sales volumes (Boe/d)	21,331	20,397	19,056	18,316	18,095	18,307	19,130	18,755
Average sales volumes (Mcfe/d)	127,986	122,382	114,336	109,896	108,570	109,842	114,780	112,530
PRICES AND NETBACKS								
Total commodity sales (\$/Boe)	46.59	36.05	31.04	23.67	20.75	21.56	17.78	14.34
Operating netback (\$/Boe) ¹	30.40	19.41	16.50	9.22	7.50	7.88	6.08	1.90
Corporate netback (\$/Boe) ¹	28.76	17.60	15.00	7.92	5.77	6.05	4.55	0.47
Total commodity sales (\$/Mcfe)	7.77	6.01	5.17	3.95	3.46	3.59	2.96	2.39
Operating netback (\$/Mcfe) ¹	5.07	3.24	2.75	1.54	1.25	1.31	1.01	0.32
Corporate netback (\$/Mcfe) ¹	4.79	2.93	2.50	1.32	0.96	1.01	0.76	0.08

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

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

- Average sales volumes increased in the first quarter of 2022 compared to the fourth quarter of 2021 due primarily to the additional sales volumes from the private company acquisition which closed December 29, 2021. Average sales volumes increased in the second quarter of 2022 compared to the first quarter of 2022 due primarily to the additional sales volumes from the 2022 capital program and weather variations.
- Adjusted funds flow increased from the fourth quarter of 2021 to the first quarter of 2022 mainly as a result of increases in commodity prices and additional sales volumes. Adjusted funds flow increased from the first quarter of 2022 to the second quarter of 2022 mainly as a result of increases in commodity prices and additional sales volumes.

- Earnings increased in the first quarter of 2022 compared to the fourth quarter of 2021 as a result of an increase in commodity sales. Earnings increased in the second quarter of 2022 compared to the first quarter of 2022 as a result of an increase in commodity sales and impairment reversal.
- Total revenues increased from the fourth quarter of 2021 to the first quarter of 2022, mainly as a result of higher commodity prices and higher sales volumes. Total revenues increased from the first quarter of 2022 to the second quarter of 2022, mainly as a result of higher commodity prices and higher sales volumes.

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 of the Company consist of cash, trade and other receivables, investments and trade and other payables. The carrying values of cash, trade and other receivables and trade and other payables approximate their respective fair values due to the short time before maturing.

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. Pine Cliff has no level 2 or level 3 financial instruments. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy level.

RISK MANAGEMENT

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

Commodity Price Risk

The Company is exposed to commodity price risk since its revenues are dependent on the prices of crude oil, NGLs and natural gas. Commodity prices have fluctuated widely during recent years due to global and regional factors including, but not limited to, supply and demand, inventory levels, weather, economic changes and geopolitical factors and instability. Changes in oil, NGLs and natural gas 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 oil, NGL or natural gas prices could result in a reduction of net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil, NGL's or natural gas and a reduction in the volumes of Pine Cliff's reserves. Management may also elect not to produce from certain wells at lower prices. During the six months ended June 30, 2022, Pine Cliff's average sales volumes were 88% natural gas.

Physical Sales Contracts

At June 30, 2022, 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, 2022 to October 31, 2022	AECO	30,100	\$3.70	\$3.89
July 1, 2022 to October 31, 2022	Dawn ³	5,000	\$4.63	\$4.86
July 1, 2022 to October 31, 2022	TransGas ⁴	4,000	\$4.62	\$4.85
July 1, 2022 to October 31, 2022	TransGas ⁴	5,500	AECO 5A + 0.22/GJ	AECO 5A + 0.23/Mcf
July 1, 2022 to October 31, 2022	Suffield ⁵	5,500	AECO 5A + 0.58/GJ	AECO 5A + 0.61/Mcf
November 1, 2022 to March 31, 2023	Suffield ⁵	5,000	AECO 5A + 0.98/GJ	AECO 5A + 1.03/Mcf
November 1, 2022 to October 31, 2023	TransGas ⁴	2,000	AECO 5A + 0.45/GJ	AECO 5A + 0.47/Mcf

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

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

³ Dawn Hub into Dawn Township, Ontario

⁴ Subsidiary of SaskEnergy, Saskatchewan.

⁵ The contract terms of the physical fixed price natural gas sales contract to Suffield#2 delivery point (Suffield, Alberta).

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Contract Price (\$CAD/GJ) ¹	Contract Price (\$CAD/Mcf) ^{1,2}
November 1, 2022 to March 31, 2023	AECO	5,000	\$4.75 - \$6.00	\$4.99 - \$6.30
November 1, 2022 to March 31, 2023	AECO	5,000	\$6.00 - \$11.60	\$6.30 - \$12.18

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.

At June 30, 2022, the Company had the following physical crude oil sales contracts in place:

Contractual Term	Crude Oil	Physical Delivery Quantity (Bbl/day)	Contract Price (\$CAD/Bbl) ¹
July 1, 2022 to September 30, 2022	WTI Fixed Price	250	\$110.75

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

Financial Derivative Contracts

Pine Cliff had no financial derivative contracts in place during the six months ended June 30, 2022 or subsequent to.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

INTERNAL CONTROLS

Pine Cliff is required to comply with National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. The certification of interim filings requires the Company to disclose in the MD&A any changes in internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting. Management confirms that no such changes were made to the internal controls over financial reporting during the three months ended June 30, 2022. 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.com.

NON-GAAP MEASURES

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

Adjusted Funds Flow

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

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Cash provided by operating activities	50,532	8,171	518	74,403	16,642	347
Adjusted by:						
Change in non-cash working capital	4,167	1,250	233	10,790	2,621	312
Decommissioning obligation settled	1,117	73	1,430	2,930	231	1,168
Adjusted funds flow	55,816	9,494	488	88,123	19,494	352
Adjusted funds flow (\$/Boe)	28.76	5.77	399	23.35	5.92	294
Adjusted funds flow (\$/Mcfe)	4.79	0.96	399	3.89	0.99	294
Adjusted funds flow – basic (\$/Common Share)	0.16	0.03	433	0.26	0.06	333
Adjusted funds flow – diluted (\$/Common Share)	0.15	0.03	400	0.25	0.06	317

Operating and Corporate Netback

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

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

Pine Cliff uses these measures to assist in understanding the Company's ability to generate positive 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 earnings (loss) determined in accordance with IFRS as a measure of performance. Pine Cliff's method of calculating these measures may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

(\$ per Boe, unless otherwise indicated)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	Change	2022	2021	Change
Commodity sales	46.59	20.75	25.84	41.47	21.15	20.32
Processing and gathering	0.55	0.60	(0.05)	0.54	0.58	(0.04)
Royalty expense	(4.50)	(2.28)	(2.22)	(4.35)	(2.14)	(2.21)
Transportation costs	(1.39)	(1.37)	(0.02)	(1.41)	(1.36)	(0.05)
Operating expenses	(10.85)	(10.20)	(0.65)	(11.18)	(10.54)	(0.64)
Operating netback	30.40	7.50	22.90	25.07	7.69	17.38
General and administrative	(1.17)	(0.93)	(0.24)	(1.14)	(0.98)	(0.16)
Interest and bank charges	(0.47)	(0.80)	0.33	(0.58)	(0.79)	0.21
Corporate netback	28.76	5.77	22.99	23.35	5.92	17.43
Operating netback (\$ per Mcfe)	5.07	1.25	3.82	4.18	1.28	2.90
Corporate netback (\$ per Mcfe)	4.79	0.96	3.83	3.89	0.99	2.90

Positive Net Cash (Net Debt)

The Company considers positive net cash (net debt) to be a key indicator of financial strength. Positive net cash (net debt) is calculated as the sum of cash, trade and other receivables, investments and prepaid expenses and deposits, less trade and other payables, Term Debt, due to related party and promissory notes. See “DEBT, LIQUIDITY AND CAPITAL RESOURCES” section for table.

Positive net cash (net debt) is not a recognized measure under IFRS and Pine Cliff’s method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A include statements which contain words such as “anticipate”, “could”, “should”, “expect”, “seek”, “may”, “intend”, “likely”, “will”, “believe” and similar expressions, statements relating to matters that are not historical facts, and such statements of our beliefs, intentions and expectations about developments, results and events which will or may occur in the future, constitute “forward-looking information” within the meaning of applicable Canadian securities legislation and are based on certain assumptions and analysis made by us derived from our experience and perceptions. Forward-looking information in the MD&A and Annual MD&A includes, but is not limited to: expected production levels, expected processing and gathering income, expected operating costs, expected transportation costs, expected interest costs, royalty and G&A levels; expected current and deferred income taxes, future capital expenditures, including the amount and nature thereof; future drilling opportunities and Pine Cliff’s ability to generate reserves and production from the undrilled locations; oil and natural gas prices and demand; expansion and other development trends of the oil and natural gas industry; business strategy and guidance; expansion and growth of our business and operations; amounts due to related party, subordinated promissory notes and due pursuant to Term Debt 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; declaration and payment of dividends; 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 February 8, 2022 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.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian dollars, 000s)
(unaudited)

	Note	As at June 30, 2022	As at December 31, 2021
ASSETS			
Current assets			
Cash		18,736	6,874
Trade and other receivables	3	33,551	21,613
Prepaid expenses and deposits		5,525	3,446
Investments	4	200	-
Total current assets		58,012	31,933
Exploration and evaluation	6	2,386	2,350
Property, plant and equipment	7	253,000	294,073
Deferred income taxes	9	47,521	50,641
Total assets		360,919	378,997
LIABILITIES			
Current liabilities			
Trade and other payables	3	35,516	39,585
Lease liabilities	8	975	1,050
Decommissioning provision	13	3,900	3,900
Total current liabilities		40,391	44,535
Lease liabilities	8	2,713	2,618
Term Debt	10	-	29,903
Due to related party	11	-	6,000
Promissory notes	12	-	6,000
Decommissioning provision	13	208,383	244,523
Total liabilities		251,487	333,579
SHAREHOLDERS' DEFICIT			
Share capital	14	277,216	275,766
Contributed surplus		15,359	15,400
Accumulated other comprehensive loss		(191)	(60)
Deficit		(182,952)	(245,688)
Total shareholders' equity		109,432	45,418
Total liabilities and shareholders' deficit		360,919	378,997

Commitments (Note 17)

Subsequent Events (Note 18)

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME (LOSS)**

(Canadian dollars, 000s except per share data)

(unaudited)

	Note	Three months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021
REVENUE					
Commodity sales	15	90,426	34,163	156,606	69,682
Royalty expense		(8,736)	(3,755)	(16,444)	(7,044)
Commodity sales, net of royalties		81,690	30,408	140,162	62,638
Processing and gathering	15	1,065	982	2,042	1,922
Total revenue		82,755	31,390	142,204	64,560
EXPENSES					
Operating		21,063	16,790	42,233	34,743
Transportation		2,696	2,264	5,336	4,468
Depletion and depreciation	7	10,925	9,981	22,115	20,246
Impairment reversal	7	(4,500)	-	(4,500)	-
Site decommissioning grants	13	(1,293)	(1,309)	(2,076)	(2,228)
Share-based payments		555	213	892	327
Finance	16	2,399	2,664	5,136	5,353
General and administrative		2,264	1,531	4,306	3,244
Gain on disposition		-	-	-	(169)
Total expenses		34,109	32,134	73,442	65,984
Earnings (loss) before income taxes		48,646	(744)	68,762	(1,424)
Deferred income tax recovery (expense)	9	1,546	-	(3,137)	-
EARNINGS (LOSS) FOR THE PERIOD		50,192	(744)	65,625	(1,424)
OTHER COMPREHENSIVE INCOME (LOSS)					
Unrealized gain (loss) on investments		(215)	14	(148)	(53)
Deferred income tax on unrealized loss on investments		25	-	17	-
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX		(190)	14	(131)	(53)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		50,002	(730)	65,494	(1,477)
Earnings (loss) (\$)					
Basic	14	0.15	(0.00)	0.19	(0.00)
Diluted	14	0.14	(0.00)	0.18	(0.00)

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,		Six months ended June 30,	
		2022	2021	2022	2021
CASH PROVIDED BY (USED IN):					
OPERATING ACTIVITIES					
Earnings (loss) for the period		50,192	(744)	65,625	(1,424)
Items not affecting cash:					
Depletion and depreciation	7	10,925	9,981	22,115	20,246
Impairment reversal	7	(4,500)	-	(4,500)	-
Site decommissioning grants		(1,293)	(1,309)	(2,076)	(2,228)
Share-based payments		555	213	892	327
Finance expenses	16	2,399	2,664	5,136	5,353
Deferred income tax	9	(1,546)	-	3,137	-
Gain on disposition		-	-	-	(169)
Interest and bank charges	16	(916)	(1,311)	(2,206)	(2,611)
Decommissioning obligations settled	13	(1,117)	(73)	(2,930)	(231)
Changes in non-cash working capital accounts	16	(4,167)	(1,250)	(10,790)	(2,621)
Cash provided by operating activities		50,532	8,171	74,403	16,642
INVESTING ACTIVITIES					
Property, plant and equipment	7	(4,262)	(1,523)	(9,813)	(1,859)
Exploration and evaluation		(20)	(33)	(36)	(65)
Acquisitions		(319)	-	(591)	-
Dispositions		213	152	415	177
Changes in non-cash working capital accounts	16	1,423	381	(7,644)	169
Cash used in investing activities		(2,965)	(1,023)	(17,669)	(1,578)
FINANCING ACTIVITIES					
Exercise of stock options		296	123	517	157
Repayment of Term Debt	10	(20,000)	-	(30,000)	-
Repayment of related party debt	11	(6,000)	-	(6,000)	-
Repayment of promissory notes	12	(6,000)	-	(6,000)	-
Dividends	14	(2,889)	-	(2,889)	-
Payments on lease obligations		(255)	(310)	(500)	(610)
Cash used in financing activities		(34,848)	(187)	(44,872)	(453)
Increase in cash		12,719	6,961	11,862	14,611
Cash - beginning of period		6,017	15,528	6,874	7,878
CASH - END OF PERIOD		18,736	22,489	18,736	22,489

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	Warrants	Accumulated other comprehensive loss ²	Deficit	Total Shareholders' equity (deficit)
BALANCE AT JANUARY 1, 2021		274,964	14,540	288	-	(327,109)	(37,317)
Loss for the period		-	-	-	-	(1,424)	(1,424)
Share-based payments		-	327	-	-	-	327
Other comprehensive loss for the period		-	-	-	(53)	-	(53)
Exercise of stock options		365	(208)	-	-	-	157
BALANCE AT JUNE 30, 2021		275,329	14,659	288	(53)	(328,533)	(38,310)
Earnings for the period		-	-	-	-	82,845	82,845
Share-based payments		-	670	-	-	-	670
Other comprehensive loss for the period		-	-	-	(7)	-	(7)
Exercise of stock options		437	(217)	-	-	-	220
Expiry of warrants		-	288	(288)	-	-	-
BALANCE AT DECEMBER 31, 2021		275,766	15,400	-	(60)	(245,688)	45,418
Earnings for the period		-	-	-	-	65,625	65,625
Dividends	14	-	-	-	-	(2,889)	(2,889)
Share-based payments	14	-	892	-	-	-	892
Other comprehensive loss for the period		-	-	-	(131)	-	(131)
Exercise of stock options	14	1,450	(933)	-	-	-	517
BALANCE AT JUNE 30, 2022		277,216	15,359	-	(191)	(182,952)	109,432

¹Contributed surplus is comprised of share-based payments.

²Accumulated other comprehensive loss is comprised of realized losses on available-for-sale investments.

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, 2022 and December 31, 2021 and for the three and six month periods ended June 30, 2022 and 2021 (unaudited), all tabular amounts in Canadian dollars 000s, unless otherwise indicated.

1. NATURE OF BUSINESS

Pine Cliff Energy Ltd. ("**Pine Cliff**" or the "**Company**") is a public company listed on the Toronto Stock Exchange ("**TSX**") and incorporated under the *Business Corporations Act (Alberta)*. The address of the Company's registered office is Suite 850, 1015 - 4th Street SW, Calgary, Alberta, T2R 1J4. Common shares of the Company ("**Common Shares**") are listed for trading on the Toronto Stock Exchange ("**TSX**") under the symbol "**PNE**".

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 unaudited interim condensed consolidated financial statements (the "**Financial Statements**") reflect only the Company's proportionate interest in such activities

2. BASIS OF PREPARATION

a) Statement of Compliance

The Financial Statements have been prepared in accordance with IAS 34 – Interim Financial Reporting using International Financial Reporting Standards ("**IFRS**").

The Financial Statements do not include all the information required for annual financial statements and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2021 ("**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, 2021 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**") on August 3, 2022.

3. FINANCIAL INSTRUMENTS

Financial instruments and fair value measurement

Financial instruments of the Company consist of cash, trade and other receivables, investments and trade and other payables. The carrying values of cash, trade and other receivables and trade and other payables approximate their respective fair values due to the short time before maturing.

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. Pine Cliff has no level 2 or level 3 financial instruments. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy level.

The following table sets out the Company's classification, carrying value and fair value of financial assets and liabilities as at June 30, 2022 and December 31, 2021:

(\$000s)	June 30, 2022		December 31, 2021	
Description	Carrying value	Fair value	Carrying value	Fair value
Cash	18,736	18,736	6,874	6,874
Trade and other receivables	33,551	33,551	21,613	21,613
Investments	200	200	-	-
Trade and other payables	(35,516)	(35,516)	(39,585)	(39,585)
Term Debt	-	-	(29,903)	(29,903)
Due to related party	-	-	(6,000)	(6,000)
Promissory notes	-	-	(6,000)	(6,000)

4. INVESTMENTS

As at June 30, 2022, the Company had an investment in a public company of \$0.2 million, which was received as partial consideration of \$0.3 million (see Note 6).

5. RISK MANAGEMENT

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

Commodity Price Risk

The Company is exposed to commodity price risk since its revenues are dependent on the prices of crude oil, natural gas liquids ("NGLs") and natural gas. Commodity prices have fluctuated widely during recent years due to global and regional factors including, but not limited to, supply and demand, inventory levels, weather, economic changes and geopolitical factors and instability. Changes in oil, NGL's and natural gas 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 oil, NGL or natural gas prices could result in a reduction of commodity sales. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil, NGL's or natural gas and a reduction in the volumes of Pine Cliff's reserves. Management may also elect not to produce from certain wells at lower prices. During the six months ended June 30, 2022, Pine Cliff's average sales volumes were 88% natural gas.

Physical Sales Contracts

At June 30, 2022, 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, 2022 to October 31, 2022	AECO	30,100	\$3.70	\$3.89
July 1, 2022 to October 31, 2022	Dawn ³	5,000	\$4.63	\$4.86
July 1, 2022 to October 31, 2022	TransGas ⁴	4,000	\$4.62	\$4.85
July 1, 2022 to October 31, 2022	TransGas ⁴	5,500	AECO 5A + 0.22/GJ	AECO 5A + 0.23/Mcf
July 1, 2022 to October 31, 2022	Suffield ⁵	5,500	AECO 5A + 0.58/GJ	AECO 5A + 0.61/Mcf
November 1, 2022 to March 31, 2023	Suffield ⁵	5,000	AECO 5A + 0.98/GJ	AECO 5A + 1.03/Mcf
November 1, 2022 to October 31, 2023	TransGas ⁴	2,000	AECO 5A + 0.45/GJ	AECO 5A + 0.47/Mcf

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

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

³ Dawn Hub into Dawn Township, Ontario

⁴ Subsidiary of SaskEnergy, Saskatchewan.

⁵ The contract terms of the physical fixed price natural gas sales contract to Suffield#2 delivery point (Suffield, Alberta).

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Contract Price (\$CAD/GJ) ¹	Contract Price (\$CAD/Mcf) ^{1,2}
November 1, 2022 to March 31, 2023	AECO	5,000	\$4.75 - \$6.00	\$4.99 - \$6.30
November 1, 2022 to March 31, 2023	AECO	5,000	\$6.00 - \$11.60	\$6.30 - \$12.18

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.

At June 30, 2022, the Company had the following physical crude oil sales contracts in place:

Contractual Term	Crude Oil	Physical Delivery Quantity (Bbl/day)	Contract Price (\$CAD/Bbl) ¹
July 1, 2022 to September 30, 2022	WTI Fixed Price	250	\$110.75

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

Financial Derivative Contracts

Pine Cliff had no financial derivative contracts in place during the six months ended June 30, 2022 or subsequent to.

6. EXPLORATION AND EVALUATION

Cost:	Oil and gas properties	Mineral properties	Total
Balance at December 31, 2021	-	2,350	2,350
Additions	16	20	36
Balance at June 30, 2022	16	2,370	2,386

On February 17, 2021, Pine Cliff entered into an option agreement with Nighthawk Gold Corp. (“**Nighthawk**”) for the disposition of its Kim Cass gold property located in the Northwest Territories. If the full option is exercised, Pine Cliff will receive a 2.5% net smelter royalty (of which 100% can be repurchased by Nighthawk for \$2.5 million) and \$1.1 million, with payments payable over the next two years. The first payment of \$0.4 million was received on February 17, 2021 (340,000 common shares of Nighthawk) and all of these shares were subsequently sold in 2021. The second payment of \$0.3 million was received February 17, 2022 (475,996 common shares of Nighthawk). Nighthawk will not earn an interest in the property until all amounts have been paid. The present value of the remaining payment has been recorded as a receivable from Nighthawk.

7. PROPERTY, PLANT AND EQUIPMENT

Cost:	(\$000s)
Balance at December 31, 2021	707,663
Additions	9,813
Lease obligations	521
Acquisitions	591
Dispositions	(415)
Decommissioning provision	(33,968)
Balance at June 30, 2022	684,205
Accumulated depletion and depreciation:	(\$000s)
Balance at December 31, 2021	(413,590)
Depletion and depreciation	(22,115)
Impairment reversal	4,500
Balance at June 30, 2022	(431,205)
Carrying value at:	(\$000s)
December 31, 2021	294,073
June 30, 2022	253,000

PP&E Impairment Reversal Assessment

At June 30, 2022, the Company had three cash generating units (“**CGU’s**”) being the Southern CGU, Central CGU, and Edson CGU. The Company reviewed each CGU’s PP&E at June 30, 2022 and identified indicators of impairment reversal in the Edson CGU due to increased commodity prices and an increase in the Company’s market capitalization since the latest impairment reversal at December 31, 2021. As a result, recovery testing was performed by preparing estimates of future funds flows to determine the recoverable amount of the respective assets.

At June 30, 2022, the Company determined that the recoverable amount of the Company’s Edson CGU exceeded its carrying value. A total impairment recovery of \$4.5 million was recognized in the Company’s PP&E.

Impairment can be reversed for PP&E up to the lower of the recoverable amount of the original carrying value less any associated depletion and depreciation that would have been incurred had the impairment not occurred.

The following table outlines the forecasted benchmark commodity prices and exchange rates used in the reversal of impairment calculation of PP&E at June 30, 2022:

Year	WTI Oil (US\$/Bbl) ¹	\$C to US\$ Foreign exchange rate ¹	Edmonton Light Crude Oil (Cdn\$/Bbl) ¹	AECO Gas (Cdn\$/MMBtu) ¹
2022 (6 months)	103.17	1.28	129.42	6.19
2023	89.75	1.27	109.39	4.76
2024	82.05	1.26	97.96	4.27
2025	77.14	1.26	91.65	3.88
2026	78.69	1.26	93.48	3.96
2027	80.26	1.26	95.35	4.04
2028-2036	88.73	1.26	105.41	4.47
Thereafter	+2.0%/yr	1.26	+2.0%/yr	+2.0%/yr

¹ Source: Average of three independent consultant price forecasts, effective July 1, 2022 (McDaniel & Associates Consultants Ltd., GLJ Petroleum Consultants Ltd. and Sproule Associates Limited).

The Company used a pre-tax 15% discount rate for the June 30, 2022, impairment test which took into account risks specific to the CGU's and inherent in the oil and gas business. Changes in the key judgements, such as a revision in reserves, changes in forecast benchmark commodity prices, discount rates, foreign exchange rates, capital or operating costs would impact the recoverable amounts of assets and any recoveries or impairment changes would affect net earnings. The most sensitive assumptions to the calculation are the discount rate and the forecast benchmark commodity price estimates at July 1, 2022. The Company concluded that no reasonable change in the key assumptions, such as a two percent change in commodity prices or a one percent change in the discount rate, would result in a different impairment reversal being recorded.

CGU impairment was reversed as at June 30:

CGU (\$000s)	2022	2021
Edson	4,500	-
Total impairment reversal	4,500	-

8. LEASE LIABILITIES

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

	(\$000s)
2022	583
2023	1,112
2024	975
2025	823
2026	584
Thereafter	2
Total lease payments as at June 30, 2022	4,079
Amounts representing interest	(391)
Present value of lease payments	3,688
Current portion of lease obligations	(975)
Non-current portion of lease obligations	2,713

For the six months ended June 30, 2022, interest expense of \$0.1 million (June 30, 2021 - \$0.08 million) and a total cash outflow of \$0.5 million (June 30, 2021 - \$0.5 million) was recognized relating to lease obligations.

The right-of-use ("ROU") asset and lease obligation relates to the Company's vehicle and head office lease in Calgary. An ROU asset of \$7.2 million and \$3.5 million in depreciation on the ROU asset are included in PP&E. Refer to Note 7.

9. DEFERRED INCOME TAXES

The Company has recorded a deferred tax asset of \$47.5 million (December 31, 2021 - \$50.6 million) related to the benefit of tax pools, as it is probable that they will be recovered.

	As at June 31, 2022	As at December 31, 2021
Deferred income tax assets (\$000s):		
Share issue costs	26	11
Investments	(17)	-
Decommissioning provision	49,878	58,371
Property and equipment	(6,616)	(15,384)
Lease liabilities	867	862
Capital losses carried forward	469	475
Non-capital losses carried forward	15,156	31,959
Asset before unrecognized deferred income tax	59,763	76,294
Less: unrecognized deferred income tax	(12,242)	(25,653)
Net deferred income tax asset	47,521	50,641

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

(\$000s)	Six months ended, June 30, 2022
Earnings before income taxes	68,762
Corporate income tax rate	23.5%
Computed income tax expense	16,162
Non-deductible compensation expense	226
Changes in the unrecorded benefit of tax pools	(14,596)
Return to provision true-up	1,345
Deferred income tax expense	3,137

10. TERM DEBT

(\$000s)	As at June 30, 2022	As at December 31, 2021
Term Debt – beginning of period	29,903	48,747
Repayment	(30,000)	(19,000)
Accretion expense	97	156
Term Debt - end of period	-	29,903

The non-revolving credit facility ("Term Debt") with Alberta Investment Management Corporation ("AIMCO"), acting on behalf of its clients, was repaid in full during the six-month period ended June 30, 2022, resulting in an interest penalty of \$0.7 million paid during the six months ended June 30, 2022, including an interest penalty of \$0.4 million paid in the three months ended June 30, 2022. The security for the Term Debt consisting of floating demand debentures totaling \$150.0 million and a general security agreement with first ranking over all current and acquired properties was fully discharged during the period.

Borrowing Facility

The Company has a \$4.0 million borrowing facility (the "Facility") with the Company's Chairman of the Board (the "Lender"), whereby the Lender provides up to \$4.0 million of borrowings at an interest rate of 6.5% per annum, payable monthly. The term (the "Term") of the Facility expires on the later of: (i) December 31, 2024; or (ii) the date of full repayment of any outstanding borrowings. Amounts can be drawn, repaid and redrawn by the Company at any time during the Term and borrowings under the Facility are payable on demand to the Lender on 60 days written notice. The Facility can be cancelled at any time by the Lender on 60 days written notice, while the Term may also be extended by mutual consent of the Company and the Lender. There was no amount drawn on the Facility as at or during the six months ended June 30, 2022 (June 30, 2021 - \$nil). Interest paid on the Facility for the six months ended June 30, 2022 was \$nil (June 30, 2021 - \$nil).

Demand Loan Facility

The Company currently has a demand operating loan (the “**Loan**”) of \$5.0 million with a Canadian chartered bank, of which no amount was drawn as at June 30, 2022 (June 30, 2021 - \$nil). Borrowings bear interest at the banks’ prime lending rate plus 2.5%. The Loan is secured by a general security agreement over certain tangible field facilities of the Company. On July 21, 2022, the Company executed a commitment letter that increased the Loan to \$8.0 million.

Letter of Credit Facility

As at June 30, 2022 the Company had a \$2.6 million letter of credit facility (“**LC Facility**”) with a Canadian bank which is supported by a performance guarantee from Export Development Canada (December 31, 2021 - \$2.6 million). The LC Facility is for issuing letters of credit to counterparties and is available on a demand basis. Letters of credit issued under the LC Facility incur an issuance fee of 4.5% per annum. The LC Facility does not contain any financial covenants. As at June 30, 2022, the Company had \$2.5 million in letters of credit issued against its LC Facility (December 31, 2021 - \$2.5 million).

11. DUE TO RELATED PARTY

On June 30, 2022, Pine Cliff repaid in full the \$6.0 million promissory note to the Company’s Chairman of the Board. Interest paid on this promissory note for the three and six months ended June 30, 2022 was \$0.1 million and \$0.2 million (June 30, 2021 - \$0.1 million and \$0.2 million).

12. PROMISSORY NOTES

On June 30, 2022, Pine Cliff repaid in full the \$6.0 million promissory notes.

13. DECOMMISSIONING PROVISION

The total current and long-term decommissioning provision of \$212.3 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, 2022, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was \$261.1 million (December 31, 2021 - \$263.2 million). The discounted and inflated amount required to settle the decommissioning liabilities of \$212.3 million has been calculated assuming a 2.00% inflation rate (December 31, 2021 - 2.00%) and discounted using an average risk-free interest rate of 3.13% (December 31, 2021 - 2.30%). These obligations are currently expected to be settled based on the useful lives of the underlying assets, some of which extend beyond 35 years into the future.

Changes in the measurement of the decommissioning provision were as follows:

	(\$000s)
Decommissioning provision, December 31, 2021	248,423
Provisions related to acquisitions	230
Increase in liabilities relating to development activities	23
Site decommissioning grants	(2,076)
Decommissioning expenditures	(2,930)
Revisions (changes in estimates, inflation rate, and discount rates)	(34,221)
Accretion	2,834
Decommissioning provision, June 30, 2022	212,283
Less current portion of decommissioning provision	(3,900)
Non-current portion of decommissioning provision	208,383

14. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value. The Company is also authorized to issue, in one or more series, an unlimited number of Class B Preferred Shares without nominal or par value.

Issued and outstanding

	Common Shares (000s)	Share capital (000s)
Issued and outstanding share capital continuity:		
Balance, December 31, 2021	339,539	275,766
Exercise of stock options	8,543	1,450
Balance, June 30, 2022	348,082	277,216

For the six months ended June 30, 2022, the Company declared and paid dividends of \$2.9 million (\$0.0083 per share) (June 30, 2021 – nil).

Stock Options

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

	Stock options (000s)	Weighted-average exercise price (\$ per Common Share)
Stock options issued and outstanding:		
Outstanding, December 31, 2021	25,270	0.25
Granted	6,829	1.90
Exercised	(9,721)	0.23
Forfeited	(180)	0.24
Outstanding, June 30, 2022	22,198	0.77
Exercisable, June 30, 2022	3,699	0.24

	Stock options outstanding (000s)	Weighted-average remaining term (years)	Stock options exercisable (000s)	Weighted-average remaining term (years)
Exercise price:				
\$0.10 - \$0.15	5,427	1.5	1,310	0.8
\$0.16 - \$0.33	9,748	2.0	2,389	0.9
\$0.34 - \$0.99	195	2.3	-	-
\$1.00 - \$1.92	6,828	2.9	-	-
	22,198	2.2	3,699	0.9

The Company records share-based payment expense over the vesting period, based on the fair value of the options granted. One third of the stock options granted vest annually on each of the first, second, and third anniversaries of the grant date and expire one year after each respective vesting date. During the six months ended June 30, 2022, the Company granted 6,828,600 stock options (June 30, 2021 – 11,191,600) with a fair value of \$0.73 (June 30, 2021 - \$0.16) per option using the Black-Scholes option pricing model using the following key assumptions:

Assumptions (weighted average):	Six months ended June 30, 2022	2021
Exercise price (\$)	1.90	0.33
Estimated volatility of underlying common shares (%)	73.3	78.4
Expected life (years)	3.0	3.0
Risk-free rate (%)	2.7	0.5
Forfeiture rate (%)	7.7	3.9
Expected dividend yield (%)	5.0	-

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

Per Share Calculations

The average market value of the Common Shares for the purposes of calculating the dilutive effect of stock options was based on quoted market prices for the period that the options were outstanding. In calculating the weighted average number of diluted Common Shares outstanding for the three and six months ended June 30, 2021, all stock options were excluded as they were not dilutive.

Earnings (loss) per share calculation (\$000s):	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Numerator				
Earnings (loss) for the period	50,192	(744)	65,625	(1,424)
Denominator (000s)				
Weighted-average Common Shares outstanding – basic	345,402	336,802	343,131	336,183
Effect of stock options outstanding	15,301	-	16,126	-
Weighted-average Common Shares outstanding – diluted	360,703	336,802	359,257	336,183
Earnings (loss) per Common Share – basic (\$)	0.15	(0.00)	0.19	(0.00)
Earnings (loss) per Common Share – diluted (\$)	0.14	(0.00)	0.18	(0.00)

15. REVENUES

The Company's commodity sales revenue is determined pursuant to the terms of the marketing agreements. The revenue for natural gas, NGLs and crude oil 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. Processing and gathering revenue is generally negotiated under multi-year contracts that vary by volume.

(\$000s)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Natural gas	65,706	27,449	113,098	55,480
NGL	10,972	4,545	19,424	10,074
Crude oil	13,748	2,169	24,084	4,128
Total commodity sales	90,426	34,163	156,606	69,682
Processing and gathering	1,065	982	2,042	1,922
Total commodity sales and processing and gathering	91,491	35,145	158,648	71,604

16. SUPPLEMENTAL CASH FLOW INFORMATION

(\$000s)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Changes in non-cash working capital:				
Trade and other receivables	(6,691)	179	(11,938)	214
Prepaid expenses and deposits	(2,380)	(73)	(2,079)	7
Trade and other payables and accrued liabilities	6,328	(975)	(4,069)	(2,673)
	(2,743)	(869)	(18,086)	(2,452)
Changes related to:				
Operating activities	(4,167)	(1,250)	(10,790)	(2,621)
Investing activities	1,424	381	(7,296)	169
	(2,743)	(869)	(18,086)	(2,452)

Changes in non-cash working capital excludes the receivable amount referred to in Note 6.

	Three months ended June 30,		Six months ended June 30,	
Finance expenses (\$000s):	2022	2021	2022	2021
Interest expense and bank charges	916	1,311	2,206	2,611
Non cash:				
Accretion on decommissioning provision	1,425	1,326	2,834	2,688
Accretion on promissory notes and term debt	58	27	96	54
Total finance expenses	2,399	2,664	5,136	5,353

Cash interest paid in the three and six months ended June 30, 2022, was \$1.2 million and \$3.4 million (three and six months ended June 30, 2021 - \$0.2 million and \$2.5 million).

17. COMMITMENTS

As at June 30, 2022, the Company has the following commitments and other contractual obligations:

	2022	2023	2024	2025	2026	Thereafter
(\$000s)						
Trade and other payables	35,516	-	-	-	-	-
Lease obligations ¹	583	1,112	975	823	584	2
Transportation ²	3,976	5,849	5,299	4,969	4,645	3,641
Total commitments and contingencies	40,075	6,961	6,274	5,792	5,229	3,643

¹ See Note 8.

² Firm transportation agreements.

18. SUBSEQUENT EVENTS

On July 4, 2022, the Company confirmed a monthly dividend of \$0.0083 per Common Share. The monthly dividend was paid July 29, 2022, to all shareholders of record on July 15, 2022.

On August 3, 2022, the Company declared a dividend of \$0.01 per Common Share. The monthly dividend is payable August 31, 2022, to all shareholders of record on August 15, 2022.

BOARD OF DIRECTORS

George F. Fink - Chairman
Philip B. Hodge
Robert B. Fryk
Jacqueline R. Ricci
William S. Rice

OFFICERS

Philip B. Hodge
President and Chief Executive Officer
Terry L. McNeill
Chief Operating Officer
Alan MacDonald
Chief Financial Officer and Corporate Secretary
Christopher S. Lee
Vice President, Exploration

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AUDITORS

Deloitte LLP

STOCK EXCHANGE LISTING

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