This Management's Discussion and Analysis ("**MD&A**") is a review of the operations and current financial position of Pine Cliff Energy Ltd. ("**Pine Cliff**" or the "**Company**") for the year ended December 31, 2022. This MD&A is dated and based on information available as at March 7, 2023 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022 and 2021 ("**Financial Statements**"). The Financial Statements have been prepared in accordance with International Accounting Standards ("**IFRS**") issued by the International Accounting Standards Board. 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 is a dividend-paying company headquartered 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.

Please refer to the section titled "**GLOSSARY**" for measurements and abbreviations that may be used in the MD&A.

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

2022 AND FOURTH QUARTER 2022 HIGHLIGHTS

Highlights from 2022 and the fourth quarter of 2022 are as follows:

- generated $40.2 million of adjusted funds flow ($0.11 per basic and fully diluted share) for the three months ended December 31, 2022, and $163.2 million ($0.47 per basic and $0.45 per fully diluted share) for the year ended December 31, 2022, 53% and 176% higher than the respective periods in the prior year;
- generated net earnings of $24.7 million ($0.07 per basic and fully diluted share) for the three months ended December 31, 2022, and $108.9 million ($0.31 per basic and $0.30 per fully diluted share) for the year then ended;
- production averaged 21,041 Boe/d and 21,015 Boe/d during the three months and year ended December 31, 2022, 10% and 14% higher than the comparable periods in 2021;
- paid dividends of $10.8 million ($0.03 per share basic and fully diluted share) for the three months ended December 31, 2022 and $23.6 million ($0.07 per basic and fully diluted share) for the year ended December 31, 2022;
- repaid in full $30.0 million of term debt and $12.0 million of promissory notes outstanding by the end of the second quarter of 2022 to be debt free;
- had positive net cash of $55.9 million at December 31, 2022 compared to $49.7 million of net debt at December 31, 2021, a year over year change of $105.6 million;
- drilled, four (2.8 net) Pekisko oil wells and seven (1.4 net) Ellerslie liquids rich natural gas wells in 2022; and
- 2022 capital expenditures totaled $34.7 million, including development capital of $20.5 million, facilities optimization and maintenance capital of $8.4 million and abandonment and reclamation expenditures of $5.8 million.

SELECTED ANNUAL FINANCIAL INFORMATION

		Year ended December 31,	
	2022	2021	2020
($000s, unless otherwise indicated)			
FINANCIAL[1]			
Commodity sales (before royalties)	**306,208**	163,985	103,170
Commodity sales (net of royalties)	**270,448**	146,976	96,897
Cash provided by operating activities	**150,452**	49,483	8,787
Adjusted funds flow[2]	**163,206**	59,106	8,729
Per share – Basic ($/share)	**0.47**	0.18	0.03
Per share – Diluted ($/share)	**0.45**	0.17	0.03
Net earnings/(loss) for the year	**108,939**	81,421	(50,107)
Per share – Basic ($/share)	**0.31**	0.24	(0.15)
Per share – Diluted ($/share)	**0.30**	0.23	(0.15)
Total assets	**375,053**	378,997	288,899
Total liabilities	**241,325**	333,579	326,216
Capital expenditures	**29,077**	21,568	7,518
Acquisitions	**1,119**	23,147	(6)
Dispositions	**(2,649)**	(320)	(829)
Dividends	**23,574**	-	-
Per share – Basic ($/share)	**0.07**	-	-
Per share – Diluted ($/share)	**0.07**	-	-
Positive net cash (net debt)[2]	**55,913**	(49,652)	(63,050)
Total non-current financial liabilities[3]	**2,296**	44,521	62,816
Weighted average common shares outstanding (000s) - Basic	**346,443**	337,254	330,284
Weighted average common shares outstanding (000s) - Diluted	**360,033**	348,285	330,284
OPERATIONS			
Production			
Natural gas (Mcf/d)	**109,801**	100,655	104,277
NGLs (Bbl/d)	**1,459**	1,250	1,187
Crude oil (Bbl/d)	**1,256**	419	439
Total (Boe/d)	**21,015**	18,445	19,006
Total (Mcfe/d)	**126,090**	110,670	114,036
Realized commodity sales prices			
Natural gas ($/Mcf)	**5.43**	3.55	2.28
NGLs ($/Boe)	**72.38**	48.65	23.11
Crude oil ($/Bbl)	**108.79**	73.47	37.31
Total ($/Boe)	**39.92**	24.36	14.83
Netback ($/Boe)			
Operating netback[2]	**22.41**	10.36	2.72
Corporate netback[2]	**21.28**	8.78	1.26
Netback ($/Mcfe)			
Operating netback[2]	**3.74**	1.73	0.45
Corporate netback[2]	**3.55**	1.46	0.21

[1] Includes results for acquisitions and excludes results for dispositions from the closing dates.
[2] This is a non-GAAP measure, see NON-GAAP MEASURES for additional information.
[3] Includes lease liabilities, term debt, due to related party and promissory notes.

	Three months ended December 31,		Year ended December 31,	
	2022	2021	**2022**	2021
($000s, unless otherwise indicated)				
FINANCIAL				
Commodity sales (before royalty expense)	**76,928**	54,413	**306,208**	163,985
Cash provided by operating activities	**33,791**	20,431	**150,452**	49,483
Adjusted funds flow[1]	**40,200**	26,279	**163,206**	59,106
Per share – Basic ($/share)[1]	**0.11**	0.08	**0.47**	0.18
Per share – Diluted ($/share)[1]	**0.11**	0.07	**0.45**	0.17
Net earnings	**24,685**	80,522	**108,939**	81,421
Per share – Basic ($/share)	**0.07**	0.24	**0.31**	0.24
Per share – Diluted ($/share)	**0.07**	0.23	**0.30**	0.23
Capital expenditures	**6,637**	10,741	**29,077**	21,568
Acquisitions	**528**	23,136	**1,119**	23,147
Dispositions	**(137)**	(133)	**(2,649)**	(320)
Dividends	**10,797**	-	**23,574**	-
Per share – Basic ($/share)	**0.03**	-	**0.07**	-
Per share – Diluted ($/share)	**0.03**	-	**0.07**	-
Positive net cash (net debt)[1]	**55,913**	(49,652)	**55,913**	(49,652)
Weighted-average common shares outstanding (000s)				
Basic	**350,216**	339,213	**346,443**	337,254
Diluted	**360,322**	350,806	**360,033**	348,285
OPERATIONS				
Production				
Natural gas (Mcf/d)	**109,307**	103,320	**109,801**	100,655
NGLs (Bbl/d)	**1,463**	1,258	**1,459**	1,250
Crude oil (Bbl/d)	**1,360**	578	**1,256**	419
Total (Boe/d)	**21,041**	19,056	**21,015**	18,445
Realized commodity sales prices				
Natural gas ($/Mcf)	**5.53**	4.56	**5.43**	3.55
NGLs ($/Boe)	**65.91**	57.42	**72.38**	48.65
Crude oil ($/Bbl)	**99.13**	82.75	**108.79**	73.47
Combined ($/Boe)	**39.74**	31.04	**39.92**	24.36
Netback ($/Boe)				
Commodity sales	**39.74**	31.04	**39.92**	24.36
Processing and gathering	**0.54**	0.49	**0.49**	0.55
Royalty expense	**(4.42)**	(3.35)	**(4.66)**	(2.53)
Transportation expenses	**(1.42)**	(1.46)	**(1.41)**	(1.39)
Operating expenses	**(13.38)**	(10.22)	**(11.93)**	(10.63)
Operating netback ($/Boe)[1]	**21.06**	16.50	**22.41**	10.36
General and administrative expenses	**(0.41)**	(0.88)	**(0.89)**	(0.86)
Interest and bank charges	**(0.06)**	(0.62)	**(0.31)**	(0.72)
Interest income	**0.17**	-	**0.07**	-
Corporate netback ($/Boe)[1]	**20.76**	15.00	**21.28**	8.78
Operating netback ($ per Mcfe)[1]	**3.51**	2.75	**3.74**	1.73
Corporate netback ($ per Mcfe)[1]	**3.46**	2.50	**3.55**	1.46

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

SENSITIVITIES

Pine Cliff's results are sensitive to changes in the business environment in which it operates. The following chart shows the Company's sensitivity to key commodity price variables. The sensitivity calculations are performed independently showing the effect of the change of one variable; all other variables are held constant.

Business environment sensitivities	Impact on annual adjusted funds flow[1,2]		
	Change	$000s	$ per share[4]
Realized natural gas price[3]	$0.10	3,527	0.01
Realized NGLs price[3]	$1.00	469	0.00
Realized crude oil price[3]	$1.00	403	0.00

[1] This is a non-GAAP measure, see NON-GAAP MEASURES for additional information.
[2] This analysis does not adjust for changes in working capital and uses corporate royalty rates from the year ended December 31, 2022.
[3] Pine Cliff has prepared this analysis using its Q4 2022 production volumes annualized for twelve months.
[4] Based on the Q4 2022 basic weighted average shares outstanding.

BENCHMARK PRICES

	Three months ended December 31,			Year ended December 31,		
	2022	2021	% Change	**2022**	2021	% Change
Natural gas						
NYMEX (US$/Mmbtu)[1]	**6.26**	5.83	7	**6.64**	3.84	73
AECO Daily 5A (C$/Mcf)[2]	**5.09**	4.63	10	**5.29**	3.61	47
Crude oil						
WTI (US$/Bbl)	**82.64**	77.19	7	**94.23**	67.92	39
Edmonton Light (C$/Bbl)	**110.13**	93.30	18	**120.10**	80.24	50
Foreign exchange						
US$/C$	**1.358**	1.260	8	**1.303**	1.254	4

[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.

	Q4-2022	Q3-2022	Q2-2022	Q1-2022	Q4-2021	Q3-2021	Q2-2021	Q1-2021
Natural gas								
NYMEX (US$/Mmbtu)[1]	**6.26**	8.20	7.17	4.95	5.83	4.01	2.83	2.69
AECO Daily 5A (C$/Mcf)[2]	**5.09**	4.14	7.20	4.72	4.63	3.58	3.08	3.14
Pine Cliff realized natural gas price (C$/Mcf)	**5.53**	4.85	6.45	4.88	4.56	3.43	3.03	3.14
Crude oil								
WTI (US$/Bbl)	**82.64**	91.56	108.41	94.29	77.19	70.56	66.07	57.84
Edmonton Light (C$/Bbl)	**110.13**	116.79	137.84	115.66	93.30	83.78	77.28	66.58
Pine Cliff realized NGLs price (C$/Bbl)	**65.91**	72.02	81.73	69.72	57.42	50.53	42.83	43.87
Pine Cliff realized Oil price (C$/Bbl)	**99.13**	103.56	126.23	108.68	82.75	74.94	69.90	60.09
Foreign exchange								
US$/C$	**1.358**	1.306	1.277	1.266	1.260	1.260	1.231	1.266

[1] Mmbtu is the abbreviation for millions of British thermal units. One Mcf of natural gas is approximately 1.02 Mmbtu.
[2] AECO prices are quoted in $/Gigajoule. Price has been converted from $/GJ to $/Mcf by multiplying by 1.05.

In the three months and year ended December 31, 2022, the AECO daily benchmark was 10% and 47% higher compared to the same periods of 2022. The changes for the quarter are mainly due to supply and demand factors including North American industrial and residential demand, increases in liquefied natural gas ("**LNG**") exports, weather, economic conditions in producing and consuming regions throughout North America and political factors. 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 and TransGas into Saskatchewan have created diversification pricing options to complement AECO pricing.

The average benchmarks for WTI crude increased by 7% and 39%, for the three months and year ended December 31, 2022, as compared to the same periods in 2021, primarily due to the sanctions placed on Russian crude oil production and growth in global demand as economies recovered from the impacts of the novel coronavirus.

Agreements made between the Organization of Petroleum Exporting Countries ("**OPEC**") and other crude oil producing countries globally have brought the supply of global oil production into approximate balance with demand. While crude oil prices are reflecting current supply and demand dynamics, future crude oil prices remain uncertain, due to the geopolitical situation in eastern Europe, impacts from a potential recession in areas of the world and the impact global monetary policy will have on the global economy.

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

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

SALES VOLUMES

	Three months ended December 31,			Year ended December 31,		
Total sales volumes by product	**2022**	2021	% Change	**2022**	2021	% Change
Natural gas (Mcf)	**10,056,224**	9,505,398	6	**40,075,125**	36,739,008	9
NGLs (Bbl)	**134,597**	115,743	16	**532,567**	456,291	17
Crude oil (Bbl)	**125,166**	53,157	135	**458,539**	153,006	200
Total Boe	**1,935,800**	1,753,133	10	**7,670,294**	6,732,465	14
Total Mcfe	**11,614,802**	10,518,798	10	**46,021,761**	40,394,790	14
Natural gas weighting	**87%**	90%	(3)	**87%**	91%	(4)

	Three months ended December 31,			Year ended December 31,		
Average daily sales volumes by product	**2022**	2021	% Change	**2022**	2021	% Change
Natural gas (Mcf/d)	**109,307**	103,320	6	**109,801**	100,655	9
NGLs (Bbl/d)	**1,463**	1,258	16	**1,459**	1,250	17
Crude oil (Bbl/d)	**1,360**	578	135	**1,256**	419	200
Total (Boe/d)	**21,041**	19,056	10	**21,015**	18,445	14
Total (Mcfe/d)	**126,246**	114,336	10	**126,090**	110,670	14

	Three months ended December 31,			Year ended December 31,		
Average daily sales volumes by area	**2022**	2021	% Change	**2022**	2021	% Change
Central (Boe/d)	**12,269**	10,289	19	**12,124**	9,817	24
Southern (Boe/d)	**6,733**	7,187	(6)	**6,853**	7,171	(4)
Edson (Boe/d)	**2,039**	1,580	29	**2,038**	1,457	40
Total (Boe/d)	**21,041**	19,056	10	**21,015**	18,445	14

Pine Cliff's sales volumes increased by 10% to 21,041 Boe/d (126,246 Mcfe/d) and by 14% to 21,015 Boe/d (126,090 Mcfe/d) for the three months and year ended December 31, 2022, as compared to the same periods in 2021. The increase in production is due primarily from the private company acquisition that closed December 29, 2021, (the "**December 2021 Acquisition**") and the 2022 drilling program, facility optimization and well re-activations, offset by weather related issues during the quarter and natural production declines.

Pine Cliff is projecting 2023 production volumes of 20,000 – 21,000 Boe/d (120,000 – 126,000 Mcfe/d), weighted approximately 85% towards natural gas.

COMMODITY SALES

	Three months ended December 31,			Year ended December 31,		
($000s)	**2022**	2021	% Change	**2022**	2021	% Change
Natural gas	**55,650**	43,368	28	**217,772**	130,546	67
NGLs	**8,871**	6,646	33	**38,549**	22,198	74
Crude oil	**12,407**	4,399	182	**49,887**	11,241	344
Total commodity sales	**76,928**	54,413	41	**306,208**	163,985	87
% of revenue from natural gas sales	**72%**	80%	(8)	**71%**	80%	(9)

Realized Prices

	Three months ended December 31,			Year ended December 31,		
$ per unit	**2022**	2021	% Change	**2022**	2021	% Change
Natural gas ($/Mcf)	**5.53**	4.56	21	**5.43**	3.55	53
NGLs ($/Bbl)	**65.91**	57.42	15	**72.38**	48.65	49
Crude oil ($/Bbl)	**99.13**	82.75	20	**108.79**	73.47	48
Total ($/Boe)	**39.74**	31.04	28	**39.92**	24.36	64
Total ($/Mcfe)	**6.62**	5.17	28	**6.65**	4.06	64

Commodity sales in the three months ended December 31, 2022 of $76.9 million increased 41% from $54.4 million in the corresponding period in the prior year. The quarter increase of $22.5 million consists of $16.8 million attributed to higher realized commodity prices and $5.7 million attributed to higher production volumes. Commodity sales in the year ended December 31, 2022 increased $142.2 million to $306.2 million from $164.0 million in the year ended December 31, 2021. The year-to-date increase of $142.2 million consists of $119.4 million attributed to higher realized commodity prices and $22.8 million attributed to higher production volumes.

Pine Cliff's realized natural gas price was $5.53 per Mcf in the three months ended December 31, 2022, 21% higher than the $4.56 per Mcf realized in the corresponding period of the prior year. This correlates with the AECO 5A reference price increase of 10%, between those two periods primarily the result of demand for LNG exports from the United States, resulting in the expectation of lower natural gas storage volumes during the winter 22/23 season. Pine Cliff's realized natural gas price was $5.43 per Mcf during the year ended December 31, 2022, 53% higher than the $3.55 per Mcf realized in the corresponding period of the prior year. Pine Cliff's realized natural gas price was 9% and 3% higher than the AECO 5A benchmarks for the three months and year ended December 31, 2022 respectively, both a result of Pine Cliff's marketing diversification programs and fixed price physical natural gas sales contracts.

For the three months and year ended December 31, 2022, Pine Cliff's realized NGLs price was $65.91 per Bbl and $72.38 per Bbl, compared to $57.42 per Bbl and $48.65 per Bbl, in the corresponding periods of the prior year. For the three months and year ended December 31, 2022, Pine Cliff's realized oil price was $99.13 per Bbl and $108.79 per Bbl, compared to $82.75 per Bbl and $73.47 per Bbl in the corresponding periods of the prior year. Pine Cliff's realized crude oil prices in the three months and year ended December 31, 2022 were 90% and 91% of Edmonton Light compared to 89% and 92% in the corresponding period of the prior year. Pine Cliff's realized NGLs prices in the three months and year ended December 31, 2022 were 60% of Edmonton Light compared to 62% and 61% in the corresponding periods of the prior year. This increase in crude oil and NGLs pricing in the three months and year ended December 31, 2022, compared to the corresponding periods of 2021, is due primarily to balanced market conditions following the effect of sanctions on Russian oil production arising from the war in Ukraine and OPEC oil supply reductions.

ROYALTY EXPENSE

($000s)	Three months ended December 31, 2022	2021	% Change	Year ended December 31, 2022	2021	% Change
Total royalty expense	**8,554**	5,868	46	**35,760**	17,009	110
$ per Boe	**4.42**	3.35	32	**4.66**	2.53	84
$ per Mcfe	**0.74**	0.56	32	**0.78**	0.42	84
Royalty expense as a % of commodity sales	**11%**	11%	-	**12%**	10%	20

For the three months ended December 31, 2022, total royalty expense increased by 46% to $8.6 million from $5.9 million in the corresponding period of the prior year. Royalty expense as a percentage of commodity sales were 11% in the three months ended December 31, 2022, unchanged from the corresponding period of the prior year.

For the year ended December 31, 2022, total royalty expense increased by 110% to $35.8 million from $17.0 million in the corresponding period of the prior year. Royalty expense as a percentage of commodity sales increased to 12% during the year ended December 31, 2022, compared to 10% in the corresponding period of the prior year. The increase in royalty expenses as a percentage of commodity sales for the year ended December 31, 2022 is due to the increase in NGLs and crude oil as a percentage of natural gas sales combined with an increase in commodity prices.

Pine Cliff anticipates royalty expenses to average between 9% - 11% of commodity sales in 2023.

TRANSPORTATION COSTS

($000s)	Three months ended December 31, 2022	2021	% Change	Year ended December 31, 2022	2021	% Change
Total transportation costs	**2,743**	2,564	7	**10,806**	9,328	16
$ per Boe	**1.42**	1.46	(3)	**1.41**	1.39	1
$ per Mcfe	**0.24**	0.24	(3)	**0.24**	0.23	1

For the three months and year ended December 31, 2022, total transportation costs increased by 7% and 16% to $2.7 million and $10.8 million from $2.6 million and $9.3 million in the corresponding periods of the prior year. The higher transportation expenses are from increased natural gas sales volumes and the Company delivering to markets with higher pricing points than AECO during the respective periods.

Pine Cliff anticipates transportation expenses to average between $1.40 - $1.50 per Boe ($0.23 - $0.25 per Mcfe) in 2023.

NET OPERATING EXPENSES

($000s)	Three months ended December 31, 2022	2021	% Change	Year ended December 31, 2022	2021	% Change
Operating expenses	**25,898**	17,923	44	**91,490**	71,590	28
Less: processing and gathering income	**(1,046)**	(854)	22	**(3,780)**	(3,730)	1
Net operating expenses	**24,852**	17,069	46	**87,710**	67,860	29
$ per Boe	**12.84**	9.73	32	**11.44**	10.08	13
$ per Mcfe	**2.14**	1.62	32	**1.91**	1.68	13

Net operating expenses increased by 46% and 29% to $24.9 million and $87.7 million for the three months and year ended December 31, 2022, as compared to $17.1 million and $67.9 million in the corresponding periods of the prior year. The increase during the quarter and the year ended December 31, 2022 is primarily due to the December 2021 Acquisition, inflationary pressures primarily on power and variable field costs and incremental operating costs associated with petroleum handling and weather related issues. On a per Boe basis, operating costs increased to $12.84 per Boe and $11.44 per Boe for the three months and year ended December 31, 2022 compared to $9.73 per Boe and $10.08 per Boe in the corresponding periods of 2021.

Pine Cliff anticipates net operating expenses to average between $11.50 - $12.00 per Boe ($1.92 - $2.00 per Mcfe) in 2023.

GENERAL AND ADMINISTRATIVE EXPENSES ("G&A")

	Three months ended December 31,			Year ended December 31,		
($000s)	**2022**	2021	% Change	**2022**	2021	% Change
Gross G&A	**1,853**	3,506	(47)	**10,183**	8,847	15
Less: overhead recoveries	**(1,060)**	(1,960)	46	**(3,364)**	(3,040)	(11)
Total G&A expenses	**793**	1,546	(49)	**6,819**	5,807	17
$ per Boe	**0.41**	0.88	(53)	**0.89**	0.86	3
$ per Mcfe	**0.07**	0.15	(53)	**0.15**	0.14	3

G&A decreased by 49% to $0.8 million in the three months ended December 31, 2022, as compared to $1.5 million in the corresponding period of the prior year. The decrease in G&A during the three months ended December 31, 2022 is primarily a result of a reduction in the provision for compensation costs pursuant to the Company's short term incentive bonus program. G&A increased to $6.8 million for the year ended December 31, 2022 as compared to $5.8 million in the corresponding period of the prior year and reflects an increase in annual compensation costs arising from the December 2021 Acquisition and an increase in the short-term incentive bonus from the prior year.

On a per Boe basis, G&A for the three months ended December 31, 2022, decreased 53% to $0.41 per Boe from $0.88 per Boe in the corresponding period of the prior year, primarily due to a reduction in the provision for compensation costs. On a per Boe basis, G&A for the year ended December 31, 2022 increased 3% to $0.89 per Boe from $0.86 per Boe in the prior year.

Pine Cliff anticipates G&A expenses to average between $0.90 - $1.10 per Boe ($0.15 - $0.18 per Mcfe) in 2023.

SHARE-BASED PAYMENTS

	Three months ended December 31,			Year ended December 31,		
($000s)	**2022**	2021	% Change	**2022**	2021	% Change
Total share-based payments	**725**	337	115	**2,456**	997	146
$ per Boe	**0.37**	0.19	95	**0.32**	0.15	113
$ per Mcfe	**0.06**	0.03	95	**0.05**	0.03	113

Share based payments increased by 115% and 146% for the three months and year ended December 31, 2022 compared to the corresponding periods of 2021 primarily as a result of the increase in the fair value of stock options granted in 2022, as calculated using the Black-Scholes option pricing model. 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's board of directors to a maximum of 10% of the outstanding Common Shares.

During the year ended December 31, 2022, Pine Cliff granted 7,161,600 stock options to purchase Common Shares at a weighted average exercise price of $1.89 (December 31, 2021 – 11,386,600 at an average exercise price of $0.34). As at December 31, 2022, the Company had 18,323,519 stock options outstanding, representing 5.2% of Common Shares outstanding (December 31, 2021 – 25,269,810 representing 7.4% of Common Shares outstanding).

DEPLETION, DEPRECIATION, AND IMPAIRMENT

	Three months ended December 31,			Year ended December 31,		
($000s)	**2022**	2021	% Change	**2022**	2021	% Change
Total depletion and depreciation	**10,835**	10,661	2	**44,074**	40,994	8
$ per Boe	**5.60**	6.08	(8)	**5.75**	6.09	(6)
$ per Mcfe	**0.93**	1.01	(8)	**0.96**	1.01	(6)
Impairment reversal	**-**	(13,979)	(100)	**(4,500)**	(13,979)	(68)
Total depletion, depreciation, and impairment	**10,835**	(3,318)	(427)	**39,574**	27,015	46
$ per Boe	**5.60**	(1.89)	(396)	**5.16**	4.01	29
$ per Mcfe	**0.93**	(0.32)	(396)	**0.86**	0.67	29

Depletion and depreciation expense for the three months and year ended December 31, 2022, totaled $10.8 million and $44.1 million compared to $10.7 million and $41.0 million in the corresponding periods of the prior year. The increase for the year is a result of a higher 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, the amount and success of capital expenditures and the amount of future development costs. Depletion is calculated using total proved and probable reserves and reserves estimates are subject to revision.

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

As at December 31, 2022, the Company had three cash generating units ("**CGU's**") being the Southern CGU, Central CGU and Edson CGU. In accordance with IFRS, an impairment test is performed if the Company identifies indicators of impairment at the end of a reporting period. At December 31, 2022, there were no indicators of impairment or additional impairment reversals for PP&E assets and therefore an impairment test was not required.

At June 30, 2022, the Company identified indicators of an impairment reversal in the Edson CGU due to increased forward commodity prices since its previously completed impairment assessment 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.

The Company determined that the recoverable amounts 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 and 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	72.83	1.26	86.82	3.56
2023	68.78	1.26	80.73	3.21
2024	66.76	1.26	78.01	3.05
2025	68.09	1.26	79.57	3.11
2026	69.45	1.26	81.16	3.17
2027	70.84	1.26	82.78	3.23
2028-2036	78.32	1.26	91.52	3.57
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 recoverable amounts of each of the Company's CGU's at June 30, 2022 were estimated at their fair value less cost to sell ("**FVLCS**"), based on the net present value of discounted future cash flow from operating activities from oil and gas reserves as estimated by the Company's reserves evaluator at June 30, 2022. The FVLCS used to determine the recoverable amounts are classified as Level 3 fair value measurements as certain key assumptions are not based on observable market data, but rather, the Company's management's best estimates.

The Company used a pre-tax 15% discount rate for the June 30, 2022 impairment test which considered 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 an 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 June 30, 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.

The following CGU's were reversed as at December 31:

CGU	**2022**	2021
Edson	**(4,500)**	(12,000)
CBM	**-**	(1,979)
Total impairment reversal	**(4,500)**	(13,979)

Asset Exchange

On December 1, 2022, the Company closed an asset exchange agreement for non-core assets in Central Alberta, resulting in a gain of $2.5 million.

Exploration and Evaluation Assets ("E&E") Impairment Assessment

At December 31, 2022, the Company determined that no indicators of impairment existed for E&E assets.

FINANCE EXPENSES

	Three months ended December 31,			Year ended December 31,		
($000s)	**2022**	2021	% Change	**2022**	2021	% Change
Interest expense and bank charges	**112**	1,088	(90)	**2,407**	4,876	(51)
$ per Boe	**0.06**	0.62	(90)	**0.31**	0.72	(57)
$ per Mcfe	**0.01**	0.10	(90)	**0.05**	0.12	(57)
Non cash:						
Accretion on decommissioning provision	**1,644**	1,348	22	**6,157**	5,373	15
Accretion on subordinated promissory notes	**-**	8	(100)	**97**	156	(38)
Total finance expenses	**1,756**	2,444	(28)	**8,661**	10,405	(17)
$ per Boe	**0.91**	1.39	(35)	**1.13**	1.55	(27)
$ per Mcfe	**0.15**	0.23	(35)	**0.19**	0.26	(27)

Finance expenses decreased by 28% and 17% to $1.8 million and $8.7 million for the three months and year ended December 31, 2022, as compared to $2.4 million and $10.4 million in the corresponding periods of the prior year. The outstanding Term Debt, as defined herein, due to related party and subordinated promissory notes were all repaid in full during the six months ended June 30, 2022. Please refer to the "**DEBT, LIQUIDITY AND CAPITAL RESOURCES**" section for additional information.

DEFERRED INCOME TAX

The Company has recorded a deferred tax asset of $37.0 million (December 31, 2021 - $50.6 million) related to the benefit of tax pools, as it is probable that they will be recovered.

The Company had the following tax pools, including non-capital loss carry-forwards, at December 31, 2022:

Category of tax pool ($000s)	Rate of Utilization (%)	**2022**
Undepreciated capital costs	7 - 55	**27,285**
Canadian oil and gas property expenditures	10	**166,196**
Canadian development expenditures	30	**20,683**
Canadian exploration expenditures	100	**156**
Share issue costs	20	**82**
Non-capital losses carried forward[1]	100	**20,759**
Capital losses carried forward[2]		**5,523**
		240,684

[1] Non-capital losses expire between the years 2035 and 2040.
[2] The capital losses carried forward can only be claimed against taxable capital gains.

CAPITAL EXPENDITURES, ACQUISITIONS AND DISPOSITIONS

	Year ended December 31,	
($000s)	**2022**	2021
Exploration and evaluation	**63**	103
Property, plant and equipment	**29,014**	21,465
Capital expenditures	**29,077**	21,568
Acquisitions	**1,119**	23,147
Dispositions	**(2,649)**	(320)
Total	**27,547**	44,395

Capital expenditures on PP&E of totaled $29.1 million, including development capital of $20.5 million, facilities optimization and maintenance capital of $8.6 million. In 2022, the Company completed and tied-in of two gross (1.4 net) Pekisko oil wells drilled during the fourth quarter of 2021, drilled and completed four (2.8 net) Pekisko oil wells and seven (1.4 net) Ellerslie liquids rich natural gas wells.

DECOMMISSIONING PROVISION

The total current and long-term decommissioning provision of $208.4 million was estimated by management based on the Company's working interest and estimated costs to remediate, reclaim and abandon its wells, pipelines, and facilities and estimated timing of the costs to be incurred in future periods.

At December 31, 2022, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was $277.3 million (December 31, 2021 - $263.2 million). The discounted and inflated amount required to settle the decommissioning liabilities of $208.4 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 3.33% (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 50 years into the future.

DEBT, LIQUIDITY AND CAPITAL RESOURCES

Due to Related Party

Pine Cliff had a $6.0 million promissory note to the Company's Chairman of the Board bearing interest at 6.5% per annum, payable monthly. On June 30, 2022, Pine Cliff repaid in full the $6.0 million promissory note. Interest paid on this promissory note for the year ended December 31, 2022 was $0.2 million (December 31, 2021 - $0.4 million).

Borrowing Facility

The Company had a $4.0 million borrowing facility (the "**Facility**") with the Company's Chairman of the Board (the "**Lender**"), whereby the Lender provided up to $4.0 million of borrowings at an interest rate of 6.5% per annum, payable monthly. The Facility was cancelled effective December 1, 2022. There was no amount drawn on the Facility at any time during the year ended December 31, 2022 (December 31, 2021 - $nil). Interest paid on the Facility for the year ended December 31, 2022, was $nil (December 31, 2021 - $nil).

Promissory Notes

Pine Cliff had issued $6.0 million promissory notes to a shareholder, owning at the time, directly or by discretion, greater than 10% of the Common Shares. Those promissory notes bore interest at 6.5% per annum, payable monthly. On June 30, 2022, Pine Cliff repaid in full the $6.0 million promissory notes.

Term Debt

The non-revolving credit facility ("**Term Debt**") with Alberta Investment Management Corporation ("**AIMCO**"), acting on behalf of its clients, consisted of a first tranche with a principal amount of $30.0 million that was due to mature on December 31, 2024 (the "**2024 Tranche**") and a second tranche with a principal amount of $19.0 million that was due to mature on July 31, 2022 (the "**2022 Tranche**"). Interest on the 2024 Tranche was payable at a rate of 10.75% per annum until September 30, 2022 and thereafter such interest rate would increase by 1% per annum up to 12.75% and interest was payable on the 2022 Tranche at a rate of 7.05% per annum. All or a portion of the principal amount outstanding was able to be repaid at any time, but without any penalty or premium after September 30, 2022 with respect to the 2024 Tranche and, July 13, 2021 with respect to the 2022 Tranche.

During the year ended December 31, 2021, the Company repaid in full the 2022 Tranche. During the first six months of 2022, the Company repaid in full the 2024 Tranche, resulting in an interest penalty of $0.7 million. 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.

Demand Loan Facility

The Company has a demand operating loan (the "**Demand Loan**") of $8.0 million with a Canadian chartered bank, of which no amount was drawn at December 31, 2022 (December 31, 2021 - $nil). Borrowings bear interest at the bank's prime lending rate plus 2.0%. Letters of credit issued under the Demand Loan are supported by a performance guarantee from Export Development Canada for an amount up to $2.60 million and incur an issuance fee ranging from 3.12% to 3.62%. At December 31, 2022, the Company had issued $1.68 million in letters of credit (December 31, 2021 - $2.50 million).

The Demand Loan is secured by a general security agreement over certain tangible field facilities of the Company.

Liquidity and Capital Resources

Pine Cliff's approved capital budget for 2023 is $27.9 million, including $12.8 million in development capital, $8.6 million on facility optimization and maintenance capital and $6.5 million on abandonments and reclamation. This capital budget does not include acquisitions and dispositions. 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.

As at December 31, 2022, the Company's capital comprises shareholders' equity and working capital. Pine Cliff manages the capital structure and adjusts considering economic conditions and the risks of the underlying assets. The Company currently has a working capital surplus. 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 equity when practical.

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

($000s)	**December 31, 2022**	December 31, 2021	$ Change
Cash	**54,428**	6,874	47,554
Trade and other receivables	**27,187**	21,613	5,574
Prepaid expenses and deposits	**3,767**	3,446	321
Investments	**171**	-	171
Less:			
Trade and other payables	**(29,640)**	(39,585)	9,945
Term debt[1]	**-**	(30,000)	30,000
Due to related party	**-**	(6,000)	6,000
Promissory notes	**-**	(6,000)	6,000
Positive net cash (net debt)[2]	**55,913**	(49,652)	105,565

[1] The Term Debt for positive net cash/net debt is presented at the principal amount with $30.0 million repaid in 2022.
[2] This is a non-GAAP measure, see NON-GAAP MEASURES for additional information.

Share Capital

Share capital	**March 7, 2023**	December 31, 2022	December 31, 2021
Common Shares	**351,298,608**	350,908,570	339,539,415
Stock options	**17,620,366**	18,323,519	25,269,810

COMMITMENTS AND CONTINGENCIES

As at December 31, 2022, the Company has the following commitments and other contractual obligations:

($000s)	2023	2024	2025	2026	2027	Thereafter
Trade and other payables	29,640	-	-	-	-	-
Lease obligations	1,154	1,017	847	585	-	-
Transportation[1]	9,039	6,969	6,423	5,619	4,328	-
Total commitments and contingencies	**39,833**	**7,986**	**7,270**	**6,204**	**4,328**	**-**

[1] Firm transportation agreements.

SUBSEQUENT EVENTS

Dividends

On January 31, 2023 and February 28, 2023, the Company paid a monthly dividend of $0.01083 per Common Share.

On March 2, 2023, the Company declared a monthly dividend of $0.01083 per Common Share. The dividend is payable March 31, 2023, to all shareholders of record on March 15, 2023.

QUARTERLY TRENDS AND SELECTED FINANCIAL INFORMATION

($000s, unless otherwise indicated)	**Q4-2022**	Q3-2022	Q2-2022	Q1-2022	Q4-2021	Q3-2021	Q2-2021	Q1-2021
FINANCIAL								
Total revenue	**69,746**	62,778	82,755	59,449	49,399	36,747	31,390	33,170
Cash provided by operating activities	**33,791**	42,258	50,532	23,871	20,431	12,410	8,171	8,471
Adjusted funds flow[1]	**40,200**	34,883	55,816	32,307	26,279	13,333	9,494	10,000
Per share – Basic ($/share)	**0.11**	0.10	0.16	0.09	0.08	0.04	0.03	0.03
Per share – Diluted ($/share)	**0.11**	0.10	0.15	0.09	0.07	0.04	0.03	0.03
Net earnings (loss)	**24,685**	18,629	50,192	15,433	80,522	2,323	(744)	(680)
Per share – Basic ($/share)	**0.07**	0.05	0.15	0.05	0.24	0.01	(0.00)	(0.00)
Per share – Diluted ($/share)	**0.07**	0.05	0.14	0.04	0.23	0.01	(0.00)	(0.00)
Capital expenditures	**6,637**	12,591	4,282	5,567	10,741	8,903	1,556	368
Dividends	**10,797**	9,888	2,889	-	-	-	-	-
Per share – Basic ($/share)	**0.03**	0.03	0.01	-	-	-	-	-
Per share – Diluted ($/share)	**0.03**	0.03	0.01	-	-	-	-	-
Acquisitions	**528**	-	319	272	23,136	11	-	-
Positive net cash (net debt)[1]	**55,913**	35,068	22,496	(24,752)	(49,652)	(41,413)	(45,292)	(53,122)
Weighted average common shares outstanding (000s):								
Basic	**350,216**	349,187	345,402	340,835	339,213	337,921	336,802	335,556
Diluted	**360,322**	360,654	360,703	349,304	350,806	346,732	336,802	335,556
PRODUCTION VOLUMES								
Natural gas (Mcf/d)	**109,307**	109,936	111,951	107,955	103,320	100,462	99,528	99,267
NGLs (Bbl/d)	**1,463**	1,547	1,475	1,347	1,258	1,178	1,166	1,400
Crude oil (Bbl/d)	**1,360**	1,406	1,197	1,057	578	394	341	362
Average sales volumes (Boe/d)	**21,041**	21,276	21,331	20,397	19,056	18,316	18,095	18,307
Average sales volumes (Mcfe/d)	**126,246**	127,656	127,986	122,382	114,336	109,896	108,570	109,842
PRICES AND NETBACKS								
Total commodity sales ($/Boe)	**39.74**	37.13	46.59	36.05	31.04	23.67	20.75	21.56
Operating netback ($/Boe)[1]	**21.06**	18.66	30.40	19.41	16.50	9.22	7.50	7.88
Corporate netback ($/Boe)[1]	**20.76**	17.82	28.76	17.60	15.00	7.92	5.77	6.05
Total commodity sales ($/Mcfe)	**6.62**	6.19	7.77	6.01	5.17	3.95	3.46	3.59
Operating netback ($/Mcfe)[1]	**3.51**	3.11	5.07	3.24	2.75	1.54	1.25	1.31
Corporate netback ($/Mcfe)[1]	**3.46**	2.97	4.79	2.93	2.50	1.32	0.96	1.01

[1] This 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 net earnings (loss) have fluctuated primarily due to changes in commodity prices and sales volumes. Net earnings (loss) also fluctuate with non-cash expenditures, including depletion, depreciation and impairments. Selected highlights for the past eight quarters are consistent with those disclosed in the Annual MD&A, except as described below.

- Average 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 completion of the 2021 capital program and weather variations. Average sales volumes decreased from the second through to the fourth quarter of 2022 due primarily to normal production declines and shut-ins for scheduled maintenance turnarounds, slightly offset by incremental sales volumes from the 2022 capital program.

- 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. Adjusted funds flow decreased from the second quarter of 2022 to the third quarter of 2022 mainly as a result of decreases in commodity prices and sales volumes. Adjusted funds flow increased from the third quarter of 2022 to the fourth quarter of 2022 mainly as a result of increases in commodity prices, slightly offset by a decrease in sales volumes.

- Net earnings increased in the first quarter of 2022 compared to the fourth quarter of 2021 as a result of an increase in commodity sales. Net 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. Net earnings decreased in the third quarter of 2022 compared to the second quarter of 2022 mainly as a result of a decrease in commodity sales and sales volumes. Net earnings increased in the fourth quarter of 2022 compared to the third quarter of 2022 mainly as a result of an increase in commodity sales, slightly offset by a decrease in sales volumes.

- 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. Total revenues decreased from the second quarter of 2022 to the third quarter of 2022, mainly as a result of a decrease in commodity prices and sales volumes. Total revenues increased in the fourth quarter of 2022 compared to the third quarter of 2022 mainly as a result of an increase in commodity sales, slightly offset by a decrease in 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 and fair value measurement

Financial instruments of the Company consist of cash, trade and other receivables, investments, trade and other payables, due to related party, promissory notes and Term Debt. 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. The carrying values of due to related party, promissory notes and Term Debt approximate their respective fair values due to their interest rates reflecting current market conditions. Investments are measured at fair value based on quoted market prices.

Assets and liabilities that are measured at fair value are classified into levels, reflecting the method used to make the measurements. Level 1 fair value measurements are based on quoted prices that are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis. 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.

Market Risk

Market risk is the risk that the fair value or future cash provided by operating activities of the Company's financial instruments will fluctuate because of changes in market prices. Components of market risk to which Pine Cliff is exposed are discussed below.

Commodity Price Risk

The Company is exposed to commodity price risk since its revenues are dependent on the prices of crude oil, NGLs, natural gas. Commodity prices have fluctuated widely during recent years due to global and regional factors including, but not limited to, supply and demand, inventory levels, weather, economic changes and geopolitical factors and instability. Changes in natural gas, crude oil and NGL prices may have a significant effect, positively or negatively, on the ability of the Company to meet its obligations, capital spending targets and expected operational results. A material decline or extended period of low natural gas, crude oil or NGL prices will result in a reduction of net production revenue. The economics of producing from some wells may change because of lower prices, which will result in reduced production of natural gas, crude oil or NGL prices and a reduction in the volumes of Pine Cliff's reserves. Management may also elect not to produce from certain wells at lower prices. During the year ended December 31, 2022, Pine Cliff's average sales volumes were 87% natural gas.

Physical Sales Contracts

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

At December 31, 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]
April 1, 2023 to October 31, 2023	AECO	7,500	$3.94	$4.14
April 1, 2023 to October 31, 2023	Dawn[3]	2,500	$6.27	$6.58
January 1, 2023 to March 31, 2023	Suffield[4]	5,000	AECO 5A + 0.98/GJ	AECO 5A + 1.03/Mcf
January 1, 2023 to October 31, 2023	TransGas[5]	9,500	AECO 5A + 0.56/GJ	AECO 5A + 0.59/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] The contract terms of the physical fixed price natural gas sales contract to Suffield#2 delivery point (Suffield, Alberta).
[5] Subsidiary of SaskEnergy, Saskatchewan.

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Contract Price ($CAD/GJ)[1]	Contract Price ($CAD/Mcf)[1,2]
January 1, 2023 to March 31, 2023	AECO	5,000	$4.75 - $6.00	$4.99 - $6.30
January 1, 2023 to March 31, 2023	AECO	5,000	$6.00 - $11.60	$6.30 - $12.18
April 1, 2023 to October 31, 2023	AECO	5,000	$4.00 - $5.45	$4.20 - $5.72

[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.

Subsequent to December 31, 2022, the Company had the following additional physical natural gas sales contracts in place:

Contractual Term	Type of Contract	Physical Delivery Quantity (Mmbtu/day)[1]	Contract Price ($USD/ Mmbtu)[2,3]
April 1, 2023 to October 31, 2023	AECO[3]	5,000	NYMEX Henry Hub less US$1.335/Mmbtu

[1] One Mcf of natural gas is approximately 1.02 Mmbtu.
[2] Prices reported are the weighted average prices of the periods.
[3] AECO basis differential.

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Contract Price ($CAD/GJ)[1]	Contract Price ($CAD/Mcf)[1,2]
April 1, 2023 to October 31, 2023	AECO	7,500	$2.73	$2.87
April 1, 2023 to June 30, 2023	AECO	5,000	$2.54	$2.67

[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 December 31, 2022, the Company had the following physical crude oil sales contract in place:

Contractual Term	Crude Oil	Physical Delivery Quantity (Bbl/day)	Contract Price ($CAD/Bbl)[1]
January 1, 2023 to March 31, 2023	WTI Fixed Price	250	$117.50

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

Subsequent to December 31, 2022, the Company had the following additional physical crude oil sales contracts in place:

Contractual Term	Crude Oil	Physical Delivery Quantity (Bbl/day)	Contract Price ($CAD/Bbl)[1]
April 1, 2023 to June 30, 2023	WTI Fixed Price	250	$108.30

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

Interest Rate Risk

The Company is principally exposed to interest rate risk to the extent it draws on variable rate debt. The Company currently has a Demand Loan with a Canadian chartered bank, of which no amount is drawn as at December 31, 2022. Borrowings under the Demand Loan bears interest at the banks' prime lending rate plus 2.5%. Pine Cliff has not entered into any derivative financial instruments to manage this risk at this time.

Equity Price Risk

Equity price risk refers to the risk that the fair value of investments will fluctuate due to changes in equity markets for each company. Equity price risk is also influenced from the estimated realizable value of investments that the Company holds.

Foreign Exchange Risk

The Company and its share price are exposed to risk on foreign exchange rates because the commodity prices it receives are indirectly determined in reference to United States dollar denominated commodity prices. The Company manages this risk by monitoring the foreign exchange rate and evaluating its effect on cash provided by operating activities. Pine Cliff has not entered into any derivative financial instruments to manage this risk at this time.

Credit Risk

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

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

The Company's trade and other receivables balance at December 31, 2022 of $28.0 million (December 31, 2021 – $21.6 million), is primarily with oil and gas marketers, joint venture partners and crown royalty credits with the Province of Alberta. Amounts due from these parties have generally been received within 30 to 60 days. When determining whether amounts that are past due are collectible, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. The Company generally considers amounts greater than 90 days to be past due. As at December 31, 2022, there was $0.4 million (December 31, 2021 - $0.2 million) of trade and other receivables over 90 days. Pine Cliff assesses its trade and other receivables quarterly to determine if there has been any impairment. During the year ended December 31, 2022, the Company recorded a bad debt recovery of $0.4 million (December 31, 2021 - $nil) against trade and other accounts receivables.

Liquidity Risk

Liquidity risk is the risk that Pine Cliff will not be able to meet its financial obligations as they become due. Pine Cliff manages its liquidity risk through actively managing its capital, which it defines as cash, debt and equity. Capital management strategies include continuously monitoring forecasted and actual cash provided by operating, financing and investing activities and opportunities to issue additional equity. Pine Cliff actively monitors its credit and working capital to ensure that it has sufficient available funds to meet its financial requirements at a reasonable cost. Management believes that funds generated from these sources currently will be adequate to settle Pine Cliff's financial liabilities. If required, Pine Cliff will also consider additional short-term financing or issuing equity in order to meet its future liabilities. Any of these events could affect Pine Cliff's ability to fund ongoing operations.

RISK FACTORS

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

Environmental

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

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

Fiscal Environment

Resource industries are subject to payments to various levels of government, predominantly corporate income taxes to the federal and provincial governments and royalties to provincial governments. In recent years, while the corporate income tax regime has been stable, the royalty regime has not been. A series of changes have had at times both positive and negative effects but have certainly served to emphasize the materiality of this risk. There is potential for additional future changes to the taxation and royalty regime in Alberta and Saskatchewan and corresponding changes in other jurisdictions where Pine Cliff may operate has created uncertainty surrounding the ability to accurately estimate future taxation and royalties, resulting in additional volatility and uncertainty in the oil and gas market. As a single company, Pine Cliff has no ability to mitigate this risk other than through geographic diversification.

Operational

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

Regulatory Risks

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

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

Reserves

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

Safety

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

Staffing

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

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

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

Judgements

Cash Generating Units

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

Impairment (impairment recovery) indicators

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

Changing Regulation

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to environmental, social and governance and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standards with the aim to develop sustainability disclosure standards that are globally consistent, comparable, and reliable. In addition, the Canadian Securities Administrators have issued a proposed National Instrument 51-107 Disclosure of Climate-related Matters. The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified and it is possible that the long-term effects of these new regulations will affect the Company's business, results from operations, access to capital and financial condition.

Estimates

Reserves

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

Exploration and evaluation assets

The application of the Company's accounting policy for E&E expenditures requires judgement in determining whether it is likely that future economic benefit exists when activities have not reached a stage where technical feasibility and commercial viability can be reasonably determined. Factors such as drilling results, future capital programs, future operating expenses, as well as estimated reserves are considered. In addition, management uses judgement to determine when E&E assets are reclassified to PP&E.

Decommissioning provision

Decommissioning, abandonment and site reclamation expenditures will be incurred by the Company at the end of the operating life of the Company's facilities and properties. Decommissioning expenditures are uncertain and cost estimates can vary in response to many factors including, but are not limited to, changes to relevant legal requirements, the emergence of new restoration techniques, experience at other production sites, and changes to the risk-free discount rate and expected inflation rate. The expected timing and amount of expenditures can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Share-based payments

All equity-settled, share-based awards issued by the Company are recorded at fair value using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

Contingencies

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

Income tax

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

Impairment (impairment recovery)

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

Future Accounting Pronouncements

The following are future accounting pronouncements issued and not yet effective as at December 31, 2022. The Company intends to adopt these standards as they become effective and does not expect a significant impact.

IAS 1 –Presentation of Financial Statements

Effective January 1, 2024, amendments to the classification of liabilities as non-current include the requirement that a right to defer settlement must have substance and exist at the end of the reporting period.

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

Effective January 1, 2023, amendments to IAS 8 include additional clarification on the determination of changes in accounting policies from changes in accounting estimates. The development of accounting estimates includes selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique.

IAS 12 – Income Taxes

Effective January 1, 2023, amendments to IAS 12 require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

CONTROL ENVIRONMENT

Disclosure controls and procedures

Disclosure controls and procedures ("**DC&P**"), as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, are designed to provide reasonable assurance that information required to be disclosed in the Company's annual filings, interim filings or other reports filed, or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified under securities legislation and include controls and procedures designed to ensure that information required to be so disclosed is accumulated and communicated to management, including the Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**"), as appropriate, to allow timely decisions regarding required disclosure. The CEO and the CFO of Pine Cliff evaluated the effectiveness of the design and operation of the Company's DC&P. Based on that evaluation, the CEO and CFO concluded that Pine Cliff's DC&P were effective as at December 31, 2022.

Internal control over financial reporting

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

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

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

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

NON-GAAP MEASURES

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

Adjusted Funds Flow

The Company considers adjusted funds flow a key performance measure as it demonstrates the Company's ability to generate the funds necessary to repay debt 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.

	Three months ended December 31,			Year ended December 31,		
($000s)	**2022**	2021	Change	**2022**	2021	Change
Cash provided by operating activities	**33,791**	20,431	65	**150,452**	49,483	204
Adjusted by:						
Change in non-cash working capital	**5,252**	5,120	3	**6,997**	7,990	(12)
Decommissioning obligations settled	**1,157**	728	59	**5,757**	1,633	253
Adjusted funds flow	**40,200**	26,279	53	**163,206**	59,106	176
Adjusted funds flow ($/Boe)	**20.76**	15.00	38	**21.28**	8.78	142
Adjusted funds flow ($/Mcfe)	**3.46**	2.50	38	**3.55**	1.46	142
Adjusted funds flow – basic ($/Common Share)	**0.11**	0.08	38	**0.47**	0.18	161
Adjusted funds flow – diluted ($/Common Share)	**0.11**	0.07	57	**0.45**	0.17	165

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, plus interest income, less G&A and interest expense.

Pine Cliff uses these measures to assist in understanding the Company's ability to generate cash provided by operating activities at current commodity prices and it provides an analytical tool to benchmark changes in operational performance against prior periods.

Readers are cautioned, however, that these measures should not be construed as an alternative to other terms such as 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.

	Three months ended December 31,			Year ended December 31,		
	2022	2021	$ Change	**2022**	2021	$ Change
($ per Boe, unless otherwise indicated)						
Commodity sales	**39.74**	31.04	8.70	**39.92**	24.36	15.56
Processing and gathering	**0.54**	0.49	0.05	**0.49**	0.55	(0.06)
Royalty expense	**(4.42)**	(3.35)	(1.07)	**(4.66)**	(2.53)	(2.13)
Transportation costs	**(1.42)**	(1.46)	0.04	**(1.41)**	(1.39)	(0.02)
Operating expenses	**(13.38)**	(10.22)	(3.16)	**(11.93)**	(10.63)	(1.30)
Operating netback	**21.06**	16.50	4.56	**22.41**	10.36	12.05
General and administrative	**(0.41)**	(0.88)	0.47	**(0.89)**	(0.86)	(0.03)
Interest and bank charges	**(0.06)**	(0.62)	0.56	**(0.31)**	(0.72)	0.41
Interest income	**0.17**	-	0.17	**0.07**	-	0.07
Corporate netback	**20.76**	15.00	5.76	**21.28**	8.78	12.50
Operating netback ($ per Mcfe)	**3.51**	2.75	0.76	**3.74**	1.73	2.01
Corporate netback ($ per Mcfe)	**3.46**	2.50	0.96	**3.55**	1.46	2.09

Positive Net Cash/Net Debt

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

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

FORWARD-LOOKING INFORMATION

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

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

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

Undrilled locations consist of drilling and recompletion locations booked in the independent reserve report dated March 7, 2023 prepared by McDaniel & Associates Consultants Limited and unbooked drilling and recompletion locations. Unbooked drilling and recompletion locations are internal estimates based on evaluation of geologic, reserves and spacing based on industry practice. There is no guarantee that Pine Cliff will drill these locations and there is no certainty that the drilling or completing of these locations will result in additional reserves and production or achieve expected internal rates of return. Pine Cliff activity depends on availability of capital, regulatory approvals, commodity prices, drilling costs and other factors.

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

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

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

GLOSSARY

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

Measurement

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

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

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

Financial and Business Environment

AECO – Alberta Energy Company
CGU – Cash Generating Unit
GJ - Gigajoule
NGTL – Nova Gas Transmission Line
WTI – West Texas Intermediate
MMBtu – One million British Thermal Units