PINE CLIFF ENERGY REPORTS FIRST QUARTER 2011 FINANCIAL AND OPERATING RESULTS

Report to Shareholders

Pine Cliff Energy Ltd. (Pine Cliff or the Company) is pleased to report its operational and financial results for the three months ended March 31, 2011.

Refocused Corporate Strategy
Senior management and the Board of Directors have refocused Pine Cliff's corporate strategy on its Western Canadian properties and will take an aggressive approach in Canada to find new opportunities to increase shareholder value.

A significant step to realizing this strategy was the disposition of its South American Operations in the third quarter of 2010 which significantly reduced future operating and capital costs. Currently, Pine Cliff has positive cash flow from operations as well as a positive working capital position. A key focus for the Company will be to substantially increase the Company's asset base. Pine Cliff has no debt and as such, should be able to finance any domestic opportunities it identifies either through current working capital, bank debt or an equity placement.

Operations
Production increased 46 percent in Q1 2011 over the same period in 2010 with average daily production totaling 111 BOE per day. The higher volumes are due to the Company's increased activities in Canada, specifically on its Sundance properties. During 2010, the Company completed and placed on production four gross natural gas wells (0.6 net, 15 percent working interest in each well) between February and April of the year. Quarter over quarter production levels decreased approximately 14 percent mainly due to natural production declines related to these new wells.

The promising results realized on the Sundance properties have led to further opportunities in the area. Subsequent to quarter-end, four wells (0.6 net, 15 percent working interest in each well) have been licensed in the area and it is anticipated that the operator will drill these wells in 2011.

IFRS Transition
As a final comment, the first quarter of 2011's Management's Discussion and Analysis (MD&A) and Financial Statements along with the notes thereto, are reported under International Financial Reporting Standards (IFRS). It is mandatory that all Canadian publically accountable enterprises prepare their financial statements in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP) revised to incorporate new accounting standards under IFRS. This change in accounting principles significantly affected certain financial information and disclosures from past financial reporting of the Company and may be confusing to Pine Cliff's shareholders. Reporting under IFRS will result in Canadian standards now being more aligned with European and Australian accounting standards and away from previous Canadian principles and present United States principles. IFRS permits companies to be flexible

with their reporting and this may result in making it more difficult to compare Canadian companies with each other, or in some instances, cross border reporting Canadian companies with their U.S. peers.

IFRS has been and continues to be a very costly and time consuming transition for Canadian companies and will likely continue to be so into the future. Management is of the opinion that the adoption of IFRS should have been delayed for Canadian companies and for the respective industries that are affected at least until the United States decided what form of IFRS it would adopt, if any. Regulators and the accounting profession obviously did not agree.

Pine Cliff will ensure that appropriate disclosures and discussions are provided in the MD&A and the financial statements to assist shareholders, analysts and other parties with their respective evaluations.

Outlook

As March 31, 2011, Pine Cliff had positive working capital of $482,299. With the current and prolonged low natural gas price environment, there may be opportunities for either corporate or property acquisitions. Pine Cliff also intends to continue increasing activity in Canada through participating in a more active drill program.

Submitted on behalf of the Board of Directors

George F. Fink
President, Chief Executive Officer and Director

Management's Discussion and Analysis

The following report dated June 21, 2011 is a review of the operations and current financial position for the three months ended March 31, 2011 for Pine Cliff Energy Ltd. (Pine Cliff or the Company) and should be read in conjunction with the condensed consolidated financial statements including the notes related thereto presented under International Financial Reporting Standards (IFRS) and the audited financial statements presented under Canadian generally accepted accounting principles (Canadian GAAP) for the fiscal year ended December 31, 2010, together with the notes related thereto.

A reconciliation of the new and revised standards and interpretations are outlined in Note 14 of the March 31, 2011 condensed consolidated financial statements for the comparative periods.

Transition to IFRS from Canadian GAAP

IFRS are premised on a conceptual framework similar to Canadian GAAP, however, significant differences can exist in certain matters of recognition, measurement and disclosure. On adoption of IFRS, the Company experienced material changes related to its January 1, 2010 opening consolidated statement of financial position. The following discussion highlights the new standards and first-time adoption exemptions that the Company has adopted and elected to use under IFRS. It also discusses the impact on the comparative period results of operations and financial position as previously reported under Canadian GAAP as well as possible effects going forward.

Additionally, the changes to the opening statement of financial position required that a corresponding tax asset or liability be established based on the resultant differences between the carried value of these fixed assets under IFRS and their associated tax bases. In aggregate, these increases and the application of various policies under IFRS that differ from Canadian GAAP increased shareholders' equity by $642,113 at January 1, 2010. Note 14 of the condensed consolidated financial statements provides detailed reconciliations between Canadian GAAP and IFRS of shareholders' equity as at January 1, March 31 and December 31, 2010 and of net loss for the three months ended March 31, 2010 and for the year ended December 31, 2010, respectively. These reconciliations provide explanations of each major difference.

The following discussion highlights the significant new standards that the Company has adopted under IFRS and the effect on the comparative period results of operations and financial position as previously reported under Canadian GAAP as well as the possible effects going forward.

IFRS 5 *Non-Current Assets Held For Sale and Discontinued Operations* (IFRS 5), similar to Canadian GAAP requires the Company to reclassify assets and liabilities of a disposal group or discontinued assets in the statements of financial position, comprehensive income and cash flow. Under Canadian GAAP, the date certain assets and liabilities meet the criteria for discontinued operations, the Company retroactively restates the statements of financial position, comprehensive income and cash flow to conform to the current period presentation. Under IFRS, the discontinued operations are segregated in the statement of financial position prospectively from the date discontinued operations was determined, while the statements of comprehensive income and cash flow are retroactively restated to conform to the current period presentation. This difference under IFRS resulted in January 1, 2010 and March 31, 2010 statements of financial position to be adjusted to remove the segregation of discontinued operations this change had no effect on the Company's total assets, liabilities or shareholders' equity.

IAS 27 *Consolidated and Separate Financial Statements* (IAS 27), similar to Canadian GAAP requires the Company to record a non-controlling interest (NCI) proportionate share of comprehensive income or loss to the NCI original equity investment on the face of the statement of financial position. Under Canadian GAAP, if a NCI did not have an obligation to fund their losses, the Company would not allocate the NCI's share of comprehensive losses once the NCI equity investment was zero. Under IFRS the Company must allocate such comprehensive losses to the NCI even though it creates an NCI deficit on the statement of financial position. The Company is required to record the NCI's share of losses on a retroactive basis from the date of acquisition. Recording the NCI's losses resulted in a NCI deficit for January 1, 2010 of $648,583, March 31, 2010 of $663,908 and $nil for December 31, 2010 as the Company purchased the non-controlling interest as of November 23, 2010. Total comprehensive income decreased by $727,185 on the acquisition of the NCI by the Company.

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (IAS 37), similar to Canadian GAAP requires the Company to recognize a decommissioning liability for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of oil and gas properties and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for the decommissioning of an asset is recognized as its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding decommissioning liability is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using the unit-of-production method. Following the initial recognition of the decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the discount rate used, amount or timing of the underlying cash flows needed to settle the liability. Under Canadian GAAP the discount rate used is the credit adjusted risk free rate, which is higher than the risk free rate used under IFRS. Revaluing the decommissioning liabilities under IFRS increased the decommissioning liabilities by $3,422 for continuing operations ($2,391 for discontinued operations), decreased property and equipment by $657 and shareholders' equity by $6,470 on an after-tax basis as at January 1, 2010.

The adoption of IFRS impacts the Company's assets, liabilities, shareholders' equity and net earnings for the comparative periods. A summary of the significant IFRS changes to the 2010 financial information are as follows:

Summary Net Earnings (Loss) Reconciliation

Total Operations			**2010**		
($)	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**
Net earnings (loss) - Canadian GAAP	**57,797**	**(189,701)**	**613,863**	**(177,714)**	**(188,651)**
Office and administration	10	10	-	-	-
Depletion and depreciation	(548)	(279)	(91)	(205)	27
Unwinding of the fair value of decommissioning liabilities	329	86	87	82	74
Loss on acquisition of non-controlling interest	(727,195)	(727,195)	-	-	-
Net earnings from discontinued operations	2,391	-	2,280	55	56
Net earnings (loss) - IFRS	**(667,216)**	**(917,079)**	**616,139**	**(177,782)**	**(188,494)**
Basic and diluted net earnings (loss) per share – Canadian GAAP	**0.00**	**(0.00)**	**0.01**	**(0.00)**	**(0.00)**
Effects of adjustments to net earnings (loss)	(0.01)	(0.02)	0.00	(0.00)	0.00
Basic and diluted net earnings (loss) per share - IFRS	**(0.01)**	**(0.02)**	**0.01**	**(0.00)**	**(0.00)**

Continuing Operations		**2010**			
($)	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**
Net loss - Canadian GAAP	**(372,776)**	**(189,701)**	**(121,701)**	**(39,244)**	**(22,130)**
Office and administration	10	10	-	-	-
Depletion and depreciation	(548)	(279)	(91)	(205)	27
Unwinding of the fair value of decommissioning liabilities	329	86	87	82	74
Loss on acquisition of non-controlling interest	(727,195)	(727,195)	-	-	-
Net loss - IFRS	**(1,100,180)**	**(917,079)**	**(121,705)**	**(39,367)**	**(22,029)**
Basic and diluted net loss per share – Canadian GAAP	**(0.01)**	**(0.00)**	**0.01**	**(0.00)**	**(0.00)**
Effects of adjustments to net earnings (loss)	(0.01)	(0.02)	(0.00)	(0.00)	0.00
Basic and diluted net loss per share -IFRS	**(0.02)**	**(0.02)**	**0.01**	**(0.00)**	**(0.00)**

Summary Shareholders' Equity Reconciliation

	2010			
($)	**Q4**	**Q3**	**Q2**	**Q1**
Shareholders' Equity - Canadian GAAP	**2,554,148**	**2,743,427**	**2,129,564**	**2,305,659**
Adjustments related to:				
Non-controlling interest	-	727,185	673,279	663,908
Revaluing decommissioning liabilities	(4,298)	(4,105)	(6,381)	(6,313)
Shareholders' Equity - IFRS	**2,549,850**	**3,466,507**	**2,796,462**	**2,963,254**

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 development, 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 this MD&A includes, but is not limited to: expected cash provided by continuing operations; future capital expenditures, including the amount and nature thereof; oil and natural gas prices and demand; expansion and other development trends of the oil and natural gas industry; business strategy and outlook; expansion and growth of our business and operations; and maintenance of existing customer, supplier and partner relationships; supply channels; accounting policies; credit risks; 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: the risks of foreign operations; 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 flow from operations 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 therefrom. 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.

The forward-looking information contained herein is expressly qualified by this cautionary statement.

DISCONTINUED OPERATIONS

During the second quarter of 2010, Pine Cliff committed to a plan to dispose of its South American operations to allow the Company to focus its continuing operations on the development of Canadian oil and natural gas properties. The South American Operations were sold effective September 24, 2010. Accordingly, the South American Operations have been reclassified as discontinued operations in the Consolidated Financial Statements. This is further discussed in the MD&A section entitled "Operating results from discontinued operations."

Financial and Operational Highlights

	IFRS		
As at and for the three months ended	**March 31, 2011**	December 31, 2010	March 31, 2010
TOTAL OPERATIONS ($)			
Cash Flow (Deficiency) from Operations	**148,120**	38,856	(48,741)
Per Share Basic and Diluted	**0.00**	0.00	(0.00)
Net Loss	**(32,444)**	(917,079)	(188,494)
Per Share Basic and Diluted	**(0.00)**	(0.02)	(0.00)
Capital Expenditures	**6,155**	81,622	1,013,177
Total Assets	**2,896,325**	2,929,782	3,767,607
Working Capital (Deficiency)	**482,299**	309,805	(426,596)
Shareholders' Equity	**2,574,353**	2,549,850	2,963,254
CONTINUING OPERATIONS ($)			
Cash Flow from Operations	**148,120**	38,856	19,600
Per Share Basic and Diluted	**0.00**	0.00	0.00
Net Loss	**(32,444)**	(917,079)	(22,029)
Per Share Basic and Diluted	**(0.00)**	(0.02)	(0.00)
Capital Expenditures	**6,155**	81,622	989,250
TOTAL AND CONTINUING OPERATIONS			
Revenue - Oil and Gas ($)	**245,518**	279,741	210,797
Natural Gas Liquids (NGLs)			
- Barrels per day	**1**	1	3
- Average Price ($ per barrel)	**83.63**	74.91	81.19
Natural Gas			
- MCF Per Day	**659**	768	435
- Average Price ($ per MCF)	**4.03**	3.86	4.91
Total Barrels of Oil Equivalent (BOE) Per Day (2)	**111**	129	76

(1) The comparative highlights have been restated with the adoption of International Financial Reporting Standards (IFRS).

(2) Barrels of oil equivalent (BOE) are calculated using a conversion ratio of 6 MCF to 1 barrel of oil. The conversion is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead and as such may be misleading if used in isolation.

Quarterly Financial and Operational Highlights

	IFRS				
	2011	2010			
	Q1	Q4	Q3	Q2	Q1
TOTAL OPERATIONS ($)					
Cash Flow (Deficiency) from Operations	148,120	38,856	(547)	229,181	(48,741)
Per Share Basic and Diluted	0.00	0.00	(0.00)	0.00	(0.00)
Net Earnings (Loss)	(32,444)	(917,079)	616,139	(177,782)	(188,494)
Per Share Basic and Diluted	(0.00)	(0.02)	0.01	(0.00)	(0.00)
Capital Expenditures	6,155	81,622	63,106	165,734	1,013,177
Total Assets	2,896,325	2,929,782	3,095,983	2,910,378	3,767,607
Working Capital (Deficiency)	482,299	309,805	394,482	(387,016)	(426,596)
Shareholders' Equity	2,574,353	2,549,850	3,466,507	2,796,462	2,963,254
CONTINUING OPERATIONS ($)					
Cash Flow from Continuing Operations	148,120	38,856	243,335	311,063	19,600
Per Share Basic and Diluted	0.00	0.00	0.01	0.01	0.00
Net Loss from Continuing Operations	(32,444)	(917,079)	(121,705)	(39,367)	(22,029)
Per Share Basic and Diluted	(0.00)	(0.02)	(0.00)	(0.00)	(0.00)
Capital Expenditures	6,155	81,622	40,549	108,879	989,250
TOTAL AND CONTINUING OPERATIONS					
Revenue - Oil and Gas ($)	245,518	279,741	323,641	548,391	210,797
NGLs (Barrels Per Day)	1	1	1	4	3
Natural Gas (MCF Per Day)	659	768	908	1,387	435

	Canadian GAAP			
	2009			
	Q4	Q3	Q2	Q1
TOTAL OPERATIONS ($)				
Cash Flow (Deficiency) from Operations	(125,061)	(37,247)	(241,924)	(209,166)
Per Share Basic and Diluted	(0.00)	(0.00)	(0.01)	(0.00)
Net Earnings (Loss)	(1,734,926)	(263,808)	(325,010)	(498,532)
Per Share Basic and Diluted	(0.03)	(0.01)	(0.01)	(0.01)
Capital Expenditures	266,470	600,732	9,581	119,786
Total Assets	3,475,877	4,900,934	4,558,217	4,966,907
Working Capital (Deficiency)	491,064	991,619	1,738,974	1,903,038
Shareholders' Equity	2,363,915	4,089,767	4,341,385	4,644,004
CONTINUING OPERATIONS ($)				
Cash Flow from Continuing Operations	(15,506)	91,448	(23,450)	41,850
Per Share Basic and Diluted	(0.00)	0.00	(0.00)	0.00
Net Loss from Continuing Operations	(107,735)	(94,553)	(64,813)	(185,035)
Per Share Basic and Diluted	(0.00)	(0.00)	(0.01)	(0.00)
Capital Expenditures	296,571	573,041	69	1,447
TOTAL AND CONTINUING OPERATIONS				
Revenue - Oil and Gas ($)	119,726	93,177	111,773	193,725
NGLs (Barrels Per Day)	1	1	2	1
Natural Gas (MCF Per Day)	264	295	312	392

Continuing Operations

Production

Three months ended	**March 31, 2011**	December 31, 2010	March 31, 2010
Crude oil and NGLs (barrels per day)	**1**	1	3
Natural gas (MCF per day)	**659**	768	435
Total BOE per day [1]	**111**	129	76

[1] Barrels of oil equivalent (BOE) are calculated using a conversion ratio of 6 MCF to 1 barrel of oil. The conversion is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead and as such may be misleading if used in isolation.

Production increased in Q1 2011 over Q1 2010 due to additional production from four wells (0.6 net, 15 percent working interest in each well) that were placed on production between February and April of 2010. Production was lower in Q1 2011 compared to Q4 2010 primarily due to natural production declines related to the same four wells.

Oil and Gas Sales, Net of Royalties

Three months ended	**March 31, 2011**	December 31, 2010	March 31, 2010
($)			
Revenue – oil and gas sales	**245,518**	279,741	210,797
Less:			
Crown royalties	**8,870**	6,258	17,369
Gross overriding royalties	**5,964**	6,843	5,121
Total royalties	**14,834**	13,101	22,490
Oil and gas sales, net of royalties	**230,684**	266,640	188,307
Average Realized Prices ($):			
Crude oil and NGLs (per barrel)	**83.63**	74.91	81.19
Natural gas (per MCF)	**4.03**	3.86	4.91
Royalties – percentage of revenue	**6.0**	4.7	10.7
Royalties $ per BOE	**1.49**	1.10	3.33

Revenue from petroleum and natural gas sales increased by 16 percent in Q1 2011 compared to Q1 2010 due to increased production volumes from the four (0.6 net) new wells, partially offset by lower commodity prices for natural gas. The decrease in Q1 2011 revenue compared to Q4 2010 was primarily due to natural production declines from the new wells, partially offset by increased commodity prices for natural gas. The Company did not enter into any risk management contracts in either Q1 2011 or 2010 and does not anticipate entering into any contracts for the remainder of 2011.

Crown royalties paid by the Company in Q1 2011 were lower than Q1 2010 due to lower commodity prices for natural gas and the implementation of phase two of the Alberta Government Competitiveness Review program in May 2010. The increase in crown royalties in Q1 2011 compared to Q4 2010 was due to a recovery of crown royalties paid in Q3 2010 and received in Q4 2010. The increase in gross overriding royalties for Q1 2011 over Q1 2010 was due to increased production volumes. The decrease in gross overriding royalties for Q1 2011 over Q4 2010 was due to decreased production volumes and prior period adjustments in Q4 2010.

Alberta Government Competitiveness Review

On March 11, 2010, the Government of Alberta announced it would modify conventional oil and natural gas royalties effective January 2011 to increase Alberta's competitiveness in the upstream energy sector. The five per cent front-end royalty rate on a certain volume of initial production for conventional oil and natural gas became a permanent feature of the royalty system. The maximum royalty rate for all conventional oil was reduced to 40 percent from 50 percent. New wells that initially had a five percent front-end royalty will increase to regular royalty rates after production exceeds the volume that previously permitted the five percent rate. In accordance with the government amendment, the maximum royalty rate for conventional and unconventional natural gas was reduced at higher prices from 50 to 36 percent. Other royalty incentive programs will remain in effect. Management believes these changes to the royalty system will have a positive effect on cash flow.

Production Costs

Three months ended ($)	**March 31, 2011**	December 31, 2010	March 31, 2010
Production costs	**68,176**	78,197	45,978
Per BOE	**6.84**	6.59	6.81

Production costs were higher in Q1 2011 versus Q1 2010 due to higher production volumes. The decrease in production costs in Q1 2011 compared to Q4 2010 was due to decreased production volumes.

Office and Administrative (G&A)

Three months ended ($)	**March 31, 2011**	December 31, 2010	March 31, 2010
Office and administrative expense	**49,504**	70,715	41,191

Office and administrative expenses from continuing operations increased by $8,313 in Q1 2011 compared to Q1 2010. The increase in G&A expenses is primarily due to increased continuous disclosure costs, partially offset by decreased management fees. The decrease in G&A expenditures in Q1 2011 compared to Q4 2010 is due to decreased legal fees for general matters and decreased continuous disclosure costs.

Pine Cliff does not have any employees at the present time and has engaged Bonterra Energy Corp. (Bonterra), a related party (see Related Party section), to provide management, administrative and technical services. Pine Cliff also engages the services of consultants on a contract or temporary basis if required.

Share-Based Payment

Three months ended ($)	**March 31, 2011**	December 31, 2010	March 31, 2010
Share-based payments	**-**	422	2,895

The Company has a stock-based compensation plan. The Company records a compensation expense over the vesting period based on the fair value of options granted to employees of the management company (see section "Related Party Transactions"), directors and service providers in respect of the Company. No options were issued in 2011 or 2010.

Depletion and depreciation

Three months ended ($)	**March 31, 2011**	December 31, 2010	March 31, 2010
Depletion and depreciation	**153,524**	185,724	119,742

Capital costs for oil and gas properties that result in the addition of reserves are depleted using the unit-of-production basis by field. For production facility and equipment expenditures such as well equipment, the Company depreciates these assets on a straight-line basis over ten years.

Depletion and depreciation increased in Q1 2011 compared to Q1 2010 due to increased production volumes on the additional capital spent on the four wells (0.6 net) completed in 2010. Q1 2011 had a decrease in depletion and depreciation compared to Q4 2010 due to lower production volumes.

Income Taxes

The Company has adopted the liability method of accounting for income taxes under which the deferred tax provision is based on the temporary differences in the accounts calculated using income tax rates expected to apply in the year in which the temporary differences will reverse. The Company has no current income tax expense as it has sufficient tax pools to ensure that no current income taxes are payable.

The Company has the following tax pools which can be used to reduce future taxable income:

	Rate of Utilization (%)	Amount ($)
Undepreciated capital costs	25	304,650
Canadian oil and gas expenditures	10	465,938
Canadian development expenditures	30	1,440,062
Canadian exploration expenditures	100	392,110
Share issue costs	20	11,347
Non-capital loss carryforward *	100	3,261,294
Capital loss carryforward	100	722,793
		6,598,194

* $700,214 expires 2026, $1,114,518 expires 2027, $675,721 expires in 2028, $447,500 expires in 2029, $283,136 expires in 2030 and $40,205 expires in 2031.

Net Loss

Three months ended ($)	**March 31, 2011**	December 31, 2010	March 31, 2010
Net Loss	**(32,444)**	(917,079)	(22,029)
Net Loss per share	**(0.00)**	(0.02)	(0.00)

The increase in net loss for Q1 2011 compared to Q1 2010 was predominantly due to increased depletion and depreciation expense and increased production costs, partially offset by an increase in oil and gas revenue, a decrease in crown royalties and a deferred income tax recovery. The decrease in Q1 2011 net loss compared to the Q4 2010 net loss was predominantly due to an impairment provision on the note receivable from the disposal of the South American Operations and a loss on acquisition of the non-controlling interest in Q4 2010.

Other Comprehensive Income

Other comprehensive income relates entirely to the increase in fair value of Pine Cliff's investment which was received from the disposal of the South American Operations (see discontinued operations). During Q1 2011, the market value of the investment increased by $65,645.

Cash Flow (Deficiency) from Operations

Three months ended ($)	**March 31, 2011**	December 31, 2010	March 31, 2010
Cash flow from operations	**148,120**	38,856	19,600
Cash flow from operations per share	**0.00**	0.00	0.00

Cash flow increased in Q1 2011 compared to Q1 2010 as the Company had increased oil and gas revenue, decreased crown royalties and positive adjustments for non-cash working capital items, which was partially offset by higher production costs. The increase in cash flow in Q1 2011 compared to Q4 2010 was primarily due to positive adjustments for non-cash working capital items, a decrease in production and office and administration costs, which was partially offset by decreased oil and gas revenue.

Related Party Transactions

Pine Cliff has a management agreement with Bonterra (a company with common directors and management with Pine Cliff), to have Bonterra provide executive services (CEO and President, CFO and COO), technical services, accounting services, oil and gas administration and office administration. The management fee consists of a monthly fee of $5,000 (2010 - $7,500). As at March 31, 2011, amounts owing to Bonterra were $909 (December 31, 2010 - $464). The agreement with Bonterra can be cancelled by either party by providing 90 days notice.

Liquidity and Capital Resources

As of March 31, 2011, Pine Cliff had positive working capital of $482,299 (December 31, 2010 - $309,805). The Company currently has no budgeted capital commitments for 2011. With current low natural gas prices management believes there may be opportunities for either corporate or property acquisitions. The Company is examining such opportunities as well as the future development of its existing land base.

From the disposition of the South American Operations, the Company received shares a public company, which as of March 31, 2011 were valued at $393,872 (December 31, 2010 - $328,227).

With this disposition, the Company has positive cash flow from operations as well as a positive working capital position. Future activities will be financed from its present working capital, bank debt (currently no debt) or by equity issues.

The Company is authorized to issue an unlimited number of common shares without nominal or par value. Equity transactions during the past years are as follows:

	March 31, 2011		December 31, 2010	
Issued – common shares	**Number**	**Amount ($)**	Number	Amount ($)
Balance, January 1	**46,145,695**	**14,819,372**	45,295,695	14,593,560
Issued pursuant to Company share option plan	**-**	**-**	850,000	127,500
Transfer of contributed surplus to share capital		**-**		98,312
Balance, end of period	**46,145,695**	**14,819,372**	46,145,695	14,819,372

A summary of the status of the Company's stock option plan as of March 31, 2011 and December 31, 2010, and changes during the years ended on those dates are presented as follows:

	March 31, 2011		December 31, 2010	
	Number of options	**Weighted average exercise price $**	Number of options	Weighted average exercise price $
Balance, January 1	**40,000**	**0.15**	3,126,000	0.63
Options exercised	**-**	**-**	(850,000)	0.15
Options cancelled	**-**	**-**	(2,236,000)	0.79
Balance, end of period	**40,000**	**0.15**	40,000	0.15

The following table summarizes information about stock options outstanding at March 31, 2011:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number outstanding at March 31, 2011	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable at March 31, 2011	Weighted-average exercise price
$ 0.15	40,000	0.8 years	$ 0.15	40,000	$ 0.15

The Company records a compensation expense over the vesting period based on the fair value of options granted to employees, directors and consultants. All the options are vested as of March 31, 2011.

Operating Results From Discontinued Operations

The following represents results of operations from South America assets which have been designated as discontinued operations.

Statement of financial position

As at ($)	**March 31, 2011**	December 31, 2010	January 1, 2010
Assets			
Current			
Accounts receivable and other	**-**	-	39,094
Total assets	**-**	-	39,094
Liabilities			
Current			
Accounts payable and accrued liabilities	**-**	-	192,818
Decommissioning liability	**-**	-	38,227
Total liabilities	**-**	-	231,045

Statements of Net Earnings (Loss)

For the three months ended	**March 31, 2011**	March 31, 2010
Expenses		
Office and administrative	**-**	131,738
Unwinding of the fair value of decommissioning liabilities	**-**	392
Impairment of oil and gas assets	**-**	32,953
	-	165,083
Loss From Discontinued Operations Before Taxes	**-**	(165,083)
Deferred Income Taxes	-	1,382
Loss From Discontinued Operations	**-**	(166,465)

Disposal of South American Operations

On September 24, 2010 the Company disposed of its South American subsidiary, whose assets and liabilities related primarily to the Canadon Ramirez Concession and Laguna de Piedra Concession (South

American Properties). The proceeds of disposition were $450,000 consisting of $1,000 of cash, a note receivable for $449,000 and a contingent receivable not used to calculate the impairment reversal on the disposal of oil and gas assets (see below). During Q1 2011, the purchaser settled the note by issuing shares in the purchaser's publicly traded corporation. As at March 31, 2011, these shares were valued at $393,872 (December 31, 2010 - $328,227 (value of the note receivable)). At the time of disposition, the Company had a net book value of $23,121 for the South American properties after prior period write-downs of $7,746,705. It also had decommissioning liabilities of $38,838 and a working capital deficiency of $342,969 that was transferred to the purchaser related to the South American property resulting in a recovery of impairment on oil and gas assets of $808,686.

Contingent Receivable

Upon disposal of the South American properties, the Company received a contingent consideration of $200,000 (payable in cash or shares from the purchaser corporation) if by September 24, 2012 the purchaser or an affiliate to the purchaser is successful in obtaining a drilling permit followed by the drilling of a well on the Laguna de Piedra concession block in the Rio Negro Province of Argentina or the local permitting authority in the province grants a concession to substitute for the Laguna de Piedra concession and the purchaser or affiliate entity drills a well on the substitute concession. Collection of this receivable is not determinable at this time and therefore has not been recorded by the Company.

Sensitivity Analysis

Given the current status of the Company, changes of U.S. $1.00 per barrel in the price of crude oil, $0.10 per MCF in the price of natural gas, or a $0.01 change in the Cdn/U.S. exchange rate would have no significant impact on the cash flow or cash flow per share amounts for the Company.

Additional information

Additional information relating to the Company may be found on www.sedar.com and by visiting its website at **www.pinecliffenergy.com**.

Management's Responsibility for Financial Statements

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgements and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

The audit committee has reviewed these financial statements with management and has reported to the Board of Directors. The Board of Directors has approved the financial statements as presented in this interim report.

PINE CLIFF ENERGY LTD.
Condensed Consolidated Statements of Financial Position

As at (unaudited) ($)	Note	March 31, 2011	December 31, 2010 (Note 14)	January 1, 2010 (Note 14)
Assets				
Current				
Cash		**224,914**	108,039	1,333,553
Accounts receivable		**83,660**	155,945	168,994
Prepaid expenses		**30,079**	26,402	16,345
Note receivable	4	**-**	328,227	-
Investment	4	**393,872**	-	-
		732,525	618,613	1,518,892
Property and Equipment	5	**2,163,800**	2,311,169	1,956,328
		2,896,325	2,929,782	3,475,220
Liabilities				
Current				
Accounts payable and accrued liabilities	7	**250,226**	308,808	1,027,828
Decommissioning liabilities	8	**71,746**	71,124	89,947
		321,972	379,932	1,117,775
Shareholders' Equity				
Share capital	10	**14,819,372**	14,819,372	14,593,560
Contributed surplus		**766,244**	766,244	859,620
Accumulated other comprehensive income		**56,947**	-	-
Deficit		**(13,068,210)**	(13,035,766)	(12,447,152)
Total Shareholders' Equity		**2,574,353**	2,549,850	3,006,028
Non-Controlling Interest (Deficit)	9	**-**	-	(648,583)
Total Equity		**2,574,353**	2,549,850	2,357,445
		2,896,325	2,929,782	3,475,220

See the accompanying notes to these condensed consolidated financial statements

PINE CLIFF ENERGY LTD.
Condensed Consolidated Statements of Comprehensive Income (Loss)

For the three months ended March 31 (unaudited) ($)	Note	2011	2010 (Note 14)
Revenue			
Oil and gas sales, net of royalties	11	230,684	188,307
Expenses			
Production costs		68,176	45,978
Office and administration	12	49,504	41,191
Depletion and depreciation		153,524	119,742
Unwinding of the fair value of decommissioning liabilities		622	530
Share-based payments		-	2,895
		271,826	210,336
Loss before income taxes		(41,142)	(22,029)
Deferred income taxes (recovery)	6	(8,698)	-
Net loss from continuing operations for the period		(32,444)	(22,029)
Net loss from discontinued operations, net of tax	4	-	(166,465)
Net loss for the period		(32,444)	(188,494)
Other comprehensive income			
Unrealized gains on investments		65,645	-
Deferred taxes on unrealized gains on investments		(8,698)	-
		56,947	-
Total Comprehensive income (loss)		24,503	(188,494)
Net loss for the period attributable to:			
Common shareholders of the Company		(32,444)	(173,169)
Non-controlling interest		-	(15,325)
Comprehensive income (loss) for the period attributable to:			
Common shareholders of the Company		24,503	(173,169)
Non-controlling interest		-	(15,325)
Net loss per share from continuing operations			
Basic and diluted	10	(0.00)	(0.00)
Net loss per share			
Basic and diluted	10	(0.00)	(0.00)
Comprehensive income (loss) per share			
Basic and diluted	10	0.00	(0.00)

See the accompanying notes to these condensed consolidated financial statements

PINE CLIFF ENERGY LTD.
Condensed Consolidated Statements of Cash Flow

For the three months ended March 31 (unaudited) ($)	2011	2010
Operating Activities		
Loss before income taxes	**(41,142)**	(22,029)
Items not affecting cash		
Depletion and depreciation	**153,524**	119,742
Unwinding of the fair value of decommissioning liabilities	**622**	530
Share-based payments	**-**	2,895
Change in non-cash working capital		
Change in accounts receivable	**67,472**	(21,070)
Change in prepaid expenses	**(3,677)**	(2,371)
Change in accounts payable and accrued liabilities	**(28,679)**	(58,097)
Cash provided by continuing operations	**148,120**	19,600
Cash used in discontinued operations	**-**	(68,341)
Cash provided (used in) operating activities	**148,120**	(48,741)
Financing Activities		
Share option proceeds	**-**	127,500
Cash provided by financing activities	**-**	127,500
Investing Activities		
Property and equipment expenditures	**(6,155)**	(989,250)
Change in non-cash working capital		
Change in accounts receivable	**4,813**	(21,558)
Change in accounts payable and accrued liabilities	**(29,903)**	331,700
Cash used in continuing operations	**(31,245)**	(679,108)
Cash used in discontinued operations	**-**	(4,946)
Cash used in Investing Activities	**(31,245)**	(684,054)
Net Cash Inflow (Outflow)	**116,875**	(605,295)
Cash, beginning of the period	**108,039**	1,333,553
Cash, end of the period	**224,914**	728,258
Cash taxes paid by discontinued operations	**-**	40,097

See the accompanying notes to these condensed consolidated financial statements

PINE CLIFF ENERGY LTD.
Condensed Consolidated Statements of Changes in Equity

For the periods ended (unaudited)
($ except for number of common shares outstanding)

	Number of common shares (Note 10)	Share capital (Note 10)	Contributed surplus	Accumulated other comprehensive income	Deficit	Total shareholders` equity	Non-controlling interest	Total equity
January 1, 2010	**45,295,695**	**14,593,560**	**859,620**	**-**	**(12,447,152)**	**3,006,028**	**(648,583)**	**2,357,445**
Exercise of options	850,000	127,500				127,500	-	127,500
Share-based payments			2,895			2,895	-	2,895
Transfer to share capital on exercise of options		98,312	(98,312)			-	-	-
Comprehensive loss for the three months				-	(173,169)	(173,169)	(15,325)	(188,494)
March 31, 2010	**46,145,695**	**14,819,372**	**764,203**	**-**	**(12,620,321)**	**2,963,254**	**(663,908)**	**2,299,346**
Share-based payments			2,041			2,041	-	2,041
Acquisition of non-controlling interest (Note 9)						-	727,185	727,185
Comprehensive income (loss) for the nine months				-	(415,445)	(415,445)	(63,277)	(478,722)
December 31, 2010	**46,145,695**	**14,819,372**	**766,244**	**-**	**(13,035,766)**	**2,549,850**	**-**	**2,549,850**
Comprehensive income (loss) for the three months				56,947	(32,444)	24,503	-	24,503
March 31, 2011	**46,145,695**	**14,819,372**	**766,244**	**56,947**	**(13,068,210)**	**2,574,353**	**-**	**2,574,353**

See accompanying notes to these condensed consolidated financial statements.

PINE CLIFF ENERGY LTD.
Notes to the Condensed Consolidated Financial Statements

As at and for the periods ended March 31, 2011, 2010, December 31, 2010 and as at January 1, 2010 (unaudited)

1. NATURE OF BUSINESS

Pine Cliff Energy Ltd. (Pine Cliff or the Company) is a widely held public company listed on the TSX Venture Exchange and incorporated under the Business Corporations Act (Alberta). The address of the Company's corporate office is Suite 901, 1015 4th Street SW, Calgary, Alberta.

Pine Cliff's continuing operations is in the development and production of oil and natural gas in the Western Canadian Sedimentary Basin.

2. BASIS OF PREPARATION

a) Statement of Compliance

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (CICA Handbook). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (IFRS), and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim financial statements in accordance with International Accounting Standards 34 – Interim Financial Reporting (IAS 34) after applying the requirements of International Financial Reporting Standards (IFRS) 1 – First-time Adoption of International Financial Reporting Standards (IFRS 1). In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

The March 31, 2011 condensed consolidated financial statements are the Company's first financial statements prepared under IFRS using the accounting policies expected to be used at December 31, 2011, having an adoption date of January 1, 2011 and a transition date of January 1, 2010. Consequently, the comparative figures for 2010 and the Company's statement of financial position as at January 1, 2010 have been restated from accounting principles generally accepted under Canadian GAAP to comply with IFRS.

The reconciliations to IFRS from the previously published Canadian GAAP consolidated financial statements are summarized in Note 14. In addition, IFRS 1 requires certain exemptions and allows certain exemptions from retrospective application of IFRS in the opening statement of financial position. Where these have been applied they are explained in Note 14.

b) Basis of Measurement

These condensed consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments and share-based payment transactions which are measured at fair value.

c) Use of Judgments and Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated statement of financial position, as well as the reported amounts of revenues, expenses, and cash flows during the periods presented. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Actual results could differ materially from estimated amounts.

Amounts recorded for depletion and depreciation and amounts used for impairment calculations are based on estimates of crude oil and natural gas reserves and future costs required to develop those reserves. Share-based payments are based upon expected volatility and option life estimates. Provisions for decommissioning liabilities are based on estimates of abandonment costs, timing of abandonment, inflation and interest rates. The provision for income taxes is based on judgments in applying income tax law and estimates on the timing, likelihood and reversal of temporary differences between the accounting and tax basis of assets and liabilities. These estimates are subject to measurement uncertainty and changes in these estimates could materially impact the financial statements of future periods. Further details regarding judgments are discussed in Note 3.

d) Presentation Currency

The Company's functional and reporting currency is the Canadian dollar.

Monetary assets and liabilities are translated into Canadian dollars at the rates prevailing on the reporting date. Non-monetary assets and liabilities are translated into Canadian dollars at the rates prevailing on the transaction dates. Exchange gains and losses are recorded as income or expense in the period in which they occur.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis for Consolidation

The Company had incorporated a subsidiary company, CanAmericas Energy Ltd. (CanAmericas). CanAmericas was owned 93 percent by the Company and seven percent by a foreign private corporation (Non-Controlling Interest). CanAmericas through its wholly owned subsidiary CanAmericas (Argentina) Energy Ltd. (CanAmericas Argentina) was formed to explore and develop oil and gas properties primarily in South America (South American Operations).

On September 24, 2010 CanAmericas Argentina was sold and the South American Operations are presented as discontinued operations (see Note 4). With the sale of CanAmericas Argentina, the Company acquired the seven percent interest in CanAmericas from the Non-Controlling Interest on November 23, 2010. On January 1, 2011 CanAmericas was amalgamated with Pine Cliff.

These condensed consolidated financial statements include the accounts of the Company and its previously owned subsidiaries CanAmericas and CanAmericas Argentina. The financial statements of the subsidiaries are prepared for the same reporting periods as the parent using consistent accounting policies. Inter-company transactions and balances are eliminated upon consolidation.

b) Revenue Recognition

Revenues from the sale of petroleum and natural gas are recorded when the significant risks and rewards of ownership have been transferred to the customer. This generally occurs when product is physically transferred into a third-party pipeline or when the delivery truck arrives at a customer's receiving location. Items such as crown and gross overriding royalties are netted against revenue. These items are netted to reflect the deduction for other parties' proportionate share of the revenue.

c) Foreign Currency Translation

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the condensed consolidated statement of comprehensive income.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the transaction date exchange rates.

d) Jointly Controlled Operations and Jointly Controlled Assets

Significant portions of the Company's oil and gas operations are conducted jointly with other parties where the participants have a direct ownership interest in, and jointly control the assets. Accordingly the financial statements reflect only the Company's proportionate interest in such activities.

e) Exploration and Evaluation Assets

General exploration or evaluation (E&E) expenditures incurred prior to acquiring the legal right to explore are charged to expense as incurred.

E&E expenditures represent undeveloped land costs and license and exploration well costs.

Undeveloped land costs, licenses and exploration well costs are initially capitalized and, if subsequently determined to have not found sufficient reserves to justify commercial production, are charged to expense. E&E assets continue to be capitalized as long as sufficient progress is being made to assess the reserves and economic viability of the well and/or related project. Once technical feasibility and commercial viability has been established, E&E assets are transferred to property and equipment (PE). E&E assets are assessed for impairment either annually, upon transfer to PE assets or whenever indications of impairment exist to ensure they are not carried above their recoverable amounts. The Company currently has no E&E assets.

f) Property and Equipment

PE assets include transferred-in E&E costs, development drilling and other subsurface expenditures. PE assets are carried at cost less depletion and depreciation of all development expenditures and include all other expenditures associated with PE assets.

When commercial production has commenced in an area, PE properties, excluding surface costs are depleted using the unit-of-production method over their total proved reserve life. Future development costs are included in costs subject to depletion. Proved reserves and estimated future development costs are determined annually by qualified independent reserve engineers. Changes in factors, such as estimates of proved reserves, that affect unit-of-production calculations are accounted for on a prospective basis. Surface costs such as production facilities and furniture, fixtures and other equipment are depreciated over their estimated useful lives.

Oil and Gas Properties

The initial cost of an asset is comprised of its purchase price or construction cost, including expenditures such as drilling costs, the present value of the initial and changes in the estimate of any decommissioning obligation associated with the asset and finance charges on qualifying assets, that are directly attributable to bringing the asset into operation and to its present location.

Production Facilities

Production facilities are comprised of costs related to petroleum and natural gas production equipment.

Depreciation

Depreciation is recognized in the statement of comprehensive income. Production facilities, furniture, fixtures and other equipment are depreciated over the individual assets' estimated economic lives. These assets are depreciated on a straight-line method as follows:

Production facilities	10 years
Furniture, fixtures and other equipment	5 to 10 years

g) Impairment of Assets

Impairment of Financial Assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

All impairment losses are recognized in net earnings. An impairment loss is reversed if there is an indicator that the impairment reversal can be related objectively to an event occurring after the impairment loss was recognized. Any subsequent recovery of an impairment loss in respect of an investment in an equity instrument classified as available-for-sale is reversed through other comprehensive income instead of net earnings. For financial assets measured at amortized cost, the reversal is recognized in net earnings.

Impairment of Non-Financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If such indication exists, then the assets' carrying amounts are assessed for impairment.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash flows of other assets or groups of assets (the cash-generating unit or CGU). The recoverable amount of an asset or a CGU is the greater of its value-in-use (VIU) and its fair value less costs to sell (FVLCS).

In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining FVLCS, recent market transactions are used as indicators of fair value. These calculations are corroborated by valuation multiples or other available fair value indicators.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income. Impairment losses recognized in respect of a CGU is allocated first to reduce the carrying value of any goodwill allocated to the CGU and then to reduce the carrying value of the other assets of the CGU on a pro-rata basis.

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

h) Decommissioning Liabilities

The fair value of the statutory, contractual, constructive or legal liabilities associated with the retirement and reclamation of oil and gas properties is recorded when incurred, with a corresponding increase to the carrying amount of the related PE. The amount recognized is the estimated cost of decommissioning, discounted to its present value using the Company's risk free rate. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to property and equipment. The unwinding of the discount on the decommissioning provision is charged to net earnings.

The Company recognizes a decommissioning liability in the period in which it is incurred when a reasonable estimate of the fair value can be made. On a periodic basis, management will review these estimates and changes and if there are any, they will be applied prospectively. The fair value of the estimated provision is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a unit-of-production basis over the life of the reserves. The liability amount is increased each reporting period due to the passage of time and this amount is charged to earnings in the period. Revisions to the estimated timing of cash flows or to the original estimated undiscounted cost would also result in an increase or decrease to the provision. Actual costs incurred upon settlement of the obligations are charged against the provision to the extent of the liability recorded and the remaining balance of the actual costs is recorded in the consolidated statement of comprehensive income.

i) Income Taxes

Tax expense comprises current and deferred taxes. Tax is recognized in the statement of comprehensive income or directly in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that are substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

j) Share-Based Payments

The Company accounts for share-based payments using the fair-value method of accounting for stock options granted to directors, officers, employees and other service providers using the Black-Scholes option pricing model. Share-based payments are recognized through the statement of comprehensive income over the vesting period with a corresponding amount reflected in contributed surplus in equity. For awards issued in tranches that vest at different times, the fair value of each tranche is recognized over its respective vesting period.

At the grant date and at the end of each reporting period, the Company assesses and re-assesses for subsequent periods its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the statement of comprehensive income. Upon exercise of share-based options, the proceeds received net of any transaction costs and the fair value of the exercised share-based options is credited to share capital.

k) Financial Instruments

Financial instruments are measured at fair value on initial recognition of the instrument and are classified into one of the following five categories: fair-value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial liabilities at amortized cost.

Subsequent measurement of financial instruments is based on their initial classification. Fair-value through profit or loss financial instruments are measured at fair value and changes in fair value are recognized in the statement of comprehensive income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. The remaining categories of financial instruments are recognized at amortized cost using the effective interest rate method.

Cash is classified as fair-value through profit and loss and is measured at fair value which equals the carrying value and any gains or losses are recognized in net earnings in the period they occur. Accounts receivable and note receivable are classified as loans and receivables which are measured at amortized cost. Investment is classified as available-for-sale which is measured at fair value and any gains or losses are recognized in other comprehensive income in the period they occur. Accounts payable and accrued liabilities are classified as financial liabilities at amortized cost.

l) Net Earnings and Comprehensive Income Per Share

Per share amounts are calculated by dividing the net earnings or comprehensive income attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period.

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

4. DISCONTINUED OPERATIONS

On September 24, 2010, Pine Cliff sold its South American subsidiary CanAmericas (Argentina) Energy Ltd. to an unrelated party.

The assets and liabilities of the South American Operations have been presented as discontinued operations in the condensed consolidated statement of financial position, since June 1, 2010, the date the South American Operations met the criteria for discontinued operations. Operating results related to these assets and liabilities have been included in net earnings (loss) from discontinued operations in the condensed consolidated statement of comprehensive income (loss).

Statements of Financial Position

As at ($)	**March 31, 2011**	December 31, 2010	January 1, 2010
Assets			
Current			
Accounts receivable and other	**-**	-	39,094
Total assets	**-**	-	39,094
Liabilities			
Current			
Accounts payable and accrued liabilities	**-**	-	192,818
Decommissioning liabilities	**-**	-	38,227
Total liabilities	**-**	-	231,045

Statements of Comprehensive Loss

For the three months ended ($)	**March 31, 2011**	March 31, 2010
Expenses		
Office and administrative	**-**	131,738
Unwinding of the fair value of decommissioning liabilities	**-**	392
Impairment of oil and gas assets	**-**	32,953
	-	165,083
Loss From Discontinued Operations Before Taxes	**-**	(165,083)
Deferred Income Taxes	-	1,382
Net Loss and Comprehensive Loss From Discontinued Operations	**-**	(166,465)

Impairment and Disposal of Oil and Gas Assets
On September 24, 2010 the Company disposed of its South American subsidiary, whose assets and liabilities related primarily to the Canadon Ramirez Concession and Laguna de Piedra Concession (South American Properties). The proceeds of disposition were $450,000 consisting of $1,000 of cash, a note receivable for $449,000 and a contingent receivable not used to calculate the

impairment reversal on the disposal of oil and gas assets. During the first quarter of 2011, the purchaser settled the note by issuing shares in the purchaser's publicly traded corporation. As at March 31, 2011, these shares were valued at $393,872 (December 31, 2010 - $328,227 (value of the note receivable)). At the time of disposition, the Company had a net book value of $23,121 for the South American properties after prior period write-downs of $7,746,705. It also had decommissioning liabilities of $38,838 and a working capital deficiency of $342,969 that was transferred to the purchaser related to the South American property resulting in a recovery of impairment on oil and gas assets of $808,686.

For the period ended March 31, 2010, an impairment provision of $15,463 was taken on the exploration costs related to the Canadon Ramirez Concession and an impairment provision of $17,490 was taken on the Laguna de Piedra Concession prior to the disposal of the South American properties.

Contingent Receivable
Upon disposal of the South American properties, the Company received a contingent consideration of $200,000 (payable in cash or shares in the purchaser corporation) if within two years after the closing date the purchaser or an affiliate to the purchaser is successful in obtaining a drilling permit followed by the drilling of a well on the Laguna de Piedra concession block in the Rio Negro Province of Argentina or the local permitting authority in the province grants a concession to substitute for the Laguna de Piedra concession and the purchaser or affiliate entity drills a well on the substitute concession. Collection of this receivable is not determinable at this time and therefore has not been recorded by the Company.

Taxes
The Company accrued $1,382 current tax expense related to Argentina capital tax in the three month period ended March 31, 2010. A one percent Argentina capital tax is payable in respect of the exploration costs for the Canadon Ramirez and the Laguna de Piedra Concessions. This liability was transferred to the purchaser on the disposal of its South American subsidiary.

5. PROPERTY AND EQUIPMENT

Cost $	**Oil and gas properties**	**Production facilities**	**Furniture, fixtures and other equipment**	**Total property and equipment**
Balance at January 1, 2010	**2,943,509**	**389,630**	**45,957**	**3,379,096**
Additions	1,020,976	216,176	-	1,237,152
Disposals	-	-	(45,957)	(45,957)
Balance at December 31, 2010	**3,964,485**	**605,806**	**-**	**4,570,291**
Additions	2,723	3,432	-	6,155
Balance at March 31, 2011	**3,967,208**	**609,238**	**-**	**4,576,446**

Accumulated Depletion and depreciation $	**Oil and gas properties**	**Production facilities**	**Furniture, fixtures and other equipment**	**Total property and equipment**
Balance at January 1, 2010	**1,229,337**	**160,393**	**33,038**	**1,422,768**
Depletion for the year	808,812	60,580	6,462	875,854
Disposals	-	-	(39,500)	(39,500)
Balance at December 31, 2010	**2,038,149**	**220,973**	**-**	**2,259,122**
Depletion for the period	138,295	15,229	-	153,524
Balance at March 31, 2011	**2,176,444**	**236,202**	**-**	**2,412,646**

Net book values as at: $				
January 1, 2010	1,714,172	229,237	12,919	1,956,328
December 31, 2010	1,926,336	384,833	-	2,311,169
March 31, 2011	**1,790,764**	**373,036**	**-**	**2,163,800**

Impairment

Management has determined that the Sundance area of Alberta, Canada is the only cash generating unit (CGU) of the Company.

This CGU is the Company's only producing field. As part of its annual impairment analysis, the Company assessed its property and equipment assets of this CGU for possible impairment.

The assessment for impairment has been determined based on the value-in-use (VIU) method. VIU was determined on the basis of the discounted expected future cash flows based on the Company's plans to continue to produce total proved plus probable reserves.

At December 31, 2010, a Canadian-based, independent reserves evaluator's report confirmed that the Company does not require a reduction in total proved plus probable reserve estimates. Expected future cash flows from the sale of these volumes are calculated based on the Company's best estimate of future oil and natural gas prices. Prices for oil and natural gas used for future cash flow projections are based on quality and Edmonton PAR for oil and AECO for natural gas forward prices. Management have used the past experience to estimate the required capital and operating expenditures to extract oil and natural gas and factored inflation at 1.5 percent.

Projected estimates of cash flows from the CGU have been determined based on the economic life of the reserves. For this CGU, this projection is based on the expected life ending December 2027. The impairment testing undertaken concluded that the value in use is greater than the carrying values of the CGU and no impairment provision have been recorded for the three months ended March 31, 2011 and 2010 or for the year ended December 31, 2010.

6. INCOME TAXES

The Company has recorded a full valuation allowance for its deferred income tax assets as it has been determined that it is unlikely that they will be recovered.

$	**March 31, 2011**	December 31, 2010	January 1, 2010
Deferred tax assets (liabilities):			
Note receivable	**-**	15,097	-
Investment	**(8,698)**	-	-
Property and equipment	**109,740**	108,581	100,531
Decommissioning liabilities	**17,936**	17,781	12,930
Share issue costs	**2,837**	3,916	8,231
Non-capital loss carry-forward	**815,324**	805,272	734,488
Capital loss carry-forward	**90,349**	75,252	-
Valuation allowance	**(1,027,488)**	(1,025,899)	(856,180)
	-	-	-

Income tax expense differs from the amounts that would be computed by applying Canadian federal and provincial income tax rates as follows:

$	**March 31, 2011**	March 31, 2010
Loss before income taxes	**(41,142)**	(22,029)
Combined federal and provincial tax rates	**26.5%**	28.0%
Income tax expense (recovery)	**(10,903)**	(6,169)
Increase (decrease) in taxes resulting from:		
Stock-based compensation	**-**	811
Non-taxable portion of losses	**-**	-
Discontinued operations	**-**	(3,442)
Change in valuation allowance	**1,589**	7,856
Change in tax rates	**616**	944
Income tax expense (recovery)	**(8,698)**	-

The Company has the following tax pools, which may be used to reduce taxable income in future years, limited to the applicable rates of utilization:

	Rate of utilization (%)	Amount ($)
Undepreciated capital costs	25	304,650
Canadian oil and gas property expenditures	10	465,938
Canadian development expenditures	30	1,440,062
Canadian exploration expenditures	100	392,110
Share issue costs	20	11,347
Non-capital loss carryforward [1]	100	3,261,294
Capital loss carryforward	100	722,793
		6,598,194

[1] $700,214 expires 2026, $1,114,518 expires 2027, $675,721 expires 2028, $447,500 expires in 2029, $283,136 expires in 2030 and $40,205 expires in 2031.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Total accounts payable and accrued liabilities comprises the following categories:

$	March 31, 2011	December 31, 2010	January 1, 2010
Accounts payable (1)	**179,795**	110,254	882,877
Accrued liabilities (1)	**70,431**	198,554	144,951
	250,226	308,808	1,027,828

(1) $111,048 of the accounts payable and $81,770 of the accrued liabilities relates to discontinued operations at January 1, 2010

8. DECOMMISSIONING LIABILITIES

At March 31, 2011, the estimated total undiscounted amount required to settle the decommissioning liabilities was $95,032 (December 31, 2010 - $95,032, January 1, 2010 - $71,932). The provision has been calculated assuming a 1.5 percent inflation rate (December 31, 2010 – 1.5 percent inflation rate, January 1, 2010 – 2.0 percent inflation rate). These obligations will be settled based on the useful lives of the underlying assets, which extend up to 17 years into the future. This amount has been discounted using a risk-free interest rate of 3.5 percent (December 31, 2010 and January 1, 2010 – 4.1 percent).

Changes to decommissioning liabilities were as follows:

$	March 31, 2011	December 31, 2010
Decommissioning liabilities, January 1	**71,124**	89,947
Amount relating to discontinued operations	**-**	(38,227)
Adjustment to decommissioning liabilities	**-**	16,851
Unwinding of the fair value of decommissioning liabilities	**622**	2,553
Decommissioning liabilities, end of period	**71,746**	71,124

9. NON-CONTROLLING INTEREST (NCI)

The Company incorporated the subsidiary company CanAmericas to explore and develop oil and gas properties primarily in South America. CanAmericas was owned 93 percent by the Company and seven percent by a foreign private corporation (NCI). CanAmericas was initially financed by investments of U.S. $1,400,000 for 5,600,000 common shares from the Company and U.S. $100,000 for 400,000 common shares from NCI.

On November 23, 2010, NCI sold its interest in CanAmericas to Pine Cliff for $10. NCI at the acquisition date had a deficit balance of $727,185, which resulted on a loss on acquisition of non-controlling interest of $727,195.

10. SHARE CAPITAL

Authorized

Unlimited number of Common Shares without nominal or par value.

Unlimited number of Class B Preferred Shares without nominal or par value which may be issued in one or more series.

	March 31, 2011		December 31, 2010	
Issued – Common shares	**Number**	**Amount ($)**	Number	Amount ($)
Balance, January 1	**46,145,695**	**14,819,372**	45,295,695	14,593,560
Issued pursuant to Company share option plan	**-**	**-**	850,000	127,500
Transfer of contributed surplus to share capital		**-**		98,312
Balance, end of period	**46,145,695**	**14,819,372**	46,145,695	14,819,372

The weighted average common shares used to calculate basic and diluted net loss and comprehensive income (loss) per share for the three month periods ended March 31 are as follows:

	2011	2010
Basic shares outstanding (1)	**46,145,695**	45,952,806
Dilutive effect of share options	**18,435**	13,997
Diluted shares outstanding	**46,164,130**	45,966,803

(1) Basic shares outstanding is used to calculate basic and diluted loss and comprehensive loss per share when the Company is in a loss position.

The Company provides a stock option plan for its directors, employees and consultants. Under the plan, the Company may grant options for up to 4,527,569 (December 31, 2010 – 4,527,569) common shares. The exercise price of each option granted equals the market price of the Company's stock on the date of grant and the option's maximum term is five years.

A summary of the status of the Company's stock option plan as of March 31, 2011 and December 31, 2010, and changes during the three month and twelve month periods ended on those dates is presented below:

	March 31, 2011		December 31, 2010	
	Number of options	**Weighted average exercise price $**	Number of options	Weighted average exercise price $
Balance, January 1	**40,000**	**0.15**	3,126,000	0.63
Options exercised	**-**	**-**	(850,000)	0.15
Options cancelled	**-**	**-**	(2,236,000)	0.79
Balance, end of period	**40,000**	**0.15**	40,000	0.15

The following table summarizes information about stock options outstanding at March 31, 2011:

Options Outstanding				Options Exercisable	
Range of exercise prices	Number outstanding at March 31, 2011	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable at March 31, 2011	Weighted-average exercise price
$ 0.15	40,000	0.8 years	$ 0.15	40,000	$ 0.15

The Company did not issue any stock options in 2011 or 2010.

11. REVENUE

$	**March 31, 2011**	March 31, 2010
Oil and gas sales	**245,518**	210,797
Less:		
Crown royalties	**8,870**	17,369
Gross overriding royalties	**5,964**	5,121
Oil and gas sales, net of royalties	**230,684**	188,307

12. RELATED PARTY DISCLOSURE

Pine Cliff has a management agreement with Bonterra Energy Corp. (Bonterra), an oil and gas corporation publicly traded on the Toronto Stock Exchange, with common directors and management, to provide executive services, technical services, accounting services, oil and gas administration and office administration for Pine Cliff. Total fees for the period were $15,000 (2010 - $22,500) plus minimal administrative costs. The management services agreement may be cancelled by either party with 90 days notice. As of March 31, 2011, Pine Cliff owed Bonterra $909 (December 31, 2010 - $464).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of the consideration established and agreed to by the related parties.

Compensation of Key Management Personnel

$	**March 31, 2011**	March 31, 2010
Director fees	**6,105**	3,373

Key management personnel are those persons, including all directors, having authority and responsibility for planning, directing and controlling the activities of the Company. Compensation represents director fees paid through Pine Cliff. Other key management personnel are not paid through Pine Cliff as their services are included in the management fee from Bonterra.

13. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Factors

The Company undertakes transactions in a range of financial instruments including:

- Cash
- Accounts receivable
- Investment
- Accounts payable

The Company's activities result in exposure to a number of financial risks including market risk (commodity price risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. Financial risk management is carried out by senior management under the direction of the Board of Directors.

The Company does not enter into risk management contracts to sell its oil and gas commodities. Commodities are sold at market prices at the date of sale.

Capital Risk Management

The Company's objectives when managing capital, which the Company defines to include shareholders' equity and working capital balances, are to safeguard the Company's ability to continue as a going concern, to continue providing returns to its shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may issue debt or new shares.

The following section (a) of this note provides a summary of the Company's underlying economic positions as represented by the carrying values, fair values and contractual face values of its financial assets and financial liabilities. The Company's working capital to capital expenditure requirement ratio is also provided.

The following section (b) addresses in more detail the key financial risk factors that arise from the Company's activities including its policies for managing these risks.

a) Financial assets, financial liabilities

The carrying amounts, fair value and face values of the Company's financial assets and liabilities are shown below:

Continuing Operations

	As at March 31, 2011			As at December 31, 2010		
($ 000s)	**Carrying Value**	**Fair Value**	**Face Value**	Carrying Value	Fair Value	Face Value
Financial assets						
Cash	**225**	**225**	**225**	108	108	108
Accounts receivable	**84**	**84**	**84**	156	156	156
Investment	**394**	**394**	**-**	-	-	-
Note receivable	**-**	**-**	**-**	328	328	449
Financial liabilities						
Accounts payable and accrued liabilities	**250**	**250**	**250**	309	309	309

	As at January 1, 2010		
($ 000s)	Carrying Value	Fair Value	Face Value
Financial assets			
Cash	1,334	1,334	1,334
Accounts receivable	130	130	130
Note receivable	-	-	-
Financial liabilities			
Accounts payable and accrued liabilities	835	835	835

Financial instruments, consisting of accounts receivable and accounts payable and accrued liabilities included in the statement of financial position, are carried at amortized cost. Cash and investment are carried at fair value. All of the fair value items are transacted in active markets. Pine Cliff classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Pine Cliff's cash has been assessed on the fair value hierarchy described above and is considered Level 1.

b) Risks and mitigations

Market risk is the risk that the fair value or future cash flow 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.

<u>Commodity Price Risk</u>

The Company's principal operation is the exploration and development of oil and natural gas properties in western Canada. Fluctuations in prices of these commodities may directly impact the Company's performance and ability to continue its operations.

The Company's management currently does not use risk management contracts to set price parameters for its production.

<u>Interest Rate Risk</u>

Interest rate risk refers to the risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that Pine Cliff uses. The principal exposure to the

Company is on its cash balances which have a variable interest rate which gives rise to a cash flow interest rate risk.

Pine Cliff's cash consists of Canadian dollar investment chequing accounts on which it earns an insignificant amount of interest. Since these funds need to be accessible for the development of the Company's capital projects, management does not reduce its exposure to interest rate risk through entering into term contracts of various lengths.

Foreign Exchange Risk

The Company has disposed of its foreign operations. The Company's domestic or continuing operations currently sells all of its Canadian production in Canadian currency. The Company has a Canadian dollar denominated cash balance and as such, Pine Cliff does not have exchange rate risk.

Credit Risk

Credit risk is the risk that a contracting party will not complete its obligations under a financial instrument and cause the Company to incur a financial loss. Pine Cliff is exposed to credit risk on all financial assets included on the balance sheet. To help mitigate this risk, the Company maintains the majority of its cash balances with a major Canadian chartered bank.

Substantially all of the continuing operations' accounts receivable balance at March 31, 2011 ($83,660), December 31, 2010 ($155,945) and January 1, 2010 ($129,900) relates to product sales with Canadian oil and gas companies and crown royalty credits with the province of Alberta, all of which have generally been received within 30 to 60 days.

Pine Cliff assesses its financial assets quarterly to determine if there has been any impairment. No impairment provision was required on the Company's financial assets. Pine Cliff does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The maximum exposure to credit risk is represented by the carrying amount on the statement of financial position. There are no material financial assets that Pine Cliff considers past due.

Liquidity Risk

Liquidity risk includes the risk that, as a result of Pine Cliff's operational liquidity requirements, the Company:

- will not have sufficient funds to settle a transaction on the due date,
- will not have sufficient funds to continue with its financing of its major exploration projects,
- will be forced to sell assets at a value which is less than what they are worth, or
- may be unable to settle or recover financial assets.

To help reduce these liquidity risks, the Company:

- may arrange short-term financing at a reasonable interest rate with its CEO and director.
- may negotiate a bank loan,
- may do an equity issue.

14. EXPLANATION OF TRANSITION TO IFRS

As stated in Note 2, these are the Company's first financial statements for the period ended March 31, 2011 prepared in accordance with IFRS. For all accounting periods prior to this, the Company prepared its financial statements under Canadian GAAP. An explanation of how the transition from previous GAAP to IFRS has affected the Company's consolidated statement of financial position and consolidated comprehensive income is set out in this note.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the period ended March 31, 2011, the comparative information presented in these financial statements for the period ended March 31, 2010 and as at December 31, 2010 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (the Company's date of transition).

<u>IFRS 1 "First-time Adoption of International Financial Reporting Standards" (IFRS 1)</u>
IFRS 1 generally requires that first-time adopters retrospectively apply all effective IFRS standards and interpretations in effect as at the reporting date. IFRS 1 also provides for certain optional exemptions and certain mandatory exemptions to this general principle.

Initial Elections Upon Adoption
Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

- Business combinations (IFRS 3) - provides the option to apply IFRS 3, Business Combinations, retrospectively or prospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date or an earlier date chosen by management. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its Transition Date and such business combinations have not been restated. Any goodwill arising on such business combinations before the Transition Date has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying these exemptions.

- Share-based payments (IFRS 2) - encourages the application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its Transition Date. Further, the Company applied IFRS 2 for all liabilities arising from share-based payment transactions that existed at its Transition Date. This election has no material effect on the Company.

- Borrowing Costs (IAS 23) - requires an entity to capitalize the borrowing costs related to all qualifying assets for which the commencement date for capitalization is on or after January 1, 2010 or earlier if elected by management. Due to the Company having no debt, this election has no effect on the Company.

- Leases (IAS 17) - requires an entity to assess arrangements outstanding at the Transition Date. It also requires a determination of the appropriate lease classification in accordance with IAS 17, should an arrangement containing a lease be identified as part of the International Financial Reporting Interpretations Committee (IFRIC) 4, "Determining Whether an Arrangement Contains a Lease", application. This election has no effect on the Company.

14.1 Reconciliation of the consolidated statement of financial position

		As at January 1, 2010			As at March 31, 2010			As at December 31, 2010		
$	Notes	Canadian GAAP	IFRS Adjustments	IFRS	Canadian GAAP	IFRS Adjustments	IFRS	Canadian GAAP	IFRS Adjustments	IFRS
Assets										
Current										
Cash		1,333,553	-	1,333,553	728,258	-	728,258	108,039	-	108,039
Accounts receivable	(a)	129,900	39,094	168,994	172,527	31,295	203,822	155,945	-	155,945
Prepaid expenses		16,345	-	16,345	18,716	-	18,716	26,402	-	26,402
Note receivable		-	-	-	-	-	-	328,227	-	328,227
Discontinued operations	(a)	39,094	(39,094)	-	31,295	(31,295)	-	-	-	-
		1,518,892	-	1,518,892	950,796	-	950,796	618,613	-	618,613
Property and equipment	(b)	1,956,985	(657)	1,956,328	2,817,441	(630)	2,816,811	2,307,900	3,269	2,311,169
		3,475,877	(657)	3,475,220	3,768,237	(630)	3,767,607	2,926,513	3,269	2,929,782
Liabilities										
Current										
Accounts payable and accrued liabilities	(a)	835,010	192,818	1,027,828	1,108,613	268,779	1,377,392	308,808	-	308,808
Discontinued operations	(a)	192,818	(192,818)	-	268,779	(268,779)	-	-	-	-
		1,027,828	-	1,027,828	1,377,392	-	1,377,392	308,808	-	308,808
Decommissioning liabilities	(a), (b)	48,298	41,649	89,947	48,902	41,967	90,869	63,557	7,567	71,124
Discontinued operations	(a), (b)	35,836	(35,836)	-	36,284	(36,284)	-	-	-	-
		1,111,962	5,813	1,117,775	1,462,578	5,683	1,468,261	372,365	7,567	379,932
Shareholders' Equity										
Share Capital		14,593,560	-	14,593,560	14,819,372	-	14,819,372	14,819,372	-	14,819,372
Contributed surplus		859,620	-	859,620	764,203	-	764,203	766,244	-	766,244
Accumulated other comprehensive income		-	-	-	-	-	-	-	-	-
Deficit	(d)	(13,089,265)	642,113	(12,447,152)	(13,277,916)	657,595	(12,620,321)	(13,031,468)	(4,298)	(13,035,766)
Total Shareholders' Equity		2,363,915	642,113	3,006,028	2,305,659	657,595	2,963,254	2,554,148	(4,298)	2,549,850
Non-Controlling Interest (Deficit)	(c)	-	(648,583)	(648,583)	-	(663,908)	(663,908)	-	-	-
Total Equity		2,363,915	(6,470)	2,357,445	2,305,659	(6,313)	2,299,346	2,554,148	(4,298)	2,549,850
		3,475,877	(657)	3,475,220	3,768,237	(630)	3,767,607	2,926,513	3,269	2,929,782

14.1 Reconciliation of the Consolidated Statement of Financial Position (Continued)

IFRS has many similarities with Canadian GAAP as it is based on a similar conceptual framework. However, there are important differences with regard to recognition, measurement and disclosure. Adoption of IFRS resulted in changes to Pine Cliff's consolidated statement of financial position and consolidated statement of comprehensive income (loss) as set out below:

a) Discontinued Operations

As at June 1, 2010 the South American Operations met the criteria for reporting as discontinued operations. Under Canadian GAAP for the comparative periods, the statement of financial position, the statement of comprehensive income and the statement of cash flow are restated to conform to the current period presentation. Under IFRS, only the statements of comprehensive income and cash flow are retroactively restated to conform to the current presentation. The changes for the condensed consolidated statements of financial position are as follows:

($)	January 1, 2010	March 31, 2010	December 31, 2010
Increase in accounts receivable	39,094	31,295	-
Decrease in discontinued operations' current assets	(39,094)	(31,295)	-
Increase in accounts payable and accrued liabilities	192,818	268,779	-
Decrease in discontinued operations' current liabilities	(192,818)	(268,779)	-
Increase in decommissioning liabilities	35,836	36,284	-
Decrease in discontinued operations' long-term liabilities	(35,836)	(36,284)	-

b) Decommissioning Liabilities

The discounted value of the decommissioning liabilities has increased due to a change in the discount rate used to calculate the present value of future oil and gas well reclamation and abandonments. Under Canadian GAAP, a risk adjusted discount rate was used. Under IFRS, a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation has been used. In accordance with IFRS 1, the Company has elected to recognize the $3,422 increase in the decommissioning obligation from continuing operations and $2,391 from discontinued operations along with an increase to related property and equipment assets and an increase in deficit (see 14.1 (d)) at the transition date.

Similar adjustments were made for the increase in decommissioning liabilities for three months ended March 31, 2010 of $3,348 for continuing operations and $2,335 for discontinued operations. Decommissioning liabilities for continuing operations increased for the year ended December 31, 2010 by $7,567 and $nil for discontinued operations.

c) Non-Controlling Interest (NCI)

Under Canadian GAAP, when the non-controlling interest is not obligated to fund its share of losses, the Company does not attribute losses to the non-controlling interest once the interest has been reduced to nil. Under IFRS, the Company is required to allocate comprehensive losses to the non-controlling interest based on their effective interest, even if this results in a non-controlling deficit balance. The impact of the change was to decrease deficit and increase non-controlling deficit by $648,583 at January 1, 2010 (March 31, 2010 - $663,908). The NCI had a deficit balance under IFRS of $727,185 on November 23, 2010 (acquisition date of the NCI) resulting in a $Nil balance for December 31, 2010.

Under IFRS, the Company includes the NCI as a component of equity on the face of the statement of financial position. Under Canadian GAAP, the NCI would be presented on the face of the statement of financial position as neither a liability nor an equity component.

d) Retained Earnings

The following tables represent the cumulative effect on the above transitional adjustments on retained earnings for the respective periods covered under this reconciliation:

($)	January 1, 2010
Property and equipment (see 14.1 (b))	(657)
Decommissioning liabilities (see 14.1 (b))	(3,422)
Discontinued operations (see 14.1 (b))	(2,391)
Non-controlling interests (NCI) (see 14.1 (c))	648,583
Net effect – increase in retained earnings	642,113

($)	March 31, 2010
Property and equipment (see 14.1 (b))	(630)
Decommissioning liabilities (see 14.1 (b))	(3,348)
Discontinued operations (see 14.1 (b))	(2,335)
NCI (see 14.1 (c))	663,908
Net effect – increase in retained earnings	657,595

($)	December 31, 2010
Property and equipment (see 14.1 (b))	3,269
Decommissioning liabilities (see 14.1 (b))	(7,567)
Discontinued operations (see 14.1 (b))	-
NCI (see 14.1 (c))	-
Net effect – decrease in retained earnings	(4,298)

14.2 Reconciliation of the Consolidated Statement of Comprehensive Income (Loss)

		Three months ended March 31, 2010			Year ended December 31, 2010		
$	Notes	Canadian GAAP	IFRS Adjustments	IFRS	Canadian GAAP	IFRS Adjustments	IFRS
Revenues							
Oil and gas sales, net of royalties		188,307	-	188,307	1,270,794	-	1,270,794
Expenses							
Production costs		45,978	-	45,978	355,140	-	355,140
Office and administration	(a)	41,191	-	41,191	278,077	(10)	278,067
Depletion and depreciation	(b)	120,373	(631)	119,742	878,188	(2,334)	875,854
Unwinding of the fair value of decommissioning liabilities	(c)	-	530	530	-	2,553	2,553
Share-based payments		2,895	-	2,895	4,936	-	4,936
Impairment of note receivable		-	-	-	120,773	-	120,773
Loss on acquisition of non controlling interest	(a)	-	-	-	-	727,195	727,195
Loss on disposal of property and equipment		-	-	-	6,456	-	6,456
		210,437	(101)	210,336	1,643,570	727,404	2,370,974
Loss before taxes		(22,130)	101	(22,029)	(372,776)	(727,404)	(1,100,180)
Taxes							
Deferred		-	-	-	-	-	-
Net loss from continuing operations for the period		(22,130)	101	(22,029)	(372,776)	(727,404)	(1,100,180)
Net earnings (loss) from discontinued operations, net of tax	(d)	(166,521)	56	(166,465)	430,573	2,391	432,964
Net loss and comprehensive loss for the period		(188,651)	157	(188,494)	57,797	(725,013)	(667,216)
Net earnings (loss) and comprehensive income (loss) for the period attributable to:							
Common shareholders of the Company		(188,651)	15,482	(173,169)	57,797	(646,411)	(588,614)
Non-controlling interest	(a)	-	(15,325)	(15,325)	-	(78,602)	(78,602)
Net loss and comprehensive loss per share from continuing operations							
Basic and diluted		(0.00)	0.00	(0.00)	(0.01)	(0.01)	(0.02)
Net earnings (loss) and comprehensive income (loss) per share							
Basic and diluted		(0.00)	0.00	(0.00)	0.00	(0.01)	(0.01)

14.2 Reconciliation of the Consolidated Statement of Comprehensive Income (Loss) (Continued)

The nature of the adjustments is explained as follows:

a) Loss on Acquisition of Non-Controlling Interest (NCI)

Under Canadian GAAP, no losses would be attributed to the NCI once the NCI was reduced to nil. When the Company purchased the non-controlling interest for $10 this amount was recorded to office and administration. Under IFRS, the Company retroactively started to record the NCI's share of losses from inception for the periods ended March 31, 2010 of $15,325 and December 31, 2010 of $78,602. When the Company purchased the NCI it recorded a loss on acquisition of $727,195, which consisted of the NCI's accumulated losses plus the purchase price.

b) Depletion and Depreciation

$	Three months ended March 31, 2010	Year ended December 31, 2010
Reclassification of the unwinding of the fair value of decommissioning liabilities previously grouped with depletion and depreciation under Canadian GAAP	(604)	(2,882)
Increase (decrease) in depletion and depreciation due to the decommissioning liabilities transition adjustment (see 14.1 (b))	(27)	548
	(631)	(2,334)

c) Unwinding of the Fair Value of Decommissioning Liabilities

$	Three months ended March 31, 2010	Year ended December 31, 2010
Reclassification of the unwinding of the fair value of decommissioning liabilities previously grouped with depletion and depreciation under Canadian GAAP	604	2,882
Decrease in the unwinding of the fair value of decommissioning liabilities due to the transition adjustment (see 14.1 (b))	(74)	(329)
	530	2,553

d) Net Earnings (Loss) from Discontinued Operations, Net of Tax

$	Three months ended March 31, 2010	Year ended December 31, 2010
Decrease in the unwinding of the fair value of decommissioning liabilities due to the transition adjustment (see 14.1 (b))	56	169
Increase in net earnings on the disposal of discontinued operations due to the increase of decommissioning liabilities (see 14.1 (b))	-	2,222
	56	2,391

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