Pine Cliff Energy Ltd.

Long-term Value Focus

Q2-2018 Report

MESSAGE TO SHAREHOLDERS

For natural gas companies such as Pine Cliff, Q2 2018 will be remembered as one of the most difficult periods in over 20 years primarily due to the average daily AECO price being at $1.18 per Mcf. Significant highlights from the second quarter and year to date were:

- produced an average of 19,557 Boe/d (94% natural gas) in the three months ended June 30, 2018, a 7% decrease compared to the same period of 2017, mainly due to shut-ins in the quarter when AECO prices fell below our internal economic threshold levels; and
- reduced bank debt by $0.5 million during the quarter and by $5.3 million during the six months ended June 30, 2018 to $12.7 million, the lowest Company bank debt level since 2014. The reduction in bank debt resulted in interest expense and bank charges, net of dividend income, of $0.41 per Boe and $0.42 per Boe for the three and six months ended June 30, 2018, compared to $0.49 per Boe and $0.50 per Boe for the comparable periods in 2017.

Impact of Our Diversification Strategy

Despite this decade's low AECO prices this past quarter, Pine Cliff was able to realize a natural gas price of $1.55 per Mcf, an increase of $0.37 per Mcf, or 31% higher than the average daily AECO price, primarily due to our commodity price management initiatives. Our main operational focus in the first quarter of 2018 was optimizing Pine Cliff's infrastructure to increase the flexibility to move production volumes to different delivery points. The result of that field-work is that approximately 48% of Pine Cliff's forecasted 2018 natural gas production is currently being sold to non-AECO markets.

In this past quarter, Pine Cliff had negative adjusted funds flow of $1.0 million on production of 19,557 Boe/d. For a sense of comparison, the only other quarter in the past 25 quarters where Pine Cliff suffered negative adjusted funds flow was Q2 of 2016, when Pine Cliff had negative adjusted funds flow of $3.7 million. During that quarter, the average daily AECO price was $0.21 per Mcf higher than this past quarter at $1.39 per Mcf and Pine Cliff's production was at 22,647 Boe/d. This comparison highlights how impactful our Q1 infrastructure and ongoing operational improvements have been in lowering our AECO adjusted funds flow breakeven point down to approximately $1.27 per Mcf.

Balance Sheet Strategy Shift

In July, Pine Cliff completed a process started in 2016 to align the balance sheet with our longer term business model. This process involved replacing the existing bank debt with a tranche of term debt due in 2022 from Alberta Investment Management Corporation (AIMCo), the same group we placed term debt with in 2016. At the same time, Pine Cliff also increased and extended our insider debt to 2020. These moves do not alter Pine Cliff's overall net debt level, but they do move our debt away from the short term nature of bank debt, to a more flexible longer term debt. AIMCo manages $100 Billion in assets and has been a supportive partner to Pine Cliff. We look forward to continuing to work with them.

Outlook

AECO gas prices have improved in Q3 from Q2, but are still not at levels we think will justify producers drilling for dry natural gas in Western Canada. We remain frustrated that the forward strip for natural gas prices are still under $2.00 per Mcf in Canada and yet North American gas storage volumes appear to be heading into the fall at 10 year lows. The 2018 storage injection season will likely end in three months and although US natural gas supply continues to come on at a record pace, it seems to be losing the storage battle to increasing domestic demand and exports of natural gas. If this trend continues, Pine Cliff is optimistic that natural gas prices will strengthen through the winter with decade low storage levels as seasonal power demand increases with colder weather.

At Pine Cliff, with the increase in oil prices, we have spent the past six months examining our own land base for liquids rich drilling prospects and have identified numerous economic drilling locations. Pine Cliff owns the mineral rights on close to two million acres and there has been extensive oil focused drilling on lands directly offsetting our acreage. We think it is prudent to continue to monitor our own funds flow closely before determining whether to proceed with drilling oil wells. As our long time shareholders know, every decision we make is with the view to increasing long term value to our shareholders and this is another time when the current environment has created opportunities that may justify spending capital in the second half of 2018. Meanwhile, we continue to review acquisition candidates that we think could strengthen our business model if we were to acquire them at the right price. We will keep you up to date on all of these initiatives as they further develop.

Thank you for your continued patience and support as shareholders and to our Pine Cliff team for their unwavering commitment.

Yours truly,

Phil Hodge
President and Chief Executive Officer
August 8, 2018

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

INTRODUCTION

This Management's Discussion and Analysis ("**MD&A**") is a review of the operations and current financial position of Pine Cliff Energy Ltd. ("**Pine Cliff**" or the "**Company**") for the period ended June 30, 2018. This MD&A is dated and based on information available as at August 8, 2018 and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the six months ended June 30, 2018 ("**Financial Statements**"), the audited annual consolidated financial statements for the year ended December 31, 2017 ("**Annual Financial Statements**") and the annual management's discussion and analysis for the year ended December 31, 2017 ("**Annual MD&A**"). The Financial Statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" using accounting principles consistent with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board using Generally Accepted Accounting Principles ("**GAAP**"). Additional information relating to the Company, including the Company's Annual Information Form, may be found on www.sedar.com and by visiting Pine Cliff's website at www.pinecliffenergy.com.

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

READER ADVISORIES

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

Other Measurements

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

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

SECOND QUARTER 2018 HIGHLIGHTS

Highlights from the second quarter of 2018 are as follows:

- realized a 31% premium to the AECO daily 5A reference natural gas price for the quarter resulting from the Company's AECO diversification strategy, which was completed and fully implemented at the end of the first quarter of 2018;
- produced an average of 19,557 Boe/d (94% natural gas) in the three months ended June 30, 2018, a 7% decrease compared to the same period of 2017, mainly related to shut-ins for the quarter when the daily AECO reference price fell below the Company's internal economic threshold levels; and
- reduced bank debt by $0.5 million during the quarter and by $5.3 million during the six months ended June 30, 2018 to $12.7 million, the lowest Company bank debt level since 2014. The reduction in bank debt resulted in interest expense and bank charges, net of dividend income, of $0.41 per Boe and $0.42 per Boe for the three and six months ended June 30, 2018, compared to $0.49 per Boe and $0.50 per Boe for the comparable periods in 2017.

SENSITIVITIES

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

Business environment sensitivities	Impact on annual adjusted funds flow[1]		
	Change	$000s	$ per share[3]
Crude oil price ($/Bbl)[2]	$1.00	335	0.00
Natural gas price ($/Mcf)[2]	$0.10	3,928	0.01
Interest rate on variable rate debt[4]	1.0%	236	0.00

[1] This analysis does not adjust for changes in working capital and uses royalty rates from the six months ended June 30, 2018.
[2] Pine Cliff has prepared this analysis using its Q2 2018 production volumes annualized for twelve months.
[3] Based on the Q2 2018 basic weighted average shares outstanding.
[4] Based on June 30, 2018 bank debt of $12.7 million, 2018 Notes, as defined herein, of $6.0 million, and 2018 Related Party Notes, as defined herein, of $5.0 million, less cash of $0.1 million.

QUARTERLY BENCHMARK PRICES

Pine Cliff's financial results are influenced by fluctuations in commodity prices, dollar exchange rates and price differentials. The following table shows select market benchmark average prices and foreign exchange rates in the last eight quarters to assist in understanding the volatility in prices and foreign exchange rates that have impacted Pine Cliff's business.

	Q2-2018	Q1-2018	Q4-2017	Q3-2017	Q2-2017	Q1-2017	Q4-2016	Q3-2016
Natural gas								
NYMEX (US$/Mmbtu)[1]	**2.78**	2.99	2.91	2.98	3.13	3.25	2.95	2.78
AECO Daily 5A (C$/Mcf)[2]	**1.18**	2.07	1.68	1.45	2.77	2.68	3.08	2.31
Pine Cliff realized natural gas price ($/Mcf)	**1.55**	2.35	1.98	1.63	2.82	2.83	2.93	2.33
Crude oil								
WTI (US$/Bbl)	**67.88**	62.87	55.40	48.20	48.28	51.91	49.29	44.94
Edmonton Light (C$/Bbl)	**80.66**	72.21	68.98	56.65	61.87	63.91	61.61	54.71
Foreign exchange								
US$/C$	**1.290**	1.270	1.270	1.250	1.340	1.320	1.334	1.305

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

In the three and six months ended June 30, 2018, the AECO daily benchmark was 57% and 40% lower, respectively compared to the same period of 2017, primarily due to increased natural gas supply. While the price realized by the Company for natural gas production from Western Canada is still influenced by the Alberta price hub AECO, recent diversification projects to delivery points such as Dawn and Empress materially increased realized natural gas pricing in fiscal 2018.

The average benchmarks for WTI and Edmonton Light crude increased by 41% and 30%, respectively in the three months ended June 30, 2018, as compared to the same period in 2017, due to increasing global demand and the management of global crude oil production volumes by OPEC. Canadian crude prices are based upon refiner postings at Edmonton, Alberta and are linked to WTI through transportation tariffs to common markets and the foreign exchange rate. Pine Cliff's oil is sold at an approximate 30% discount to the Edmonton Light crude oil price as a result of quality differences.

The supply and demand dynamics for certain NGL components such as ethane, propane, butane, and condensate in the recent past has impacted the relationship between the price of NGLs and the price of oil. In the three and six months ended June 30, 2018, the realized price of Pine Cliff's NGL's was $56.74 and $54.09, respectively, which was 70% and 71% of Edmonton Light.

QUARTERLY TRENDS AND SELECTED FINANCIAL INFORMATION

	2018		2017				2016	
($000s, unless otherwise indicated)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
FINANCIAL								
Total revenue	**20,419**	27,100	25,444	23,892	34,005	31,735	35,189	30,067
Cash flow from operating activities	**531**	6,979	(4,350)	5,517	10,007	13,835	12,632	4,606
Adjusted funds flow[1]	**(977)**	5,137	3,759	2,879	10,834	11,233	15,026	6,972
Adjusted funds flow per share – basic and diluted ($/share)[1]	**0.00**	0.02	0.01	0.01	0.04	0.04	0.05	0.02
Impairments	**-**	-	-	17,800	-	-	4,648	-
Earnings (loss)	**(17,909)**	(15,580)	(32,996)	(30,214)	(2,118)	(2,536)	3,210	(11,558)
Earnings (loss) per share – basic and diluted ($/share)	**(0.06)**	(0.05)	(0.11)	(0.10)	(0.01)	(0.01)	0.01	(0.04)
Capital expenditures	**1,276**	3,177	3,091	3,318	3,267	3,801	3,356	1,437
Acquisitions	**(3)**	(288)	44	(9)	(97)	-	(1,029)	(603)
Dispositions	**(135)**	(83)	(148)	(65)	(216)	-	(33,032)	(5,378)
Net debt[1]	**54,737**	52,414	53,638	53,377	52,562	58,930	64,224	110,312
Weighted average common shares outstanding:								
Basic	**307,076**	307,076	307,076	307,076	307,076	307,076	306,977	306,878
Diluted	**307,076**	307,076	307,076	307,076	307,076	307,076	307,095	306,878
PRODUCTION VOLUMES								
Natural gas (Mcf/d)	**110,242**	112,871	122,304	124,450	119,410	120,677	120,540	125,082
Natural gas liquids (Bbl/d)	**967**	977	880	998	912	903	833	871
Crude oil (Bbl/d)	**216**	219	225	123	263	198	602	803
Average sales volumes (Boe/d)	**19,557**	20,008	21,489	21,863	21,077	21,214	21,525	22,521
Average sales volumes (Mcfe/d)	**117,342**	120,048	128,934	131,178	126,462	127,284	129,150	135,126
PRICES AND NETBACKS								
Total oil and gas sales ($/Boe)	**12.33**	16.50	13.85	11.47	18.55	18.41	19.35	15.64
Operating netback ($/Boe)[1]	**0.72**	4.04	2.85	2.30	7.41	7.14	8.81	5.08
Corporate netback ($/Boe)[1]	**(0.55)**	2.86	1.90	1.44	5.65	5.88	7.59	3.36
Total oil and gas sales ($/Mcfe)	**2.06**	2.75	2.31	1.91	3.09	3.07	3.23	2.61
Operating netback ($/Mcfe)[1]	**0.12**	0.67	0.48	0.38	1.24	1.19	1.47	0.85
Corporate netback ($/Mcfe)[1]	**(0.09)**	0.48	0.32	0.24	0.94	0.98	1.27	0.56

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

Over the past eight quarters, Pine Cliff's revenues, cash flow from operating activities, adjusted funds flow, and earnings (losses) have fluctuated primarily due to changes in commodity prices and sales volumes impacted partially from acquisitions and dispositions. Earnings (losses) also fluctuate with non-cash expenditures, including depletion, depreciation, impairments and deferred income taxes. Selected highlights for the past eight quarters are presented below:

- Sales volumes decreased from the fourth quarter of 2016 until the third quarter of 2017 mainly related to natural production declines and dispositions in the third and fourth quarters of 2016. Average sales volumes increased in the third quarter of 2017 due to a successful recompletion program in the Company's "Central Area". Average sales volumes decreased in the fourth quarter of 2017 through the second quarter of 2018 related to natural production declines and short-term production outages, primarily due to low natural gas commodity prices.

- Total revenue of $35.2 million in the fourth quarter of 2016 was the highest in the eight quarters presented due to higher natural gas prices and higher production volumes related to 2015 acquisitions, partially offset by decreased royalty revenue related to a royalty disposition in June 2016, production decreases related to a December 2016 disposition, and lower realized crude oil prices. Revenues decreased from the fourth quarter of 2016 to the first quarter of 2017 as a result of lower commodity prices and lower sales volumes, but increased from the first quarter of 2017 to the second quarter of 2017 related to increased commodity prices and lower royalty rates. Total revenues increased from the third quarter of 2017 to the first quarter of 2018 mainly as a result of higher commodity prices, slightly offset by lower sales volumes. Total revenues decreased from the first quarter of 2018 to the second quarter of 2018 mainly as a result of lower commodity prices and sales volumes.

- Adjusted funds flow of $15.0 million in the fourth quarter of 2016 was the highest in the eight quarters presented as a result of the highest natural gas prices in the eight quarters. Adjusted funds flow decreased in the first and second quarters of 2017 from the fourth quarter of 2016, as a result of lower natural gas prices and lower production volumes. Adjusted funds flow continued to decrease in the third quarter of 2017 compared to the second quarter of 2017 as a result of lower natural gas prices, slightly offset by higher sales volumes. Adjusted funds flow increased from the third quarter of 2017 through the first quarter of 2018 as a result of higher natural gas prices, slightly offset by lower sales volumes. Adjusted funds flow decreased from the first quarter of 2018 to the second quarter of 2018 mainly as a result of lower commodity prices and sales volumes.

- Earnings of $3.2 million in the fourth quarter of 2016 was the highest in the eight quarters presented as a result of that quarter having the highest natural gas price in the eight quarters. Earnings decreased in the first and second quarters of 2017 compared to the fourth quarter of 2016, primarily as a result of lower commodity and lower production volumes. Losses continued to increase in the third quarter of 2017 compared to the second quarter of 2017, primarily as a result of impairment and lower commodity prices, slightly offset by higher production volumes. Losses increased in the fourth quarter of 2017 compared to the third quarter of 2017, primarily as a result of a deferred income tax expense and a reduction of the deferred tax asset. Losses decreased in the first quarter of 2018 compared to the fourth quarter of 2017 mainly as a result of higher oil and gas revenues and a lower deferred income tax expense. Losses increased in the second quarter of 2018 compared to the first quarter of 2018 mainly as a result of lower oil and gas revenues.

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
($000s, unless otherwise indicated)				
FINANCIAL				
Oil and gas sales (before royalty expense)	**21,939**	35,561	**51,650**	70,709
Cash flow from operating activities	**531**	10,007	**7,510**	23,842
Adjusted funds flow[1]	**(977)**	10,834	**4,160**	22,067
Per share – Basic and Diluted ($/share)[1]	**0.00**	0.04	**0.01**	0.07
Loss	**(17,909)**	(2,118)	**(33,489)**	(4,654)
Per share – Basic and Diluted ($/share)	**(0.06)**	(0.01)	**(0.11)**	(0.02)
Capital expenditures	**1,276**	3,267	**4,453**	7,068
Net debt[1]	**54,737**	52,562	**54,737**	52,562
Weighted-average common shares outstanding (000s)				
Basic and diluted	**307,076**	307,076	**307,076**	307,076
OPERATIONS				
Production				
Natural gas (Mcf/d)	**110,242**	119,410	**111,546**	120,040
Natural gas liquids (Bbl/d)	**967**	912	**972**	908
Crude oil (Bbl/d)	**216**	263	**218**	230
Total (Boe/d)	**19,557**	21,077	**19,781**	21,145
Realized commodity sales prices				
Natural gas ($/Mcf)	**1.55**	2.82	**1.95**	2.82
Natural gas liquids ($/Boe)	**56.74**	43.44	**54.09**	42.92
Crude oil ($/Bbl)	**71.19**	55.04	**67.20**	55.38
Combined ($/Boe)	**12.33**	18.55	**14.43**	18.48
Netback ($/Boe)				
Oil and gas sales	**12.33**	18.55	**14.43**	18.48
Royalty expense	**(0.85)**	(1.46)	**(1.16)**	(1.64)
Transportation expenses	**(1.69)**	(0.99)	**(1.65)**	(1.05)
Operating expenses	**(9.07)**	(8.69)	**(9.23)**	(8.51)
Operating netback ($/Boe)[1]	**0.72**	7.41	**2.39**	7.28
General and administrative expenses	**(0.86)**	(1.27)	**(0.81)**	(1.00)
Interest and bank charges, net of dividend income	**(0.41)**	(0.49)	**(0.42)**	(0.50)
Corporate netback ($/Boe)[1]	**(0.55)**	5.65	**1.16**	5.78
Operating netback ($ per Mcfe)[1]	**0.12**	1.24	**0.40**	1.21
Corporate netback ($ per Mcfe)[1]	**(0.09)**	0.94	**0.19**	0.96

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

SALES VOLUMES

Total sales volumes by product	Three months ended June 30, 2018	2017	% Change	Six months ended June 30 2018	2017	% Change
Natural gas (Mcf)	**10,031,478**	10,866,269	(8)	**20,189,868**	21,727,216	(7)
NGLs (Bbl)	**87,972**	83,036	6	**175,945**	164,308	7
Crude oil (Bbl)	**19,696**	23,912	(18)	**39,411**	41,688	(5)
Total Boe	**1,779,582**	1,917,992	(7)	**3,580,334**	3,827,199	(6)
Total Mcfe	**10,677,486**	11,507,953	(7)	**21,482,004**	22,963,192	(6)
Natural gas weighting	**94%**	94%	-	**94%**	95%	(1)

Average daily sales volumes by product	Three months ended June 30, 2018	2017	% Change	Six months ended June 30, 2018	2017	% Change
Natural gas (Mcf/d)	**110,242**	119,410	(8)	**111,546**	120,040	(7)
NGLs (Bbl/d)	**967**	912	6	**972**	908	7
Crude oil (Bbl/d)	**216**	263	(18)	**218**	230	(5)
Total (Boe/d)	**19,557**	21,077	(7)	**19,781**	21,145	(6)
Total (Mcfe/d)	**117,342**	126,462	(7)	**118,686**	126,870	(6)

Average daily sales volumes by area	Three months ended June 30, 2018	2017	% Change	Six months ended June 30, 2018	2017	% Change
Central (Boe/d)	**9,053**	9,664	(6)	**9,298**	9,680	(4)
Southern (Boe/d)	**8,444**	9,095	(7)	**8,400**	9,183	(9)
Edson (Boe/d)	**2,060**	2,318	(11)	**2,083**	2,282	(9)
Total (Boe/d)	**19,557**	21,077	(7)	**19,781**	21,145	(6)
Total (Mcfe/d)	**117,342**	126,462	(7)	**118,686**	126,870	(6)

Pine Cliff's sales volumes decreased by 7% to 19,557 Boe/d (117,342 Mcfe/d) and 6% to 19,781 Boe/d (118,686 Mcfe/d) for the three and six months ended June 30, 2018, as compared to the same period in 2017. The production volumes decrease in the quarter and year to date relate mainly to natural production declines and short-term shut-ins due to low natural gas commodity pricing, offset slightly by production gains from the Company's recompletion and drilling expenditures.

Pine Cliff is projecting 2018 production volumes of 20,000 – 20,500 Boe/d (120,000 – 123,000 Mcfe/d), weighted approximately 95% towards natural gas.

Benchmark Prices

	Three months ended June 30, 2018	2017	% Change	Six months ended June 30, 2018	2017	% Change
Natural gas						
NYMEX (US$/Mmbtu)[1]	**2.78**	3.13	(11)	**2.89**	3.19	(9)
AECO Daily 5A (C$/Mcf)[2]	**1.18**	2.77	(57)	**1.62**	2.72	(40)
Crude oil						
WTI (US$/Bbl)	**67.88**	48.28	41	**65.38**	50.10	30
Edmonton Light (C$/Bbl)	**80.66**	61.87	30	**76.44**	62.89	22
Foreign exchange						
US$/C$	**1.290**	1.340	(4)	**1.280**	1.330	(4)

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

OIL AND GAS SALES

($000s)	Three months ended June 30, 2018	2017	% Change	Six months ended June 30, 2018	2017	% Change
Natural gas	**15,546**	30,638	(49)	**39,485**	61,348	(36)
NGL	**4,991**	3,607	38	**9,517**	7,052	35
Crude oil	**1,402**	1,316	7	**2,648**	2,309	15
Total oil and gas sales	**21,939**	35,561	(38)	**51,650**	70,709	(27)
% of revenue from natural gas sales	**71%**	86%	(15)	**76%**	87%	(11)

Realized prices

$ per unit	Three months ended June 30, 2018	2017	% Change	Six months ended June 30, 2018	2017	% Change
Natural gas ($/Mcf)	**1.55**	2.82	(45)	**1.95**	2.82	(31)
NGL ($/Bbl)	**56.74**	43.44	31	**54.09**	42.92	26
Crude oil ($/Bbl)	**71.19**	55.04	29	**67.20**	55.38	21
Total ($/Boe)	**12.33**	18.55	(34)	**14.43**	18.48	(22)
Total ($/Mcfe)	**2.06**	3.09	(34)	**2.41**	3.08	(22)

Oil and gas sales in the three months ended June 30, 2018, decreased $13.7 million to $21.9 million from $35.6 million in the three months ended June 30, 2017, with $11.1 million of the decrease attributable to lower realized prices and $2.6 million from lower sales volumes. Oil and gas sales in the six months ended June 30, 2018, decreased $19.1 million to $51.7 million from $70.7 million in the six months ended June 30, 2017, with $14.5 million of the decrease attributable to lower realized prices and $4.6 million from lower sales volumes.

Pine Cliff's realized natural gas price was $1.55 per Mcf and $1.95 per Mcf for the three and six months ended June 30, 2018, 45% and 31% lower than the $2.82 per Mcf in the corresponding periods of the prior year, primarily as a result of changes in the AECO natural gas reference price.

For the three and six months ended June 30, 2018, Pine Cliff's realized NGL prices were $56.74 per Bbl and $54.09 per Bbl, compared to $43.44 per Bbl and $42.92 per Bbl in the corresponding periods of the prior year. For the three and six months ended June 30, 2018, Pine Cliff's realized oil prices were $71.19 per Bbl and $67.20 per Bbl, compared to $55.04 per Bbl and $55.38 per Bbl in the corresponding periods of the prior year. The increases in NGL and oil prices were a result of a corresponding increase in the Edmonton Light oil price. Pine Cliff's realized NGL price in the three and six months ended June 30, 2018 were 70% and 71% of Edmonton Light compared to 70% and 68% in the corresponding periods of the prior year. Pine Cliff's realized oil price in the three and six months ended June 30, 2018 were both 88% of Edmonton Light compared to 89% and 88% in the corresponding periods of the prior year.

ROYALTY EXPENSE

($000s)	Three months ended June 30, 2018	2017	% Change	Six months ended June 30, 2018	2017	% Change
Total royalty expense	**1,520**	2,798	(46)	**4,166**	6,264	(33)
$ per Boe	**0.85**	1.46	(42)	**1.16**	1.64	(29)
$ per Mcfe	**0.14**	0.24	(42)	**0.19**	0.27	(29)
Royalty expense as a % of oil and gas sales	**7%**	8%	(13)	**8%**	9%	(11)

For the three and six months ended June 30, 2018, total royalty expense decreased by 46% and 33% to $1.5 million and $4.2 million from $2.8 million and $6.3 million in the corresponding periods of the prior year. Royalty expense as a percentage of oil and gas sales decreased to 7% and 8% in the three and six months ended June 30, 2018, compared to 8% and 9% in the corresponding periods of the prior year. Pine Cliff expects royalties to average between 7% and 8% of oil and gas sales during 2018.

TRANSPORTATION COSTS

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2018**	2017	% Change	**2018**	2017	% Change
Total transportation costs	**3,005**	1,903	58	**5,894**	4,027	46
$ per Boe	**1.69**	0.99	71	**1.65**	1.05	57
$ per Mcfe	**0.28**	0.17	71	**0.28**	0.18	57

Transportation costs increased by 58% and 46% to $3.0 million and $5.9 million for the three and six months ended June 30, 2018, as compared to $1.9 million and $4.0 million in the corresponding periods of the prior year, primarily a result of higher transportation expenses related to the Company diversifying its delivery of a higher proportion of its natural gas to non-AECO markets, including the delivery of approximately 11,000 Mcf/d to Dawn during the three and six months ended June 30, 2018. The increase in transportation costs resulted in the higher natural gas price realized by the company over AECO during the three and six months ended June 30, 2018.

OPERATING EXPENSES

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2018**	2017	% Change	**2018**	2017	% Change
Total operating expenses	**16,140**	16,662	(3)	**33,052**	32,572	1
$ per Boe	**9.07**	8.69	4	**9.23**	8.51	8
$ per Mcfe	**1.51**	1.45	4	**1.54**	1.42	8

Operating expenses decreased by 3% to $16.1 million for the three months ended June 30, 2018, as compared to $16.7 million in the corresponding period of the prior year, primarily a result of a decrease in discretionary spending due to low natural gas prices, slightly offset by higher power costs and general inflationary costs in the sector. Operating expenses increased by 1% to $33.1 million for the six months ended June 30, 2018, as compared to $32.6 million in the corresponding period of the prior year, primarily a result of an increase in power costs and general inflationary costs in the sector. On a per Boe basis, operating costs increased for the three and six months ended June 30, 2018 compared to the same periods 2017 primarily as a result of lower production volumes in the current year periods.

GENERAL AND ADMINISTRATIVE EXPENSES ("G&A")

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2018**	2017	% Change	**2018**	2017	% Change
Gross G&A	**2,043**	2,152	(5)	**4,017**	4,544	(12)
Less: overhead recoveries	**(517)**	276	(287)	**(1,127)**	(701)	61
Total G&A expenses	**1,526**	2,428	(37)	**2,890**	3,843	(25)
$ per Boe	**0.86**	1.27	(32)	**0.81**	1.00	(19)
$ per Mcfe	**0.14**	0.21	(32)	**0.13**	0.17	(19)

G&A decreased by 37% and 25% to $1.5 million and $2.9 million in the three and six months ended June 30, 2018, as compared to $2.4 million and $3.8 in the corresponding periods of the prior year. On a per Boe basis, G&A for the three and six months ended June 30, 2018, decreased by 32% and 19% to $0.86 per Boe and $0.81 per Boe from $1.27 per Boe and $1.00 per Boe. The decrease in G&A during the three and six months ended June 30, 2018 is a result of lower discretionary costs and higher overhead recoveries from working interest partners.

SHARE-BASED PAYMENTS

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2018**	2017	% Change	**2018**	2017	% Change
Total share-based payments	**631**	835	(24)	**1,255**	1,614	(22)
$ per Boe	**0.35**	0.44	(20)	**0.35**	0.42	(17)
$ per Mcfe	**0.06**	0.07	(20)	**0.06**	0.07	(17)

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

During the six months ended June 30, 2018, the Company granted 7,309,300 stock options to purchase Common Shares (six months ended June 30, 2017 – 5,030,150). As at June 30, 2018, the Company had 26,568,044 stock options outstanding representing 8.7% of Common Shares outstanding (June 30, 2017 – 23,261,612 representing 7.6% of Common Shares outstanding).

DEPLETION AND DEPRECIATION

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2018**	2017	% Change	**2018**	2017	% Change
Total depletion and depreciation	**10,726**	12,149	(12)	**21,602**	24,294	(11)
$ per Boe	**6.03**	6.33	(5)	**6.03**	6.35	(5)
$ per Mcfe	**1.00**	1.06	(5)	**1.01**	1.06	(5)

Depletion and depreciation expense for the three and six months ended June 30, 2018, totaled $10.7 million and $21.6 million compared to $12.1 million and $24.3 million in the corresponding periods of the prior year, as a result of lower production volumes and a lower depletable base. Depletion and depreciation per Boe will fluctuate from one period to the next depending on the amount and type of capital spending and changes in reserves. Depletion is calculated using total proved and probable reserves and reserves estimates are subject to revision.

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

In accordance with IFRS, an impairment test is performed if the Company identified an indication of impairment. At June 30, 2018, the Company determined that no indicators of impairment existed on its PP&E assets and therefore an impairment test was not performed.

FINANCE EXPENSES

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2018**	2017	% Change	**2018**	2017	% Change
Interest expense and bank charges	**725**	988	(27)	**1,523**	2,041	(25)
Non cash:						
Accretion on decommissioning provision	**1,317**	1,217	8	**2,590**	2,416	7
Accretion on subordinated promissory notes	**58**	54	7	**115**	108	6
Total finance expenses	**2,100**	2,259	(7)	**4,228**	4,565	(7)
$ per Boe	**1.18**	1.18	-	**1.18**	1.19	(1)
$ per Mcfe	**0.20**	0.20	-	**0.20**	0.20	(1)

In the three and six months ended June 30, 2018, Pine Cliff incurred finance expenses of $2.1 million and $4.2 million, 7% lower than the $2.3 million and $4.6 million in the corresponding periods of the prior year. The decrease is largely due to decreased interest and bank charges from lower bank debt levels, somewhat offset by slightly higher accretion on decommissioning liabilities. Please refer to the "DEBT, LIQUIDITY AND CAPITAL RESOURCES" section for additional information.

DIVIDEND INCOME

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2018**	2017	% Change	**2018**	2017	% Change
Total dividend income	**-**	52	(100)	**35**	105	(67)
$ per Boe	**-**	0.03	(100)	**0.01**	0.03	(67)

In the six months ended June 30, 2018, Pine Cliff received $0.04 million (2017 - $0.1 million) in dividends from its investment in a dividend paying company. This investment was sold as of March 31, 2018.

DEFERRED INCOME TAX

For the six months ended June 30, 2018, deferred income tax expenses amounted to $9.4 million, compared to $0.5 million of deferred income tax recoveries during the same period of 2017.

As at June 30, 2018, a deferred income tax asset has not been recognized on $49.7 million (December 31, 2017 - $33.3 million) of deductible temporary differences as it is not probable that future taxable net income will be available against which the Company can utilize the benefits.

Pine Cliff has approximately $388.8 million in tax pools at June 30, 2018, available for future use as deductions from taxable income. Included in these pools are estimated non-capital loss carry forwards of $101.4 million that expire between the years 2030 and 2038.

LOSS

Variance analysis:	
($000s)	
Loss for the six months ended June 30, 2017	**(4,654)**
Price variance	(14,497)
Volume variance	(4,562)
Royalty expense	2,098
Transportation	(1,867)
Operating	(480)
General and administrative	953
Unrealized gain on commodity contracts	(1,190)
Depletion and depreciation	2,692
Share-based payments	359
Finance	337
Realized loss on sale of investments	(2,687)
Dividend income	(70)
Deferred income tax	(9,921)
Loss for the six months ended June 30, 2018	**(33,489)**

During the six months ended June 30, 2018, Pine Cliff's loss increased by $28.8 million to $33.5 million as compared to a loss of $4.7 million during the six months ended June 30, 2017. The increase in loss is mainly a result of lower commodity prices, lower production volumes, higher transportation costs, higher deferred income tax expense, lower unrealized gains on commodity contracts and a realized loss on sale of investments, partially offset by lower royalty expenses, G&A expenses and depletion and depreciation.

REALIZED LOSS IN INVESTMENTS

As of March 31, 2018, Pine Cliff sold its investment in one public dividend paying company for proceeds of $2.3 million and realized a loss on sale of investments of $2.7 million.

CAPITAL EXPENDITURES, ACQUISITIONS AND DISPOSITIONS

($000s)	**Six months ended June 30, 2018**	Year ended December 31, 2017
Exploration and evaluation	**112**	79
Property, plant and equipment	**4,341**	13,398
Capital expenditures	**4,453**	13,477
Acquisitions	**(291)**	(62)
Dispositions	**(218)**	(429)
Total	**3,944**	12,986

Capital expenditures of $4.5 million during the six months ended June 30, 2018, were directed towards drilling seven gross (0.9 net) wells in the Edson and Central areas for $2.4 million, facility and maintenance capital of $1.5 million, recompletions of $0.1 million and $0.5 million of other miscellaneous capital additions.

DECOMMISSIONING PROVISION

The total future decommissioning provision of $198.7 million was estimated by management based on the Company's working interest and estimated costs to remediate, reclaim and abandon its wells, pipelines, and facilities and estimated timing of the costs to be incurred in future periods.

At June 30, 2018, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was $244.0 million (December 31, 2017 - $244.3 million). The provision has been calculated assuming a 1.79% inflation rate (December 31, 2017 – 1.72%). These obligations are currently expected to be settled based on the useful lives of the underlying assets, some of which extend beyond 35 years into the future. This amount has been discounted using an average risk-free interest rate of 2.75% (December 31, 2017 – 2.57%).

DEBT, LIQUIDITY AND CAPITAL RESOURCES

Bank Credit Facilities

As at June 30, 2018, the Company had a $45.0 million syndicated credit facility (the "**Credit Facility**") with four Canadian Financial Institutions (the "**Syndicate**") (December 31, 2017 - $45.0 million Credit Facility). The Credit Facility of $45.0 million consists of a $30.0 million revolving syndicated credit facility and a $15.0 million revolving operating facility. Security consists of floating demand debentures totaling $150.0 million and a general security agreement with first ranking over all current and acquired properties. Amounts drawn under the Credit Facility at June 30, 2018, were $12.7 million (December 31, 2017 - $18.0 million). Borrowings under the Credit Facility bear interest at the Canadian prime rate plus 1.0% to 3.5% or the bankers' acceptance rates plus 2.0% to 4.5%, depending, in each case, on the ratio of consolidated debt to EBITDA, plus applicable standby fees. EBITDA is calculated as earnings (loss) excluding depreciation, depletion, impairment and accretion, share based payments, interest, taxes and other non-cash items. The Credit Facility matured July 27, 2018, and if it had not been renewed it would have converted to a one day term loan due on July 28, 2018. The Credit Facility is reviewed semi-annually on May 31st and November 30th.

On May 31, 2018 Pine Cliff entered into an agreement with the Syndicate to extend the borrowing base redetermination from May 31, 2018 to July 15, 2018. Pine Cliff agreed that the amounts permitted under the Credit Facility for the June 1, 2018 to July 15, 2018 period would not exceed $20.0 million.

As at June 30, 2018, the Company had $2.0 million in letters of credit issued against its Credit Facility (December 31, 2017 - $2.0 million). The Credit Facility does not contain any financial covenants but Pine Cliff is subject to non-financial covenants under its Credit Facility. Compliance with these covenants is monitored on a regular basis and as at June 30, 2018, Pine Cliff was in compliance with all covenants.

On July 13, 2018, the Company entered into an Amended and Restated Credit Agreement with three Canadian Financial Institutions for an $11.0 million syndicated credit facility (the "**Renewed Credit Facility**"). The Renewed Credit Facility consists of a $6.0 million revolving syndicated facility and a $5.0 million revolving operating facility. The Renewed Credit Facility has a 364 day revolving period maturing July 28, 2019 and if it is not renewed it will convert to a one day term loan due on July 29, 2019. The Renewed Credit Facility will be reviewed semi-annually on November 30th and May 31st. The Renewed Credit Facility will bear interest at the Canadian prime rate plus 1.5% to 4.0% or the bankers' acceptance rates plus 2.5% to 5.0%, depending, in each case, on the ratio of consolidated debt to EBITDA, plus applicable standby fees. The Renewed Credit Facility has no fixed terms of repayment. The Renewed Credit Facility does not contain any financial covenants but Pine Cliff is subject to non-financial covenants under its Renewed Credit Facility.

Due to Related Party

As at June 30, 2018, Pine Cliff had a $5.0 million promissory note outstanding to the Company's Chairman of the Board maturing on July 29, 2018 ("**2018 Related Party Note**") that bears interest at 0.25% less than the monthly average effective interest rate paid on the Credit Facility and is payable monthly. The 2018 Related Party Note was secured by a $5.0 million floating charge debenture over all of the Company's assets and was subordinated to any and all claims in favor of the Credit Facility and the holder of the 2020 Notes, as defined herein. Interest paid on the 2018 Related Party Note for the three and six months ended June 30, 2018 was $0.05 million and $0.1 million (three and six months ended June 30, 2017 - $0.05 million and $0.1 million).

On July 13, 2018, the Company amended the 2018 Related Party Note by increasing the amount to $6.0 million and extending the maturity date to September 30, 2020 ("**2020 Related Party Note**"). The 2020 Related Party Note is secured by a $6.0 million floating charge debenture over all of the Company's assets and is subordinated to any and all claims in favor of the Renewed Credit Facility and the holder of the 2020 Notes and the 2022 Notes, as defined herein.

Subordinated promissory notes due July 29, 2018

On July 29, 2016, the Company issued $6.0 million in promissory notes maturing on July 29, 2018 ("**2018 Notes**") and bearing interest at 0.25% less than the monthly average effective interest rate paid on the Credit Facility, payable monthly. The 2018 Notes were issued to a shareholder and a relative of that shareholder of the Company, owning directly or by discretion and control, greater than 10% of the Company's outstanding Common Shares and can be repaid at any time without penalty. The 2018 Notes were secured by $6.0 million of floating charge debentures over all of the Company's assets and are subordinated to any and all claims in favor of the Credit Facility and the 2020 Note holder.

On July 13, 2018, the Company amended the 2018 Notes by extending the maturity date to September 30, 2020 ("**2020 Promissory Notes**"). The 2020 Promissory Notes are secured by $6.0 million of floating charge debentures over all of the Company's assets and are subordinated to any and all claims in favor of the Renewed Credit Facility and the holder of the 2020 Notes and the 2022 Notes.

Subordinated promissory notes due September 30, 2020

On August 10, 2016, the Company issued 30,000 units ("**2020 Units**" or "**2020 Unit**") at a price of $1,000 per 2020 Unit for aggregate proceeds of $30.0 million. Each 2020 Unit is comprised of: (i) one promissory note with a par value of $1,000 per note and bearing interest at 6.75% per annum ("**2020 Note**"), which is payable semi-annually; and (ii) 150 Common Share purchase warrants ("**2018 Warrants**"). The 2020 Notes mature on September 30, 2020 and all or a portion of the principal amount outstanding can be repaid earlier without penalty. The 2020 Notes are secured by a $30.0 million floating charge debenture over all of the Company's assets and is subordinated to any and all claims in favor of the Credit Facility. A total of 4.5 million 2018 Warrants were issued, entitling the holder to purchase one Common Share for each 2018 Warrant at a price of $1.38, until August 10, 2018.

The 2020 Notes were determined to be a hybrid instrument with an embedded derivative. The fair value of the debt component of the 2020 Notes was determined on issuance to be 7.8%, using the effective interest rate method, by discounting future payments of interest and principal with the residual value allocated to 2018 Warrants. The value of the debt will accrete up to the principal balance at maturity.

Please refer to the "SUBSEQUENT EVENTS" section for additional information.

Share Capital

Share capital	**August 8, 2018**	June 30, 2018	December 31, 2017
Common Shares	**307,075,787**	307,075,787	307,075,787
Stock options	**26,568,044**	26,568,044	21,316,406
Warrants	**7,350,000**[1]	4,500,000	4,500,000

[1] 4,500,000 of the Warrants are scheduled to expire on August 10, 2018.

Capital Resources

Pine Cliff's capital budget for 2018 currently is $10.4 million including abandonments and reclamation, but before acquisitions and dispositions. Pine Cliff anticipates funding its capital budget through adjusted funds flow. Budgeted future capital expenditures related to drilling are largely discretionary in nature and Pine Cliff is able to adjust the nature, amount and timing of most planned capital expenditures to changes in the business and commodity price environment.

Pine Cliff will continue to focus on additional opportunities to enhance shareholders' long term value which could include additional asset acquisitions or dispositions.

Liquidity

It is anticipated that cash flow from operating activities and the unused portion of the Renewed Credit Facility will allow Pine Cliff to meet its financial liabilities, as well as fund future capital requirements, at a reasonable cost. The Company believes it has sufficient funding to meet its obligations as they come due and, if required, would consider selling non-core assets, additional debt financing, or issuing equity in order to meet its future liabilities.

During the six months ended June 30, 2018, the Company financed its capital expenditures with cash flow from operating activities while also reducing bank debt.

COMMITMENTS AND CONTINGENCIES

As at June 30, 2018, the Company has the following commitments and other contractual obligations:

($000s)	2018	2019	2020	2021	2022	Thereafter
Subordinated promissory notes[1]	6,000	-	30,000	-	-	-
Trade and other payables	18,079	-	-	-	-	-
Due to related party	5,000	-	-	-	-	-
Bank debt	12,683	-	-	-	-	-
Future interest	1,354	2,025	1,519	-	-	-
Operating leases	423	861	819	716	541	479
Transportation[2]	5,187	7,815	6,759	5,763	4,951	15,313
Total commitments and contingencies	48,726	10,701	39,097	6,479	5,492	15,792

[1] Principal amount.
[2] Firm transportation agreements.

OFF BALANCE SHEET TRANSACTIONS

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments of the Company consist of cash, trade and other receivables, investments, trade and other payables, due to related party, subordinated promissory notes, and bank debt. The carrying values of cash, trade and other receivables and trade and other payables approximate their respective fair values due to their short-term to maturity. The carrying values of due to related party, subordinated promissory notes, and bank debt approximate their respective fair values due to their interest rates reflecting current market conditions.

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

Physical Sales Contracts

At June 30, 2018, the Company had the following physical sales contracts in place:

Physical Natural Gas Sales Contracts:

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Fixed Sale Price ($CAD/GJ)	Fixed Sale Price ($CAD/Mcf)[1]
April 1, 2018 to October 31, 2018	DAWN[2]	4,000	$3.13	$3.29
April 1, 2018 to October 31, 2018	DAWN[2]	4,000	$2.97	$3.12
April 1, 2018 to October 31, 2018	TransGas[3]	3,000	$2.40	$2.52
April 1, 2018 to October 31, 2018	TransGas[3]	2,500	$2.21	$2.32
May 1, 2018 to October 31, 2018	SUFFIELD #2[4]	5,000		

[1] Price has been converted from $/GJ to $/Mcf by multiplying by 1.05.
[2] Dawn Hub into Dawn Township, Ontario.
[3] Subsidiary of SaskEnergy, Saskatchewan.
[4] The contract terms of the physical fixed price natural gas sales contract to Suffield#2 delivery point (Suffield, Alberta) are AECO 5A plus $1.00/GJ.

Financial Derivative Contracts

Pine Cliff had no financial derivative contracts in place during the six months ended June 30, 2018 or at June 30, 2018 in order to manage commodity price risk. There were no financial derivative contracts entered into subsequent to June 30, 2018.

CRITICAL ACCOUNTING ESTIMATES

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

A comprehensive discussion of the significant accounting policies, judgements, assumptions and estimates made by management is provided in the Company's Annual Financial Statements and Annual MD&A for the year ended December 31, 2017.

ACCOUNTING POLICY AND STANDARD CHANGES

The accounting policies and method of computation followed in the preparation of the Financial Statements are the same as those followed in the preparation of the Annual Financial Statements.

ADOPTED ACCOUNTING PRONOUNCEMENTS

As of January 1, 2018, the Company adopted the following new accounting pronouncements, in accordance with the transitional provision of the standard. A brief description of each new accounting policy and its impact on the Company's financial statements are as follows:

IFRS 9 *Financial Instruments* ("**IFRS 9**")

Effective January 1, 2018 the Company adopted IFRS 9. IFRS 9 replaces the sections of IAS 39 Financial Instruments: Recognition and Measurements.

IFRS 9 replaces the multiple classification and measurements models for financial assets with a new model that only has two measurements categories; amortized cost and fair value through profit or loss or other comprehensive income (loss). This determination is made at initial recognition. As a result of adopting IFRS 9, the Company's accounts receivables were reclassified from loans and receivables at amortized cost to financial assets at amortized cost. For financial liabilities, the new standard retains most of the IAS 39 requirements. The main change arises in cases where the Company chooses to designate a financial liability as fair value through net earnings. In these situations, the portion of the fair value change related to the Company's own credit risk is recognized in other comprehensive income (loss) rather than net earnings. The Company has no financial liabilities that are measured at fair value through net earnings.

The classification of the Company's investments changed from available-for-sale to financial assets measured at fair value. On the day an investment is acquired the Company can make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income ("**FVTOCI**"), provided those investments are not classified as held for trading. The Company's investments will be measured at FVTOCI, with gains or losses arising from changes in fair value recognized in other comprehensive income and accumulated in the fair value instrument. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments. The Company has designated all of its investments as FVTOCI on its initial adoption of IFRS 9.

IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15")

Effective January 1, 2018 the Company adopted IFRS 15 using a modified retrospective approach. IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations. IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive when control is transferred to the purchaser. Additional disclosures required by IFRS 15 are detailed in the Financial Statements.

Revenue Recognition Policy

Revenue associated with the sale of crude oil, natural gas and natural gas liquids is measured based on the consideration specified in contracts with customers. Revenue from contracts with customers is recognized when or as Pine Cliff satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of oil, natural gas and natural gas liquids usually coincides with title passing to the customer and the customer taking physical possession. The Company principally satisfies its performance obligations at a point in time and the amounts of revenue recognized relating to performance obligations satisfied over time are not significant. Collection of revenue associated with the sale of crude oil, natural gas and natural gas liquids occurs on or about the 25th of the month following production. Pine Cliff enters into physical delivery sales contracts to manage commodity price risk. These contracts are considered normal executory sales contracts and are not recorded at fair value through profit or loss.

FUTURE ACCOUNTING CHANGES

IFRS 16 *Leases* (“**IFRS 16**”)

In January 2016, the IASB issued IFRS 16, which replaces IAS 17 Leases. IFRS 16 requires the recognition of lease assets and liabilities on the balance sheet for most leases, where the entity is acting as a lessee. For lessees applying IFRS 16, the dual classification model of leases as either operating leases or finance leases no longer exists, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the balance sheet recognition requirements, and may continue to be treated as operating leases. Lessors will continue with the dual classification model for leases and the accounting for lessors remains virtually unchanged.

The standard will come into effect for annual periods beginning on or after January 1, 2019. IFRS 16 is required to be adopted either retrospectively or using a modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively.

IFRS 16 will be applied by Pine Cliff on January 1, 2019. The Company is currently engaging and educating stakeholders and is reviewing corporate processes to ensure contract completeness when identifying leases. Identifying, gathering and analyzing contracts impacted by the adoption of the new standard is in progress. The Company is currently assessing the impact the standard will have on its Financial Statements.

INTERNAL CONTROLS

Pine Cliff is required to comply with National Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings. The certification of interim filings requires the Company to disclose in the MD&A any changes in internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect the Company’s internal control over financial reporting. Management confirms that no such changes were made to the internal controls over financial reporting during the six months ended June 30, 2018. The Chief Executive Officer and Chief Financial Officer have signed form 52-109F2, Certification of Interim Filings, which can be found on SEDAR at www.sedar.com.

SUBSEQUENT EVENTS

Subordinated promissory notes due July 31, 2022

On July 13, 2018, the Company issued 19,000 units (“**2022 Units**” or “**2022 Unit**”) at a price of $1,000 per 2022 Unit for aggregate proceeds of $19.0 million. Each 2022 Unit is comprised of: (i) one promissory note with a par value of $1,000 per note and bearing interest at 7.05% per annum ("**2022 Note**"), which is payable semi-annually; and (ii) 150 Common Share purchase warrants ("**2021 Warrants**"). The 2022 Notes mature on July 31, 2022 and all or a portion of the principal amount outstanding can be repaid without penalty after three years. A total of 2.85 million 2021 Warrants were issued, entitling the holder to purchase one Common Share of Pine Cliff for each 2021 Warrant at a price of $0.51, until July 13, 2021.

NON-GAAP MEASURES

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

Adjusted Funds Flow

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

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2018**	2017	% Change	**2018**	2017	% Change
Cash flow from operating activities	**531**	10,007	(95)	**7,510**	23,842	(69)
Adjusted by:						
Change in non-cash working capital	**(1,716)**	554	(410)	**(4,394)**	(2,540)	73
Decommissioning obligation settled	**208**	273	(24)	**1,044**	765	36
Adjusted funds flow	**(977)**	10,834	(109)	**4,160**	22,067	(81)
Adjusted funds flow ($/Boe)	**(0.55)**	5.65	(110)	**1.16**	5.78	(80)
Adjusted funds flow ($/Mcfe)	**(0.09)**	0.94	(110)	**0.19**	0.96	(80)
Adjusted funds flow – basic and diluted ($/share)	**0.00**	0.04	(100)	**0.01**	0.07	(86)

Operating and Corporate Netback

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

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

Pine Cliff uses these measures to assist in understanding the Company's ability to generate positive cash flow from operating activities at current commodity prices and it provides an analytical tool to benchmark changes in operational performance against prior periods. Readers are cautioned, however, that these measures should not be construed as an alternative to other terms such as earnings (loss) determined in accordance with IFRS as a measure of performance. Pine Cliff's method of calculating these measures may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

	Three months ended June 30,			Six months ended June 30,		
($ per Boe, unless otherwise indicated)	**2018**	2017	$ Change	**2018**	2017	$ Change
Oil and gas sales	**12.33**	18.55	(6.22)	**14.43**	18.48	(4.05)
Royalty expense	**(0.85)**	(1.46)	0.61	**(1.16)**	(1.64)	0.48
Transportation expense	**(1.69)**	(0.99)	(0.70)	**(1.65)**	(1.05)	(0.60)
Operating expense	**(9.07)**	(8.69)	(0.38)	**(9.23)**	(8.51)	(0.72)
Operating netback	**0.72**	7.41	(6.69)	**2.39**	7.28	(4.89)
General and administrative	**(0.86)**	(1.27)	0.41	**(0.81)**	(1.00)	0.19
Interest and bank charges, net of dividend income	**(0.41)**	(0.49)	0.08	**(0.42)**	(0.50)	0.08
Corporate netback	**(0.55)**	5.65	(6.20)	**1.16**	5.78	(4.62)
Operating netback ($ per Mcfe)	**0.12**	1.24	(1.12)	**0.40**	1.21	(0.81)
Corporate netback ($ per Mcfe)	**(0.09)**	0.94	(1.03)	**0.19**	0.96	(0.77)

Net Debt

The Company considers net debt to be a key indicator of leverage. Net debt is calculated as the sum of bank debt, amounts due to related party, subordinated promissory notes and trade and other payables less trade and other receivables, cash, prepaid expenses and deposits, and investments as shown in the table below:

($000s)	**June 30, 2018**	December 31, 2017	$ Change
Bank debt	**12,683**	18,000	(5,317)
Due to related party	**5,000**	5,000	-
Subordinated promissory notes[1]	**36,000**	36,000	-
Trade and other payables	**18,079**	17,288	791
Less:			
Trade and other receivables	**(10,212)**	(15,148)	4,936
Cash	**(111)**	(1,075)	964
Prepaid expenses and deposits	**(6,702)**	(3,882)	(2,820)
Investments	**-**	(2,545)	2,545
Net debt	**54,737**	53,638	1,099

[1] The subordinated promissory notes for net debt are presented at the principal amount.

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

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A include statements which contain words such as “anticipate”, “could”, “should”, “expect”, “seek”, “may”, “intend”, “likely”, “will”, “believe” and similar expressions, statements relating to matters that are not historical facts, and such statements of our beliefs, intentions and expectations about developments, results and events which will or may occur in the future, constitute “forward-looking information” within the meaning of applicable Canadian securities legislation and are based on certain assumptions and analysis made by us derived from our experience and perceptions. Forward-looking information in the MD&A and Annual MD&A includes, but is not limited to: expected production levels, expected operating costs, expected transportation costs, royalty and G&A levels; future capital expenditures, including the amount and nature thereof; future acquisition opportunities including Pine Cliff’s ability to execute on those opportunities; future drilling opportunities and Pine Cliff’s ability to generate reserves and production from the undrilled locations; ability to implement a dividend or buy back shares; oil and natural gas prices and demand; expansion and other development trends of the oil and natural gas industry; business strategy and guidance; expansion and growth of our business and operations; amounts drawn on Pine Cliff’s credit facility and repayment thereof; amounts due to related party and due pursuant to subordinated promissory notes and repayment thereof; maintenance of existing customer, supplier and partner relationships; supply channels; accounting policies; risks; Pine Cliff’s ability to generate cash flow from operating activities and adjusted funds flow; and other such matters.

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

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

Undrilled locations consist of drilling and recompletion locations booked in the independent reserve report dated February 12, 2018 prepared by McDaniel & Associates Consultants Limited and unbooked drilling and recompletion locations. Unbooked drilling and recompletion locations are internal estimates based on evaluation of geologic, reserves and spacing based on industry practice. There is no guarantee that Pine Cliff will drill these locations and there is no certainty that the drilling or completing of these locations will result in additional reserves and production or achieve expected internal rates of return. Pine Cliff activity depends on availability of capital, regulatory approvals, commodity prices, drilling costs and other factors.

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

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

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

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

	Note	**As at June 30, 2018**	As at December 31, 2017
ASSETS			
Current assets			
Cash		**111**	1,075
Trade and other receivables	5	**10,212**	15,148
Prepaid expenses and deposits		**6,702**	3,882
Investments	7	**-**	2,545
Total current assets		**17,025**	22,650
Exploration and evaluation	8	**29,219**	29,387
Property, plant and equipment	9	**303,089**	323,958
Deferred income taxes	10	**19,498**	29,233
Total assets		**368,831**	405,228
LIABILITIES			
Current liabilities			
Trade and other payables	5	**18,079**	17,288
Bank debt	11	**12,683**	18,000
Due to related party	12	**5,000**	5,000
Subordinated promissory notes	13	**6,000**	6,000
Decommissioning provision	14	**1,961**	1,309
Total current liabilities		**43,723**	47,597
Subordinated promissory notes	13	**29,422**	29,307
Decommissioning provision	14	**196,746**	199,231
Total liabilities		**269,891**	276,135
SHAREHOLDERS' EQUITY			
Share capital	15	**268,743**	268,743
Warrants		**958**	958
Contributed surplus		**10,581**	9,326
Accumulated other comprehensive loss		**-**	(2,081)
Deficit		**(181,342)**	(147,853)
Total shareholders' equity		**98,940**	129,093
Total liabilities and shareholders' equity		**368,831**	405,228

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

See Subsequent Events Note 19.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Canadian dollars, 000s except per share data)
(unaudited)

		Three months ended June 30,		Six months ended June 30,	
	Note	**2018**	2017	**2018**	2017
REVENUE					
Oil and gas sales	16	**21,939**	35,561	**51,650**	70,709
Royalty expense		**(1,520)**	(2,798)	**(4,166)**	(6,264)
Oil and gas sales, net of royalties		**20,419**	32,763	**47,484**	64,445
Unrealized gain on commodity contracts		**-**	1,190	**-**	1,190
Dividend income		**-**	52	**35**	105
Total revenue		**20,419**	34,005	**47,519**	65,740
EXPENSES					
Operating		**16,140**	16,662	**33,052**	32,572
Transportation		**3,005**	1,903	**5,894**	4,027
Depletion and depreciation	9	**10,726**	12,149	**21,602**	24,294
Share-based payments	15	**631**	835	**1,255**	1,614
Finance	17	**2,100**	2,259	**4,228**	4,565
General and administrative		**1,526**	2,428	**2,890**	3,843
Realized loss on investments		**-**	-	**2,687**	-
Total expenses		**34,128**	36,236	**71,608**	70,915
Loss before income taxes		**(13,709)**	(2,231)	**(24,089)**	(5,175)
Deferred income tax recovery (expense)		**(4,200)**	113	**(9,400)**	521
LOSS FOR THE PERIOD		**(17,909)**	(2,118)	**(33,489)**	(4,654)
OTHER COMPREHENSIVE LOSS					
Unrealized loss on investments		**-**	(1,239)	**(2,081)**	(2,885)
Deferred income taxes on unrealized loss on investments		**-**	166	**-**	389
Amounts reclassified from comprehensive loss		**-**	-	**2,081**	-
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		**-**	(1,073)	**-**	(2,496)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(17,909)**	(3,191)	**(33,489)**	(7,150)
Loss per share ($)					
Basic and diluted	15	**(0.06)**	(0.01)	**(0.11)**	(0.02)

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

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2018	2017	**2018**	2017
CASH PROVIDED BY (USED IN):					
OPERATING ACTIVITIES					
Loss for the period		**(17,909)**	(2,118)	**(33,489)**	(4,654)
Items not affecting cash:					
Depletion and depreciation	9	**10,726**	12,149	**21,602**	24,294
Share-based payments	15	**631**	835	**1,255**	1,614
Finance expenses	17	**2,100**	2,259	**4,228**	4,565
Loss on sale of investments		**-**	-	**2,687**	-
Deferred income tax expense (recovery)	10	**4,200**	(113)	**9,400**	(521)
Unrealized gain on commodity contracts		**-**	(1,190)	**-**	(1,190)
Interest and bank charges	17	**(725)**	(988)	**(1,523)**	(2,041)
Decommissioning obligations settled	14	**(208)**	(273)	**(1,044)**	(765)
Changes in non-cash working capital accounts	17	**1,716**	(554)	**4,394**	2,540
Cash provided by operating activities		**531**	10,007	**7,510**	23,842
INVESTING ACTIVITIES					
Property, plant and equipment	9	**(1,170)**	(3,235)	**(4,341)**	(7,036)
Exploration and evaluation	8	**(106)**	(32)	**(112)**	(32)
Acquisitions		**3**	97	**291**	97
Dispositions		**135**	216	**218**	216
Sale of investments		**-**	-	**2,274**	-
Changes in non-cash working capital accounts	17	**1,016**	1,759	**(1,487)**	3,059
Cash used in investing activities		**(122)**	(1,195)	**(3,157)**	(3,696)
FINANCING ACTIVITIES					
Bank debt	11	**(488)**	(8,846)	**(5,317)**	(20,176)
Cash used in financing activities		**(488)**	(8,846)	**(5,317)**	(20,176)
Decrease in cash		**(79)**	(34)	**(964)**	(30)
Cash - beginning of period		**190**	152	**1,075**	148
CASH - END OF PERIOD		**111**	118	**111**	118

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Canadian dollars, 000s)
(unaudited)

	Note	Share capital	Contributed surplus[1]	Accumulated other comprehensive gain (loss)[2]	Warrants	Deficit	Total Equity
BALANCE AT JANUARY 1, 2017		**268,743**	**5,748**	**298**	**958**	**(79,989)**	**195,758**
Loss for the period		-	-	-	-	(4,654)	(4,654)
Unrealized loss on investments, net of tax		-	-	(2,496)	-	-	(2,496)
Share-based payments		-	1,614	-	-	-	1,614
BALANCE AT JUNE 30, 2017		**268,743**	**7,362**	**(2,198)**	**958**	**(84,643)**	**190,222**
Loss for the period		-	-	-	-	(63,210)	(63,210)
Unrealized gain on investments, net of tax		-	-	117	-	-	117
Share-based payments		-	1,964	-	-	-	1,964
BALANCE AT DECEMBER 31, 2017		**268,743**	**9,326**	**(2,081)**	**958**	**(147,853)**	**129,093**
Loss for the period		-	-	-	-	(33,489)	(33,489)
Realized loss on sale of investments		-	-	2,081	-	-	2,081
Share-based payments	15	-	1,255	-	-	-	1,255
BALANCE AT JUNE 30, 2018		**268,743**	**10,581**	**-**	**958**	**(181,342)**	**98,940**

[1]Contributed surplus is comprised of share-based payments.
[2]Accumulated other comprehensive gain (loss) is comprised of realized and unrealized gains and losses on available-for-sale investments.

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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at June 30, 2018 and December 31, 2017 and for the three and six month periods ended June 30, 2018 and 2017.
(All tabular amounts in Canadian dollars 000s, unless otherwise indicated)

1. NATURE OF BUSINESS

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

Pine Cliff is engaged in the acquisition, exploration, development and production of oil and natural gas in the Western Canadian Sedimentary Basin and conducts many of its activities jointly with others. These unaudited interim condensed consolidated financial statements (the "**Financial Statements**") reflect only the Company's proportionate interest in such activities.

2. BASIS OF PREPARATION

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

The Financial Statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2017 ("**Annual Financial Statements**").

The accounting policies, basis of measurement, critical accounting judgments and significant estimates to prepare the Annual Financial Statements as at and for the year ended December 31, 2017 have been applied in the preparation of these Financial Statements, except as described in Note 3.

The Financial Statements were authorized for issue by the Company's board of directors on August 8, 2018.

3. ADOPTED ACCOUNTING PRONOUNCEMENTS

Adopted accounting pronouncements

As of January 1, 2018, the Company adopted the following new accounting pronouncements, in accordance with the transitional provision of the standard. A brief description of each new accounting policy and its impact on the Company's financial statements are as follows:

IFRS 9 *Financial Instruments* ("**IFRS 9**")

Effective January 1, 2018 the Company adopted IFRS 9. IFRS 9 replaces the sections of IAS 39 Financial Instruments: Recognition and Measurements.

IFRS 9 includes a new classification and measurement approach for financial assets and a forward-looking 'expected credit loss' model. IFRS 9 replaces the multiple classification and measurements models for financial assets with a new model that only has two measurements categories; amortized cost and fair value through profit or loss or other comprehensive income (loss). This determination is made at initial recognition. As a result of adopting IFRS 9, the Company's accounts receivables were reclassified from loans and receivables at amortized cost to financial assets at amortized cost. For financial liabilities, the new standard retains most of the IAS 39 requirements. The main change arises in cases where the Company chooses to designate a financial liability as fair value through net earnings. In these situations, the portion of the fair value change related to the Company's own credit risk is recognized in other comprehensive income (loss) rather than net earnings. The Company has no financial liabilities that are measured at fair value through net earnings.

The classification of the Company's investments changed from available-for-sale to financial assets measured at fair value. On the day an investment is acquired the Company can make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income ("**FVTOCI**"), provided those investments are not classified as held for trading. The Company's investments will be measured at FVTOCI, with gains or losses arising from changes in fair value recognized in other comprehensive income and accumulated in the fair value instrument. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments. The Company has designated all of its investments as FVTOCI on its initial adoption of IFRS 9. The adoption of IFRS 9 did not have a material impact on the Company's consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15")

Effective January 1, 2018 the Company adopted IFRS 15 using a modified retrospective approach. IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations. IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive when control is transferred to the purchaser. Additional disclosures required by IFRS 15 are detailed in note 16.

Revenue Recognition Policy

Revenue associated with the sale of crude oil, natural gas and natural gas liquids is measured based on the consideration specified in contracts with customers. Revenue from contracts with customers is recognized when or as Pine Cliff satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of oil, natural gas and natural gas liquids usually coincides with title passing to the customer and the customer taking physical possession. The Company principally satisfies its performance obligations at a point in time and the amounts of revenue recognized relating to performance obligations satisfied over time are not significant. Collection of revenue associated with the sale of crude oil, natural gas and natural gas liquids occurs on or about the 25th of the month following production. Pine Cliff enters into physical delivery sales contracts to manage commodity price risk. These contracts are considered normal executory sales contracts and are not recorded at fair value through profit or loss.

4. FUTURE ACCOUNTING CHANGES

IFRS 16 *Leases* ("**IFRS 16**")

In January 2016, the IASB issued IFRS 16, which replaces IAS 17 Leases. IFRS 16 requires the recognition of lease assets and liabilities on the balance sheet for most leases, where the entity is acting as a lessee. For lessees applying IFRS 16, the dual classification model of leases as either operating leases or finance leases no longer exists, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the balance sheet recognition requirements, and may continue to be treated as operating leases. Lessors will continue with the dual classification model for leases and the accounting for lessors remains virtually unchanged.

The standard will come into effect for annual periods beginning on or after January 1, 2019. IFRS 16 is required to be adopted either retrospectively or using a modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively.

IFRS 16 will be applied by Pine Cliff on January 1, 2019. The Company is currently engaging and educating stakeholders and is reviewing corporate processes to ensure contract completeness when identifying leases. Identifying, gathering and analyzing contracts impacted by the adoption of the new standard is in progress. The Company is currently assessing the impact the standard will have on its Financial Statements.

5. FINANCIAL INSTRUMENTS

Financial instruments of the Company consist of cash, trade and other receivables, investments, trade and other payables, due to related party, subordinated promissory notes, and bank debt. The carrying values of cash, trade and other receivables and trade and other payables approximate their respective fair values due to their short-term to maturity. The carrying values of due to related party, subordinated promissory notes, and bank debt approximate their respective fair values due to their interest rates reflecting current market conditions.

Assets and liabilities that are measured at fair value are classified into levels, reflecting the method used to make the measurements. Level 1 fair value measurements are based on quoted prices that are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 commodity contracts 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. The fair value of Pine Cliff's commodity contracts are determined using pricing models that incorporate future price forecasts (supported by prices from observable market transactions) and credit risk adjustments. Pine Cliff has no level 3 financial instruments. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

The following table sets out the Company's carrying value and fair value of financial assets and liabilities as at June 30, 2018 and December 31, 2017:

	June 30, 2018		December 31, 2017	
Description	**Carrying value**	**Fair value**	Carrying value	Fair value
Cash	**111**	**111**	1,075	1,075
Trade and other receivables	**10,212**	**10,212**	15,148	15,148
Trade and other payables	**(18,079)**	**(18,079)**	(17,288)	(17,288)
Due to related party	**(5,000)**	**(5,000)**	(5,000)	(5,000)
Subordinated promissory notes	**(35,422)**	**(35,422)**	(35,307)	(35,307)
Bank debt	**(12,683)**	**(12,683)**	(18,000)	(18,000)

6. RISK MANAGEMENT

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

Physical sales contracts

At June 30, 2018, the Company had the following physical sales contracts in place:

Physical Natural Gas Sales Contracts:

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Fixed Sale Price ($CAD/GJ)	Fixed Sale Price ($CAD/Mcf)[1]
April 1, 2018 to October 31, 2018	DAWN[2]	4,000	$3.13	$3.29
April 1, 2018 to October 31, 2018	DAWN[2]	4,000	$2.97	$3.12
April 1, 2018 to October 31, 2018	TransGas[3]	3,000	$2.40	$2.52
April 1, 2018 to October 31, 2018	TransGas[3]	2,500	$2.21	$2.32
May 1, 2018 to October 31, 2018	SUFFIELD #2[4]	5,000		

[1] Price has been converted from $/GJ to $/Mcf by multiplying by 1.05.
[2] Dawn Hub into Dawn Township, Ontario.
[3] Subsidiary of SaskEnergy, Saskatchewan.
[4] The contract terms of the physical fixed price natural gas sales contract to Suffield#2 delivery point (Suffield, Alberta) are AECO 5A plus $1.00/GJ.

Financial derivative contracts

Pine Cliff had no financial derivative contracts in place during the second quarter or at June 30, 2018 in order to manage commodity price risk. There were no financial derivative contracts entered into subsequent to June 30, 2018.

7. INVESTMENT

Pine Cliff sold its investment in one public dividend paying company for proceeds of $2.3 million and realized a loss on sale of investments of $2.7 million during the first quarter of 2018.

8. EXPLORATION AND EVALUATION

Exploration and evaluation assets:	Oil and gas properties	Mineral properties	Total
Balance at December 31, 2016	30,579	3,031	33,610
Additions	36	43	79
Transfer to property, plant, and equipment	(4,302)	-	(4,302)
Balance at December 31, 2017	**26,313**	**3,074**	**29,387**
Additions	103	9	112
Transfer to property, plant and equipment	(280)	-	(280)
Balance at June 30, 2018	**26,136**	**3,083**	**29,219**

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

Cost:	($000s)
Balance at December 31, 2016	547,284
Additions	13,398
Transfer from exploration and evaluation	4,302
Acquisitions	(62)
Dispositions	(496)
Decommissioning provision	(5,944)
Balance at December 31, 2017	**558,482**
Additions	4,341
Transfer from exploration and evaluation	280
Acquisitions	(291)
Dispositions	(303)
Decommissioning provision	(3,379)
Balance at June 30, 2018	**559,130**

Accumulated depletion and depreciation:	($000s)
Balance at December 31, 2016	(167,641)
Depletion and depreciation	(49,150)
Impairment	(17,800)
Dispositions	67
Balance at December 31, 2017	**(234,524)**
Depletion and depreciation	(21,602)
Disposition	85
Balance at June 30, 2018	**(256,041)**

Carrying value at:	($000s)
December 31, 2017	323,958
June 30, 2018	**303,089**

PP&E Impairment Assessment

In accordance with IFRS, an impairment test is performed if the Company identified an indication of impairment. At June 30, 2018, the Company determined that no indicators of impairment existed on its PP&E assets and therefore an impairment test was not performed.

10. DEFERRED INCOME TAXES

At June 30, 2018, a deferred income tax asset of $19.5 million (December 31, 2017 - $29.2 million) has been recognized as the Company believes, based on estimated cash flows, its realization is probable within the allowable timeframes.

Deferred income tax assets (liabilities):	**As at June 30, 2018**	As at December 31, 2017
Share issue costs	**626**	863
Investment	**-**	324
Decommissioning provision	**53,642**	54,044
Property and equipment	**(12,738)**	(15,124)
Capital losses carried forward	**310**	155
Non-capital losses carried forward	**27,388**	22,271
Asset before unrecognized deferred income tax	**69,228**	62,533
Less: unrecognized deferred income tax	**(49,730)**	(33,300)
Net deferred income tax asset	**19,498**	29,233

As at June 30, 2018, a deferred income tax asset has not been recognized on $49.7 million (December 31, 2017 - $33.3 million) of deductible temporary differences as it is not probable that future taxable net income will be available against which the Company can utilize the benefits.

Pine Cliff has approximately $388.8 million in tax pools as at June 30, 2018 (December 31, 2017 - $383.0 million), available for future use as deductions from taxable income. Included in the Company's tax pools are estimated non-capital loss carry-forwards of $101.4 million (December 31, 2017 - $82.6 million) that expire between the years 2030 and 2038.

11. BANK DEBT

As at June 30, 2018, the Company had a $45.0 million syndicated credit facility (the "**Credit Facility**") with four Canadian Financial Institutions (the "**Syndicate**") (December 31, 2017 - $45.0 million Credit Facility). The Credit Facility of $45.0 million consists of a $30.0 million revolving syndicated credit facility and a $15.0 million revolving operating facility. Security consists of floating demand debentures totaling $150.0 million and a general security agreement with first ranking over all current and acquired properties. Amounts drawn under the Credit Facility at June 30, 2018, were $12.7 million (December 31, 2017 - $18.0 million). Borrowings under the Credit Facility bear interest at the Canadian prime rate plus 1.0% to 3.5% or the bankers' acceptance rates plus 2.0% to 4.5%, depending, in each case, on the ratio of consolidated debt to EBITDA, plus applicable standby fees. EBITDA is calculated as earnings (loss) excluding depreciation, depletion, impairment and accretion, share based payments, interest, taxes and other non-cash items. The Credit Facility matured July 27, 2018, and if it had not been renewed it would have converted to a one day term loan due on July 28, 2018. The Credit Facility is reviewed semi-annually on May 31st and November 30th.

On May 31, 2018 Pine Cliff entered into an agreement with the Syndicate to extend the borrowing base redetermination from May 31, 2018 to July 15, 2018. Pine Cliff agreed that the amounts permitted under the Credit Facility for the June 1, 2018 to July 15, 2018 period would not exceed $20.0 million.

As at June 30, 2018, the Company had $2.0 million in letters of credit issued against its Credit Facility (December 31, 2017 - $2.0 million). The Credit Facility does not contain any financial covenants but Pine Cliff is subject to non-financial covenants under its Credit Facility. Compliance with these covenants is monitored on a regular basis and as at June 30, 2018, Pine Cliff was in compliance with all covenants.

On July 13, 2018, the Company entered into an Amended and Restated Credit Agreement with three Canadian Financial Institutions for an $11.0 million syndicated credit facility (the "**Renewed Credit Facility**"). The Renewed Credit Facility consists of a $6.0 million revolving syndicated facility and a $5.0 million revolving operating facility. The Renewed Credit Facility has a 364 day revolving period maturing July 28, 2019 and if it is not renewed it will convert to a one day term loan due on July 29, 2019. The Renewed Credit Facility will be reviewed semi-annually on November 30th and May 31st. The Renewed Credit Facility will bear interest at the Canadian prime rate plus 1.5% to 4.0% or the bankers' acceptance rates plus 2.5% to 5.0%, depending, in each case, on the ratio of consolidated debt to EBITDA, plus applicable standby fees. The Renewed Credit Facility has no fixed terms of repayment. The Renewed Credit Facility does not contain any financial covenants but Pine Cliff is subject to non-financial covenants under its Renewed Credit Facility.

12. DUE TO RELATED PARTY

As at June 30, 2018, Pine Cliff had a $5.0 million promissory note outstanding to the Company's Chairman of the Board maturing on July 29, 2018 ("**2018 Related Party Note**") that bears interest at 0.25% less than the monthly average effective interest rate paid on the Credit Facility and is payable monthly. The 2018 Related Party Note was secured by a $5.0 million floating charge debenture over all of the Company's assets and was subordinated to any and all claims in favor of the Credit Facility and the holder of the 2020 Notes, as defined herein. Interest paid on the 2018 Related Party Note for the three and six months ended June 30, 2018 was $0.05 million and $0.1 million (three and six months ended June 30, 2017 - $0.05 million and $0.1 million).

On July 13, 2018, the Company amended the 2018 Related Party Note by increasing the amount to $6.0 million and extending the maturity date to September 30, 2020 ("**2020 Related Party Note**"). The 2020 Related Party Note is secured by a $6.0 million floating charge debenture over all of the Company's assets and is subordinated to any and all claims in favor of the Renewed Credit Facility and the holder of the 2020 Notes and the 2022 Notes, as defined herein.

13. SUBORDINATED PROMISSORY NOTES

Subordinated promissory notes due July 29, 2018:	
Issued – July 29, 2016	6,000
Subordinated promissory notes due July 29, 2018, as at June 30, 2018 and December 31, 2017	**6,000**
Subordinated promissory notes due September 30, 2020:	
Subordinated promissory notes due September 30, 2020, as at December 31, 2016	29,086
Accretion expense	221
Subordinated promissory notes due September 30, 2020, as at December 31, 2017	29,307
Accretion expense	115
Subordinated promissory notes due September 30, 2020, as at June 30, 2018	**29,422**
Total subordinated promissory notes, as at December 31, 2017	35,307
Total subordinated promissory notes, as at June 30, 2018	**35,422**

Subordinated promissory notes due July 29, 2018

On July 29, 2016, the Company issued $6.0 million in promissory notes maturing on July 29, 2018 ("**2018 Notes**") and bearing interest at 0.25% less than the monthly average effective interest rate paid on the Credit Facility, payable monthly. The 2018 Notes were issued to a shareholder and a relative of that shareholder of the Company, owning directly or by discretion and control, greater than 10% of the Company's outstanding common shares in the capital of the Company ("**Common Shares**") and can be repaid at any time without penalty. The 2018 Notes were secured by $6.0 million of floating charge debentures over all of the Company's assets and are subordinated to any and all claims in favor of the Credit Facility and the 2020 Note holder.

On July 13, 2018, the Company amended the 2018 Notes by extending the maturity date to September 30, 2020 ("**2020 Promissory Notes**"). The 2020 Promissory Notes are secured by $6.0 million of floating charge debentures over all of the Company's assets and are subordinated to any and all claims in favor of the Renewed Credit Facility and the holder of the 2020 Notes and the 2022 Notes.

Subordinated promissory notes due September 30, 2020

On August 10, 2016, the Company issued 30,000 units ("**2020 Units**" or "**2020 Unit**") at a price of $1,000 per 2020 Unit for aggregate proceeds of $30.0 million. Each 2020 Unit is comprised of: (i) one promissory note with a par value of $1,000 per note and bearing interest at 6.75% per annum ("**2020 Note**"), which is payable semi-annually; and (ii) 150 Common Share purchase warrants ("**2018 Warrants**"). The 2020 Notes mature on September 30, 2020 and all or a portion of the principal amount outstanding can be repaid earlier without penalty. The 2020 Notes are secured by a $30.0 million floating charge debenture over all of the Company's assets and is subordinated to any and all claims in favor of the Credit Facility. A total of 4.5 million 2018 Warrants were issued, entitling the holder to purchase one Common Share for each 2018 Warrant at a price of $1.38, until August 10, 2018.

The 2020 Notes were determined to be a hybrid instrument with an embedded derivative. The fair value of the debt component of the 2020 Notes was determined on issuance to be 7.8%, using the effective interest rate method, by discounting future payments of interest and principal with the residual value allocated to Warrants. The value of the debt will accrete up to the principal balance at maturity.

For additional information on subordinated promissory notes, refer to Subsequent Events Note 19.

14. DECOMMISSIONING PROVISION

The total future decommissioning provision of $198.7 million was estimated by management based on the Company's working interest and estimated costs to remediate, reclaim and abandon its wells, pipelines, and facilities and estimated timing of the costs to be incurred in future periods.

At June 30, 2018, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was $244.0 million (December 31, 2017 - $244.3 million). The provision has been calculated assuming a 1.79% inflation rate (December 31, 2017 – 1.72%). These obligations are currently expected to be settled based on the useful lives of the underlying assets, some of which extend beyond 35 years into the future. This amount has been discounted using an average risk-free interest rate of 2.75% (December 31, 2017 – 2.57%).

	($000s)
Decommissioning provision, January 1, 2017	203,883
Increase relating to development activities	99
Provisions related to acquisitions	261
Decommissioning expenditures	(2,383)
Revisions (changes in estimates, inflation rate, and discount rates)	(6,304)
Accretion	4,984
Decommissioning provision, December 31, 2017	**200,540**
Increase relating to development activities	37
Decommissioning expenditures	(1,044)
Revisions (changes in estimates, inflation rate, and discount rates)	(3,416)
Accretion	2,590
Decommissioning provision, June 30, 2018	**198,707**
Less current portion of decommissioning provision	**(1,961)**
Non-current portion of decommissioning provision	**196,746**

15. SHARE CAPITAL

Authorized

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

Issued

Issued and outstanding share capital continuity:	Common Shares (000s)	Share capital ($000s)
Balance, January 1, 2017	307,076	268,743
Balance, December 31, 2017 and June 30, 2018	**307,076**	**268,743**

Stock Options

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

Stock options issued and outstanding:	Options (000s)	Weighted-average exercise price ($ per share)
Outstanding, January 1, 2017	**22,773**	**1.20**
Granted	5,710	0.78
Expired	(4,839)	1.19
Forfeited	(2,328)	1.32
Outstanding, December 31, 2017	**21,316**	**1.06**
Granted	7,309	0.33
Expired	(1,849)	1.01
Forfeited	(208)	1.45
Outstanding, June 30, 2018	**26,568**	**0.83**
Exercisable, June 30, 2018	**7,002**	**1.03**

Exercise price:	Stock options outstanding (000s)	Weighted-average remaining term (years)	Stock options exercisable (000s)	Weighted-average remaining term (years)
$0.33 - $0.92	8,089	2.7	290	1.0
$0.93 - $1.33	9,176	1.5	3,692	0.6
$1.34 - $1.75	9,303	1.4	3,020	0.4
	26,568	**1.8**	**7,002**	**0.6**

The Company records share-based payment expense over the vesting period, based on the fair value of the options granted to employees, directors and consultants. One third of the stock options granted vest annually on the first, second, and third anniversaries of the grant date and expire one year after each respective vesting date. In the six months ended June 30, 2018, the Company granted 7,309,300 stock options (six months ended June 30, 2017 – 5,030,150) with a fair value of $0.12 (six months ended June 30, 2017 - $0.27) per option using the Black-Scholes option pricing model using the following key assumptions:

Assumptions (weighted average):	Six months ended June 30, 2018	2017
Exercise price ($)	**0.33**	0.79
Estimated volatility of underlying Common Shares (%)	**49.8**	50.3
Expected life (years)	**3.0**	3.0
Risk-free rate (%)	**2.1**	0.8
Forfeiture rate (%)	**3.9**	3.9
Expected dividend yield (%)	**0.0**	0.0

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

Per Share Calculations

The average market value of the Common Shares for the purposes of calculating the dilutive effect of stock options and warrants was based on quoted market prices for the period that the options were outstanding. In calculating the weighted average number of diluted shares outstanding for the three and six months ended June 30, 2018 and 2017, all stock options and warrants were excluded as they were not dilutive.

	Three months ended June 30,		Six months ended June 30,	
Loss per share calculation:	**2018**	2017	**2018**	2017
Numerator				
Loss for the period	**(17,909)**	(2,118)	**(33,489)**	(4,654)
Denominator (000s)				
Weighted-average Common Shares outstanding – basic and diluted	**307,076**	307,076	**307,076**	307,076
Loss per share – basic and diluted ($)	**(0.06)**	(0.01)	**(0.11)**	(0.02)

16. OIL AND GAS SALES

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

	Three months ended June 30,		Six months ended June 30,	
($000s)	**2018**	2017	**2018**	2017
Natural gas	**15,546**	30,638	**39,485**	61,348
NGL	**4,991**	3,607	**9,517**	7,052
Crude oil	**1,402**	1,316	**2,648**	2,309
Total oil and gas sales	**21,939**	35,561	**51,650**	70,709

17. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Changes in non-cash working capital:				
Trade and other receivables	**5,508**	1,410	**4,936**	3,784
Prepaid expenses and deposits	**(2,241)**	(330)	**(2,820)**	(728)
Trade and other payables and accrued liabilities	**(535)**	125	**791**	2,543
	2,732	1,205	**2,907**	5,599
Changes related to:				
Operating activities	**1,716**	(554)	**4,394**	2,540
Investing activities	**1,016**	1,759	**(1,487)**	3,059
	2,732	1,205	**2,907**	5,599

	Three months ended June 30,		Six months ended June 30,	
Finance expenses:	**2018**	2017	**2018**	2017
Interest expense and bank charges	**725**	988	**1,523**	2,041
Non cash:				
Accretion on decommissioning provision	**1,317**	1,217	**2,590**	2,416
Accretion on subordinated promissory notes	**58**	54	**115**	108
Total finance expenses	**2,100**	2,259	**4,228**	4,565

Cash interest paid in the three and six months ended June 30, 2018, was $0.1 million and $1.5 million (three and six months ended June 30, 2017 - $0.4 million and $2.1 million).

18. COMMITMENTS

As at June 30, 2018, the Company has the following commitments and other contractual obligations:

($000s)	2018	2019	2020	2021	2022	Thereafter
Subordinated promissory notes[1]	6,000	-	30,000	-	-	-
Trade and other payables	18,079	-	-	-	-	-
Due to related party	5,000	-	-	-	-	-
Bank debt	12,683	-	-	-	-	-
Future interest	1,354	2,025	1,519	-	-	-
Operating leases	423	861	819	716	541	479
Transportation[2]	5,187	7,815	6,759	5,763	4,951	15,313
Total commitments and contingencies	48,726	10,701	39,097	6,479	5,492	15,792

[1] Principal amount.
[2] Firm transportation agreements.

19. SUBSEQUENT EVENTS

Subordinated promissory notes due July 31, 2022

On July 13, 2018, the Company issued 19,000 units ("**2022 Units**" or "**2022 Unit**") at a price of $1,000 per 2022 Unit for aggregate proceeds of $19.0 million. Each 2022 Unit is comprised of: (i) one promissory note with a par value of $1,000 per note and bearing interest at 7.05% per annum ("**2022 Note**"), which is payable semi-annually; and (ii) 150 Common Share purchase warrants ("**2021 Warrants**"). The 2022 Notes mature on July 31, 2022 and all or a portion of the principal amount outstanding can be repaid without penalty after three years. A total of 2.85 million 2021 Warrants were issued, entitling the holder to purchase one Common Share of Pine Cliff for each 2021 Warrant at a price of $0.51, until July 13, 2021.

BOARD OF DIRECTORS

Gary J. Drummond
George F. Fink - Chairman
Philip B. Hodge
Randy M. Jarock
William S. Rice

OFFICERS

Philip B. Hodge
President and Chief Executive Officer

Terry L. McNeill
Chief Operating Officer

Alan MacDonald
Interim Chief Financial Officer and Corporate Secretary

Cheryne A. Lowe
Chief Financial Officer and Corporate Secretary

Heather A. Isidoro
Vice President, Business Development

Christopher S. Lee
Vice President, Geology

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Odyssey Trust Company of Canada

AUDITORS

Deloitte LLP

BANKERS

Toronto-Dominion Bank
Canadian Western Bank
Business Development Bank of Canada

STOCK EXCHANGE LISTING

TSX Exchange
Trading Symbol: PNE

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