PNE-V

Third Quarter 2010

Highlights

For the periods ended ($)	Three Months Ended September 30, 2010	2009	Nine Months Ended September 30, 2010	2009
TOTAL OPERATIONS				
Cash Flow from Operations	**(547)**	(37,247)	**179,893**	(488,337)
Per Share Basic and Diluted	**(0.00)**	(0.00)	**0.00**	(0.01)
Net Earnings (Loss)	**613,863**	(263,808)	**247,498**	(1,087,350)
Per Share Basic and Diluted	**0.01**	(0.01)	**0.01**	(0.02)
Capital Expenditures and Acquisitions	**63,106**	600,732	**1,242,017**	730,099
Total Assets			**3,095,108**	3,475,877
Working Capital			**394,482**	491,064
Shareholders' Equity			**2,743,427**	2,363,915
CONTINUING OPERATIONS				
Cash Flow from Continuing Operations	**243,335**	91,448	**573,998**	109,848
Per Share Basic and Diluted	**0.01**	0.00	**0.01**	0.00
Net Loss from Continuing Operations	**(121,701)**	(94,553)	**(183,075)**	(344,402)
Per Share Basic and Diluted	**(0.00)**	(0.00)	**(0.00)**	(0.01)
Capital Expenditures and Acquisitions	**40,549**	571,525	**1,138,678**	573,041
TOTAL AND CONTINUING OPERATIONS				
Revenue - Oil and Gas ($)	**323,641**	93,177	**1,082,829**	398,675
Oil and NGLs - Barrels Per Day	**1**	1	**2**	1
-Average Price ($ per barrel)	**66.90**	62.98	**78.05**	58.10
Natural Gas -MCF Per Day	**908**	295	**912**	332
-Average Price ($ per MCF)	**3.79**	3.13	**4.14**	4.13
Total Barrels of Oil Equivalent (BOE) Per Day [1]	**153**	51	**154**	57

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

Pine Cliff Energy Ltd.

Report to Shareholders

Pine Cliff Energy Ltd. ("Pine Cliff" or "the Company") is pleased to report its operational and financial results for the three months and nine months ended September 30, 2010.

Disposition
During the quarter, Pine Cliff completed the disposition of its subsidiary, CanAmericas (Argentina) Energy Ltd. for aggregate consideration of $450,000, consisting of $1,000 cash and a note receivable for $449,000 payable within 120 days from the disposal date of September 24, 2010. The note bears no interest and the purchaser can either settle the note by cash or shares in the purchaser's corporation. In such event, if the purchaser's shares are listed on a recognized stock exchange, then such shares would be priced at 87.5% of the volume weighted average trading price for the 10 days preceding the date of payment. If the purchaser continues to be a private corporation, the shares would be valued by an independent evaluator.

Pine Cliff may also receive additional consideration of $200,000 payable in cash or shares of the purchaser in the event that certain conditions are met, including that the purchaser receives approval to drill a well and drills such well in the Neuquen Province of Argentina within two years of this closing.

As a result of this transaction, Pine Cliff has disposed of the South American segment of its operations.

Operations
Production increased in the third quarter of 2010 compared to the third quarter of 2009 by approximately 200 percent to a level of 153 barrels of oil equivalent (BOE) per day. The increased production is mainly attributable to the increased activity in the Company's Sundance properties in Alberta, Canada.

During the first quarter of 2010, the Company completed and placed on production two gross (0.30 net) natural gas wells that were drilled in 2009. The wells averaged approximately 457 MCF per day net to the Company from March to September. Pine Cliff was able to take advantage of further opportunities in the area and participated in drilling another two gross (0.30 net) natural gas wells in 2010. These wells came on production in April 2010 and production from these wells averaged 486 MCF per day net. Quarter over quarter production declined approximately 40 percent due to the flush production volumes experienced in the second quarter.

Outlook
With the disposition of its South American operations, the Company has positive cash flow from operations as well as a positive working capital position. Pine Cliff has no debt and as such, should be able to finance any opportunities it identifies either through bank borrowings or an equity placement.

Pine Cliff intends to focus on the development of its Canadian oil and natural gas properties and to continue increasing its activities in Canada by pursuing acquisition opportunities and participating in a more active drilling program.

Submitted on behalf of the Board of Directors

George F. Fink
President, Chief Executive Officer and Director

Management's Discussion and Analysis

The following report dated November 25, 2010 is a review of the operations and current financial position for Pine Cliff Energy Ltd. ("Pine Cliff" or "the Company") and should be read in conjunction with the unaudited financial statements for the nine months ended September 30, 2010, including the notes related thereto, and the audited financial statement for the year ended December 31, 2009, together with the notes related thereto.

FORWARD-LOOKING INFORMATION

Certain statements contained in this Management's Discussion and Analysis (MD&A) include statements which contain words such as "anticipate", "could", "should", "expect", "seek", "may", "intend", "likely", "will", "believe" and similar expressions, statements relating to matters that are not historical facts, and such statements of our beliefs, intentions and expectations about development, results and events which will or may occur in the future, constitute "forward-looking information" within the meaning of applicable Canadian securities legislation and are based on certain assumptions and analysis made by us derived from our experience and perceptions. Forward-looking information in this MD&A includes, but is not limited to: expected cash provided by continuing operations; future capital expenditures, including the amount and nature thereof; oil and natural gas prices and demand; expansion and other development trends of the oil and natural gas industry; business strategy and outlook; expansion and growth of our business and operations; and maintenance of existing customer, supplier and partner relationships; supply channels; accounting policies; credit risks; and other such matters.

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

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

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

DISCONTINUED OPERATIONS

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

Financial and Operational

Quarterly Financial and Operational Highlights

	2010		
	3rd	**2nd**	**1st**
TOTAL OPERATIONS ($)			
Cash Flow from Operations	**(547)**	**229,181**	**(48,741)**
Per Share Basic and Diluted	**(0.00)**	**0.00**	**(0.00)**
Net Earnings (Loss)	**613,863**	**(177,714)**	**(188,651)**
Per Share Basic and Diluted	**0.01**	**(0.00)**	**(0.00)**
Capital Expenditures and Acquisitions	**63,106**	**165,734**	**1,013,177**
Total Assets	**3,095,108**	**2,909,413**	**3,768,237**
Working Capital (Deficiency)	**394,482**	**(387,016)**	**(426,596)**
Shareholders' Equity	**2,743,427**	**2,129,564**	**2,305,659**
CONTINUING OPERATIONS ($)			
Cash Flow from Continuing Operations	**243,335**	**311,063**	**19,600**
Per Share Basic and Diluted	**0.01**	**0.01**	**0.00**
Net Loss from Continuing Operations	**(121,701)**	**(39,244)**	**(22,130)**
Per Share Basic and Diluted	**(0.00)**	**(0.00)**	**(0.00)**
Capital Expenditures and Acquisitions	**40,549**	**108,879**	**989,250**
TOTAL AND CONTINUING OPERATIONS			
Revenue - Oil and Gas ($)	**323,641**	**548,391**	**210,797**
Oil and NGLs (barrels per day)	**1**	**4**	**3**
Natural Gas (MCF per day)	**908**	**1,387**	**435**

	2009				2008
	4th	3rd	2nd	1st	4th
TOTAL OPERATIONS ($)					
Cash Flow from Operations	(125,061)	(37,247)	(241,924)	(209,166)	(150,877)
Per Share Basic and Diluted	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)
Net Loss	(1,734,926)	(263,808)	(325,010)	(498,532)	(6,423,691)
Per Share Basic and Diluted	(0.04)	(0.01)	(0.01)	(0.01)	(0.14)
Capital Expenditures and Acquisitions	266,470	600,732	9,581	119,786	1,067,843
Total Assets	3,475,877	4,900,934	4,558,217	4,966,907	5,570,015
Working Capital	491,064	991,619	1,738,974	1,903,038	2,316,982
Shareholders' Equity	2,363,915	4,089,767	4,341,385	4,644,004	5,044,701
CONTINUING OPERATIONS					
Cash Flow from Continuing Operations	(15,506)	91,448	(23,450)	41,850	10,784
Per Share Basic and Diluted	(0.00)	0.00	(0.00)	0.00	0.00
Net Loss from Continuing Operations	(107,735)	(94,553)	(64,813)	(185,035)	(118,604)
Per Share Basic and Diluted	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)
Capital Expenditures and Acquisitions	296,571	573,041	69	1,447	531,436
TOTAL AND CONTINUING OPERATIONS					
Revenue - Oil and Gas	119,726	93,177	111,773	193,725	295,944
Oil and NGLs (barrels per day)	1	1	2	1	2
Natural Gas (MCF per day)	264	295	312	392	453

Continuing Operations

Production

	Three months ended			Nine months ended	
	Sept.30, 2010	June 30, 2010	Sept. 30, 2009	**Sept. 30, 2009**	Sept. 30, 2009
Crude oil and NGLs (barrels per day)	**1**	4	1	**2**	1
Natural gas (MCF per day)	**908**	1,387	295	**912**	332
Total BOE per day [1]	**153**	235	51	**154**	57

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

During the first quarter of 2010, the Company completed and placed on production two gross (0.3 net) natural gas wells that were drilled in 2009. The wells averaged approximately 457 MCF per day net to the Company from March to September.

During the first quarter of 2010, the Company participated in drilling two additional (0.3 net, 15 percent working interest in each well) natural gas wells on its Sundance property. These wells came on production in April 2010. Production from these wells averaged 486 MCF per day net. Production declined in the third quarter of 2010 over the second quarter of 2010 due to the flush production from the four wells (0.6 net, 15 percent working interest in each well).

Revenue

($)	Three months ended **Sept. 30, 2010**	June 30, 2010	Sept. 30, 2009	Nine months ended **Sept. 30, 2010**	Sept. 30, 2009
Revenue:					
Oil and gas sales	**323,641**	548,391	93,177	**1,082,829**	398,675
Average Realized Prices					
Crude oil and NGLs (per barrel)	**66.90**	79.57	62.98	**78.05**	58.10
Natural gas (per MCF)	**3.79**	4.13	3.13	**4.14**	4.13

Revenue from petroleum and natural gas sales for the first three quarters of 2010 increased by $684,154 from the first three quarters of 2009 due to increased production volumes from the four (0.6 net) new wells. A decrease in revenue from Q3 2010 compared to Q2 2010 was primarily due to lower production volumes from the new wells and lower commodity prices for natural gas. The Company did not have hedging agreements in either 2010 or 2009 and presently does not have any future hedging agreements.

Royalties

($)	Three months ended **Sept. 30, 2010**	June 30, 2010	Sept. 30, 2009	Nine months ended **Sept. 30, 2010**	Sept. 30, 2009
Crown royalties	**9,406**	29,404	(4,421)	**56,179**	(8,917)
Gross overriding royalties	**5,698**	11,677	2,120	**22,496**	9,449
Total royalty expense	**15,104**	41,081	(2,301)	**78,675**	532
Percentage of revenue	**4.7%**	7.5%	(2.5%)	**7.3%**	0.1%
$ per BOE	**1.08**	1.92	(0.49)	**1.87**	0.03

Crown royalties are higher in the first nine months of 2010 compared to the first nine months of 2009 due to a crown royalty holiday on a well drilled late in 2008. The crown royalty adjustment was not received until the second and third quarters of 2009. Crown and gross overriding royalties were also higher for the first nine months of 2010 due to higher production volumes. Crown royalties decreased in Q3 2010 compared to Q2 2010 due to lower production volumes. Gross overriding royalties are also lower for the same reason.

Alberta Government Competitiveness Review

On March 11, 2010, the Government of Alberta announced it will modify conventional oil and natural gas royalties effective January 2011 to increase Alberta's competitiveness in the upstream energy sector. The current five per cent front-end royalty rate on conventional oil and natural gas will become a permanent feature of the royalty system. The maximum royalty rate for conventional oil will be reduced to 40 percent from 50 percent. The maximum royalty rate for conventional and unconventional natural gas will be reduced at higher prices from 50 to 36 percent. Other royalty incentive programs will remain in effect. Management believes these changes to the royalty system should have a positive effect on future cash flow.

Production Costs

	Three months ended			Nine months ended	
	Sept.30,	June 30,	Sept. 30,	**Sept. 30,**	Sept. 30,
($)	**2010**	2010	2009	**2010**	2009
Production costs	**84,827**	146,138	36,848	**276,943**	119,337
$ per BOE	**6.05**	6.83	7.92	**6.57**	7.68

Production costs were higher in the first nine months of 2010 versus the first nine months of 2009 due to higher production volumes. The decrease in production costs in the third quarter of 2010 compared to the second quarter of 2010 was due to decreased production volumes.

General and Administrative

	Three months ended			Nine months ended	
	Sept. 30,	June 30,	Sept. 30,	**Sept. 30,**	Sept. 30,
($)	**2010**	2010	2009	**2010**	2009
G&A expense	**100,497**	65,663	58,862	**207,352**	219,710

General and administrative (G&A) expenditures from continuing operations increased by $34,834 in the third quarter of 2010 compared to the second quarter of 2010. The increase in G&A expenses is due to increased legal fees for general matters and increased continuous disclosure costs.

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

Stock-Based Compensation

	Three months ended			Nine months ended	
	Sept. 30,	June 30,	Sept. 30,	**Sept. 30,**	Sept. 30,
($)	**2010**	2010	2009	**2010**	2009
Stock-based compensation	**-**	1,619	12,190	**4,514**	132,416

The Company has a stock-based compensation plan. The Company records a compensation expense over the vesting period based on the fair value of options granted to employees of the management company (see section “Related Party Transactions”), directors and service providers in respect of the Company. No new options were issued in the first three quarters of 2010. Stock-based compensation expense for 2010 relates to options issued in prior periods that have vested in 2010. Of the options outstanding as of September 30, 2010, $592 of stock-based compensation is remaining to be expensed in 2010 and 2011.

Depletion, Depreciation, and Accretion

	Three months ended			Nine months ended	
	Sept. 30,	June 30,	Sept. 30,	**Sept. 30,**	Sept. 30,
($)	**2010**	2010	2009	**2010**	2009
Depletion, Depreciation, and Accretion	**238,458**	333,134	82,131	**691,964**	275,374

The Company follows the successful efforts method of accounting for petroleum and natural gas properties and related equipment. Costs of acquiring unproved properties are capitalized. When petroleum and natural gas properties are found to contain proved reserves as determined by Company engineers, the related net book value is depleted on the unit-of-production basis, calculated by field. The costs of dry holes and abandoned properties are charged to operations. Geological costs, lease rentals and carrying costs are charged to income as incurred. Costs of drilling exploratory and development wells that result in additions to proved reserves are capitalized and depleted on the unit-of-production basis. Tangible equipment is depreciated on a straight-line basis over ten years.

During the first nine months of 2010, the Company expensed $416,590 more than the first nine months of 2009 on its property and equipment. The increase is related to depletion on the natural gas properties as production volumes almost tripled in the first three quarters of 2010 compared to the first three quarters of 2009. The third quarter of 2010 had a decrease in depletion, depreciation and accretion amount due to lower production volumes.

Income Taxes

The Company follows the liability method of accounting for income taxes under which the income tax provision is based on the temporary differences in the accounts calculated using income tax rates expected to apply in the year in which the temporary differences will reverse. The Company has sufficient tax pools such that it is not liable for current income tax. However the Company's discontinued operations is subject to a one percent Argentina capital tax on assets in Argentina. These amounts are deductible from future income earned in Argentina.

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

	Rate of Utilization %	Amount ($)
Undepreciated capital costs	25	266,276
Share issue costs	20	19,978
Canadian exploration expenditures	100	392,110
Canadian development expenditures	30	1,981,176
Canadian oil and gas expenditures	10	491,159
Non-capital loss carry forward *	100	2,906,471
		6,057,170

* $668,732 expires 2026, $1,114,518 expires 2027, $675,721 expires in 2028 and $447,500 expires in 2029.

Non-Controlling Interest

Pine Cliff has a 93% ownership in a subsidiary CanAmericas Energy Ltd. (CanAmericas), with a private foreign company (Foreign Corp.) owning the remaining seven percent. CanAmericas had a wholly owned subsidiary CanAmericas (Argentina) Energy Ltd. that was sold effective September 24, 2010 (see operating results from discontinued operations below). In 2008, losses in CanAmericas and its former subsidiary exceeded the non-controlling interest investment and therefore none of CanAmericas' gain or loss in continued and discontinued operations for 2010 and 2009 was allocated to the non-controlling interest.

Loss

	Three months ended			Nine months ended	
($)	**Sept. 30, 2010**	June 30, 2010	Sept. 30, 2009	**Sept. 30, 2010**	Sept. 30, 2009
Loss	**(121,701)**	(39,244)	(94,553)	**(183,075)**	(344,402)
Loss per share	**(0.00)**	(0.00)	(0.00)	**(0.00)**	(0.01)

The decrease in loss for the first nine months of 2010 compared to the first nine months of 2009 was predominantly due to increased oil and natural gas revenue and decreased stock based compensation expense, partially offset by an increase in depletion, depreciation and accretion and production costs due to increased production volumes. The increase in the Q3 2010 loss compared to Q2 2010 loss was predominantly due to a decrease in oil and gas revenue and an increase in general and administrative costs, offset partially by a decrease in production costs and depletion, depreciation and accretion.

Cash Flow from Operations

	Three months ended			Nine months ended	
($)	**Sept. 30, 2010**	June 30, 2010	Sept. 30, 2009	**Sept. 30, 2010**	Sept. 30, 2009
Cash flow from operations	**243,335**	311,063	91,448	**573,998**	109,848
Cash flow from operations per share	**0.01**	0.01	0.00	**0.01**	0.00

Cash flow increased in the first three quarters of 2010 compared to the first three quarters of 2009 as the Company had significantly increased oil and gas revenue which was partially offset by higher crown royalties and production costs. The decrease in cash flow from Q3 2010 compared to Q2 2010 was primarily due to a decrease in oil and gas revenue, which was partially offset by decreased production costs, crown royalties and an increase in adjustments for non-cash working capital items.

Related Party Transactions

Pine Cliff has a management agreement with Bonterra, a company with common directors and management with Pine Cliff, to have Bonterra provide executive services (President and CEO, CFO and COO), accounting services, oil and gas administration and office administration. The management fee consists of a monthly fee of $7,500 (2009 - $10,000), three percent of net earnings before income taxes plus minor general and administrative expenses incurred by Bonterra that were specifically attributable to Pine Cliff. Total fees for the first nine months of 2010 were $67,500 (2009 - $90,000). As at September 30, 2010, amounts owing to Bonterra was $1,477 (December 31, 2009 - $448). This agreement with Bonterra can be cancelled by either party giving 90 days notice.

During Q3 2010, the president, CEO and director of Pine Cliff loaned $100,000 to the Company by an unsecured loan that paid interest at Canadian chartered bank prime plus one percent. During the quarter, Pine Cliff repaid the loan amount plus interest.

Liquidity and Capital Resources

As of September 30, 2010, Pine Cliff had a working capital balance of $394,482 (December 31, 2009 – $491,064). The Company has spent its 2010 capital budget and currently has no projected capital commitments for the balance of 2010 or 2011. With the current natural gas price management believes there is currently opportunities for either corporate or property acquisitions. The Company is examining such opportunities as well as future development of its existing land base.

The Company has sold of its South American Operations (see below) which will significantly reduce operating and capital costs in the future. This disposition will allow the Company to focus its resources on its Canadian properties and other opportunities. The proceeds of disposition were $450,000 consisting of $1,000 of cash, a note receivable for $449,000, a contingent receivable not used to calculate gain on disposal of oil and gas assets and a working capital deficiency of $342,969 that was transferred to the purchaser. The note receivable is due January 24, 2011. The note bears no interest and the purchaser can either settle the note by cash or shares in the purchaser's corporation.

With the disposition of its South American Operations, the Company has positive cash flow from operations as well as a positive working capital position. The fact that Pine Cliff has no debt combined with the above should allow it to finance any opportunities it identifies either through bank borrowings or an equity placement.

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

Issued	Number	Amount ($)
Common Shares		
Balance, January 1, 2010	45,295,695	14,593,560
Issued on exercise of stock options	850,000	127,500
Transfer of contributed surplus to share capital		98,312
Balance, September 30, 2010	46,145,695	14,819,372

A summary of the status of the Company's stock option plan as of September 30, 2010 and December 31, 2009, and changes during the nine month and twelve month periods ending on those dates is presented as follows:

	September 30, 2010		December 31, 2009	
	Options	**Weighted-Average Exercise Price**	Options	Weighted-Average Exercise Price
Outstanding at beginning of period	**3,126,000**	**$0.63**	3,118,000	$0.63
Options granted	**-**	**-**	40,000	0.15
Options exercised	**(850,000)**	**0.15**	(20,000)	0.15
Options expired	**(2,131,000)**	**0.79**	(12,000)	1.15
Outstanding at end of period	**145,000**	**$0.97**	3,126,000	$0.63
Options exercisable at end of period	**125,000**	**$1.10**	3,028,500	$0.62

The following table summarizes information about stock options outstanding at September 30, 2010:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 9/30/10	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 9/30/10	Weighted-Average Exercise Price
$0.15-$0.30	40,000	1.3 years	$0.15	20,000	$0.15
1.10 – 1.20	65,000	0.3 years	1.15	65,000	1.15
1.40 – 1.50	40,000	0.3 years	1.49	40,000	1.49
$0.15 - $1.50	145,000	0.6 years	$0.97	125,000	$1.10

The Company records a compensation expense over the vesting period based on the fair value of options granted to employees, directors and consultants. Unvested options as of September 30, 2010 vest in 2011.

Operating Results From Discontinued Operations

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

	Three months ended			Nine months ended	
($)	**Sept. 30, 2010**	June 30, 2010	Sept. 30, 2009	**Sept. 30, 2010**	Sept. 30, 2009
Revenue					
Gain on disposal of property and equipment	**807,028**	-	-	**807,028**	-
Interest and other revenue	**-**	-	16	**-**	1,789
	807,028	-	16	**807,028**	1,789
Expenses					
General and administrative	**53,936**	59,231	115,501	**251,400**	528,888
Foreign exchange (gain) loss	**(2,271)**	4,356	4,771	**(4,410)**	28,246
Depreciation and accretion	**448**	448	698	**1,344**	2,094
Impairment of oil and gas assets	**-**	47,829	-	**80,782**	-
Dry hole costs	**-**	-	22,167	**-**	82,203
Current taxes	**19,351**	26,606	26,134	**47,339**	103,306
	71,464	138,470	169,271	**376,455**	744,737
Net Earnings (Loss)	**735,564**	(138,470)	(169,255)	**430,573**	(742,948)

Gain on disposal of property and equipment

The Company disposed of its South American subsidiary, whose assets and liabilities related primarily to the Canadon Ramirez Concession and Laguna de Piedra Concession (South American Properties). The proceeds of disposition were $450,000 consisting of $1,000 of cash, a note receivable for $449,000 and a contingent receivable not used to calculate gain on disposal of oil and gas assets. At the time of disposition, the Company had a net book value of $23,121 for the South American properties after prior period write-downs of $7,746,705. It also had an asset retirement obligation of $37,180 and a working capital deficiency of $342,969 that was transferred to the purchaser. The entire transaction resulted in a gain on sale of $807,028.

Contingent Receivable

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

General and Administrative

General and administrative (G&A) expenditures decreased significantly in the first nine months of 2010 compared to the first nine months of 2009 due to a reduction in the Company's South American activities. With the unsuccessful completion of the three-well drill program on the Canadon Ramirez Concession, the

Company's Board of Directors and management reviewed the Company's involvement in Argentina and have reduced its consulting services and other international expenses since Q2 2009.

Foreign Exchange Loss (Gain)

The Company maintains foreign denominated bank accounts to facilitate its foreign operations and keeps minimum balances in these accounts. The gain on foreign exchange during the first three quarters of 2010 relates to the depreciation of the Canadian dollar compared to the Argentine peso.

Depletion, Depreciation, and Accretion and Dry Hole Exploration Costs

For the nine months ended September 30, 2010, an impairment provision of $34,626 (2009 - $82,203 as dry hole costs) was taken on the exploration costs related to the Canadon Ramirez Concession. Also an impairment provision of $46,156 (2009 - $Nil) was taken on the Laguna de Piedra Concession, prior to the disposal of the South American properties.

Net Earnings (Loss)

The net earnings from discontinued operations in the first nine months of 2010 compared to the loss for the first nine months of 2009 was predominantly due to the disposal of the South American properties on September 24, 2010.

Financial Reporting Update

In December 2008, the CICA issued Section 1582, "Business Combinations", which will replace former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011 with earlier adoption permitted.

In December 2008, the CICA issued Sections 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests", which replaces existing Section 1600. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier adoption permitted.

The Company is evaluating the impact of these standards on its consolidated financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Accounting Standards Board has confirmed the convergence of Canadian GAAP with IFRS will be effective January 1, 2011.

The Company has commenced phase two of the process of conversion to IFRS by engaging its external auditors to perform a detailed review of the implementation of IFRS on the Company's high impact and medium impact areas identified below:

High impact areas include:

- IFRS 1 – First time adoption of IFRS
- IAS 16 – Property and equipment
- IAS 36 – Impairment of assets

Medium impact areas include:

- IFRS 6 – Exploration and evaluation of mineral resources
- IFRS 2 – Share-based payments
- IAS 1 – Presentation of financial statements
- IAS 10 – Events after the balance sheet date
- IAS 12 – Income Taxes
- IAS 18 – Revenues
- IAS 21 – The effects of changes in foreign exchange rates
- IAS 23 – Borrowing costs
- IAS 37 – Provisions, contingent liabilities and contingent assets

The Company is reviewing its policies and adjustments to its opening balance sheet required in relation to its IFRS policies. The Company anticipates commencing phase three (financial statement and note compilation) during the fourth quarter of 2010. Key information will be disclosed as it becomes available during the transition period.

The impact of IFRS will be significant; however the Company has always maintained an accounting policy of successful efforts for property and equipment that will result in a major reduction in the level of conversion compared to most oil and gas companies who used the full cost accounting policy.

The Company has implemented a new financial accounting system that provides for sufficient detail to comply with the IFRS requirements. As the Company has been using successful efforts since its inception, detail at a well level has been maintained under its past and current financial accounting systems as well as procedures are in place to capture this information at the operational level.

Implications to the Company's controls for DC&P and ICFR are being reviewed; however the Company believes that the majority of the procedures in place will apply once IFRS is implemented. Training will be required and is ongoing. Individuals within the Company have been and will continue to attend courses, seminars and other training activities to ensure the Company is adequately prepared for IFRS. Use of external legal expertise will be used to ensure compliance is maintained with all contractual agreements.

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

Management's Responsibility for Financial Statements

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

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

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

Consolidated Balance Sheets

As at September 30, 2010 and December 31, 2009
(unaudited)

($)	2010	2009
Assets		
Current		
Cash	**50,354**	1,333,553
Accounts receivable	**161,429**	129,900
Prepaid expenditures	**20,750**	16,345
Note receivable (Note 3)	**449,000**	-
Discontinued operations (Note 3)	**-**	39,094
	681,533	1,518,892
Property and Equipment (Note 5)		
Property and equipment	**4,481,780**	3,374,830
Accumulated depletion and depreciation	**(2,068,205)**	(1,417,845)
Net Property and Equipment	**2,413 ,575**	1,956,985
	3,095,108	3,475,877
Liabilities		
Current		
Accounts payable and accrued liabilities	**287,051**	835,010
Discontinued operations (Note 3)	**-**	192,818
	287,051	1,027,828
Asset Retirement Obligations	**64,630**	48,298
Discontinued operations (Note 3)	**-**	35,836
	64,630	84,134
	351,681	1,111,962
Non-Controlling Interests (Note 9)	**-**	-
Shareholders' Equity (Note 7)		
Share capital	**14,819,372**	14,593,560
Contributed surplus	**765,822**	859,620
Deficit	**(12,841,767)**	(13,089,265)
	2,743,427	2,363,915
	3,095,108	3,475,877

Consolidated Statements of Net Earnings (Loss), Comprehensive Income (Loss) and Deficit

For the periods ended September 30 (unaudited)

	Three Months		Nine Months	
($)	**2010**	2009	**2010**	2009
Revenue				
Oil and gas sales	**323,641**	93,177	**1,082,829**	398,675
Royalties	**(15,104)**	2,301	**(78,675)**	(532)
Interest income	**-**	-	**-**	4,292
	308,537	95,478	**1,004,154**	402,435
Expenses				
Production costs	**84,827**	36,848	**276,943**	119,337
General and administrative	**100,497**	58,862	**207,352**	219,710
Stock-based compensation	**-**	12,190	**4,514**	132,416
Depletion, depreciation and accretion	**238,458**	82,131	**691,964**	275,374
Loss on disposal of property and equipment (Note 5)	**6,456**	-	**6,456**	-
	430,238	190,031	**1,187,229**	746,837
Loss Before Taxes	**(121,701)**	(94,553)	**(183,075)**	(344,402)
Taxes (Note 6)				
Current	**-**	-	**-**	-
Future	**-**	-	**-**	-
	-	-	**-**	-
Loss and Comprehensive Loss From Continuing Operations	**(121,701)**	(94,553)	**(183,075)**	(344,402)
Net Earnings (Loss) and Comprehensive Income (Loss) From Discontinued Operations (Note 3)	**735,564**	(169,255)	**430,573**	(742,948)
Net Earnings (Loss) and Comprehensive Income (Loss)	**613,863**	(263,808)	**247,498**	(1,087,350)
Deficit, Beginning of Period	**(13,455,630)**	(11,090,531)	**(13,089,265)**	(10,266,989)
Deficit, End of Period	**(12,841,767)**	(11,354,339)	**(12,841,767)**	(11,354,339)
Loss Per Share From Continuing Operations - Basic and Diluted	**(0.00)**	(0.00)	**(0.00)**	(0.01)
Net Earnings (Loss) Per Share From Discontinued Operations - Basic and Diluted	**0.02**	(0.00)	**0.01**	(0.02)
Net Earnings (Loss) Per Share - Basic and Diluted	**0.01**	(0.01)	**0.01**	(0.02)

Consolidated Statements of Cash Flow

For the periods ended September 30 (unaudited)

($)	Three Months 2010	Three Months 2009	Nine Months 2010	Nine Months 2009
Operating Activities				
Loss from continuing operations for the period	**(121,701)**	(94,553)	**(183,075)**	(344,402)
Items not affecting cash				
Stock-based compensation	**-**	12,190	**4,514**	132,416
Depletion, depreciation and accretion	**238,458**	82,131	**691,964**	275,374
Loss on disposal of property and equipment	**6,456**	-	**6,456**	-
	123,213	(232)	**519,859**	63,388
Change in non-cash working capital				
Accounts receivable	**55,638**	13,216	**(27,636)**	(5,618)
Prepaid expenditures	**1,333**	3,439	**(4,405)**	5,676
Accounts payable and accrued liabilities	**63,151**	75,025	**86,180**	46,402
	120,122	91,680	**54,139**	46,460
Cash provided by continuing operations	**243,335**	91,448	**573,998**	109,848
Cash used in discontinued operations	**(243,882)**	(128,695)	**(394,105)**	(598,185)
Cash Provided by (Used in) Operating Activities	**(547)**	(37,247)	**179,893**	(488,337)
Financing Activities				
Share option proceeds	**-**	-	**127,500**	-
Cash Provided by Financing Activities	**-**	-	**127,500**	-
Investing Activities				
Property and equipment expenditures	**(40,549)**	(571,525)	**(1,138,678)**	(573,041)
Change in non-cash working capital				
Accounts receivable	**14,523**	-	**(3,893)**	-
Accounts payable and accrued liabilities	**(98,981)**	495,035	**(634,139)**	(219,616)
Cash used in continuing operations	**(125,007)**	(76,490)	**(1,776,710)**	(353,425)
Cash provided by (used in) discontinued operations	**201,235**	14,897	**186,118**	(90,451)
Cash Provided by (Used in) Investing Activities	**76,228**	(61,593)	**(1,590,592)**	(443,876)
Net Cash Inflow (Outflow)	**75,681**	(98,840)	**(1,283,199)**	(932,213)
Cash (Bank Indebtedness), Beginning of Period	**(25,327)**	1,651,226	**1,333,553**	2,484,599
Cash, End of Period	**50,354**	1,552,386	**50,354**	1,552,386
Cash interest paid	**-**	-	**-**	-
Cash taxes paid by continuing operations	**-**	-	**-**	-
Cash taxes paid by discontinued operations	**6,775**	2,259	**55,169**	57,962

Notes to the Consolidated Financial Statements

As at September 30, 2010 and for the three and nine month periods ended September 30, 2010 and 2009 (unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements for Pine Cliff Energy Ltd. ("Pine Cliff" or “the Company") as at September 30, 2010 and for the three and nine months ended September 30, 2010 and 2009 should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2009. The notes to these interim consolidated financial statements do not conform in all respects to the note disclosure requirements of generally accepted accounting policies (GAAP) for annual consolidated financial statements. These interim consolidated financial statements are prepared using the same accounting policies and methods of computation as disclosed in the annual consolidated financial statements as at and for the year ended December 31, 2009. The disclosures provided within are incremental to those included with the annual financial statements.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2008, the CICA issued Section 1582, “Business Combinations”, which will replace former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011 with earlier adoption permitted. This standard has no impact on the consolidated financial statements.

In December 2008, the CICA issued Sections 1601, “Consolidated Financial Statements”, and 1602, “Non-controlling Interests”, which replaces existing Section 1600. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period beginning on or after January 1, 2011 with earlier adoption permitted. The Company is analyzing the impact of these standards along with the International Financial Reporting Standards (IFRS) conversion project.

The Canadian Accounting Standards Board has confirmed that IFRS will replace Canadian GAAP effective January 1, 2011, including comparatives for 2010, for Canadian publicly accountable enterprises.

3. DISCONTINUED OPERATIONS

On September 24, 2010, Pine Cliff sold its South American subsidiary CanAmericas (Argentina) Energy Ltd. to an unrelated party. The Company still retains its 93% ownership in CanAmericas Energy Ltd. (see Note 9). The sale allow the Company to focus on its continuing operations; the development of its Canadian oil and natural gas operations.

The assets and liabilities of the South American operations have been presented as discontinued operations in the Consolidated Balance Sheets. Operating results related to these assets and liabilities have been included in net earnings (loss) from discontinued operations in the Consolidated Statements of Net Earnings (Loss), Comprehensive Income (Loss) and Deficit.

($)	**As at September 30, 2010**	As at December 31, 2009
Assets		
Current		
Cash	**-**	39,090
Accounts receivable	**-**	4
Total assets	**-**	39,094
Liabilities		
Current		
Accounts payable and accrued liabilities	**-**	192,818
Asset Retirement Obligations	**-**	35,836
Total liabilities	**-**	228,654

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
($)	**2010**	2009	**2010**	2009
Revenue				
Gain on disposal of property and equipment	**807,028**	-	**807,028**	-
Interest and other income	**-**	16	**-**	1,789
	807,028	16	**807,028**	1,789
Expenses				
General and administrative	**53,936**	115,501	**251,400**	528,888
Foreign exchange (gain) loss	**(2,271)**	4,771	**(4,410)**	28,246
Depletion, depreciation and accretion	**448**	698	**1,344**	2,094
Impairment of oil and gas assets	**-**	-	**80,782**	-
Dry hole costs	**-**	22,167	**-**	82,203
	52,113	143,137	**329,116**	641,431
Net Earnings (Loss) From Discontinued Operations Before Taxes	**754,915**	(143,121)	**477,912**	(639,642)
Taxes				
Current	**19,351**	26,134	**47,339**	103,306
Future	**-**	-	**-**	-
	19,351	26,134	**47,339**	103,306
Net Earnings (Loss) From Discontinued Operations	**735,564**	(169,255)	**430,573**	(742,948)

Impairment, dry hole costs and gain on disposal of oil and gas assets

The Company disposed of its South American Operations, whose assets and liabilities related primarily to the Canadon Ramirez Concession and Laguna de Piedra Concession (South American Properties). The proceeds of disposition were $450,000 consisting of $1,000 of cash, a note receivable for $449,000 and a contingent receivable which was not used to calculate the gain on disposal of oil and gas assets (see below). The note receivable is unsecured and is due 120 days from the disposal date. The note bears no interest and the purchaser can either settle the note by cash or shares in the purchaser's corporation. At the time of disposition, the Company had a net book value of $23,121 for the South American Properties after prior period write-downs of $7,746,705. It also had an asset retirement obligation of $37,180 and a working capital deficiency of $342,969 that was transferred to the purchaser, resulting in a gain on sale of $807,028.

For the nine months ended September 30, 2010, an impairment provision of $34,626 (2009 - $82,203 as dry hole costs) was taken on the exploration costs related to the Canadon Ramirez Concession. Also an impairment provision of $46,156 (2009 - $Nil) was taken on the Laguna de Piedra Concession, prior to the disposal of the South American properties.

Contingent Receivable

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

Taxes

The Company accrued $47,339 current tax expense related to Argentina capital tax. A one percent Argentina capital tax is payable in respect of the exploration costs for the South American Operation's Canadon Ramirez and the Laguna de Piedra Concessions. This liability was transferred to the purchaser on the disposal of its South American subsidiary.

4. RELATED PARTY TRANSACTIONS

Pine Cliff has a management agreement with Bonterra Energy Corp. (Bonterra) an oil and gas corporation publicly traded on the Toronto Stock Exchange, with common directors and management, to provide executive services, accounting services, oil and gas administration and office administration for Pine Cliff. Total fees for the nine month period were $67,500 (2009 - $90,000) plus minimal administrative costs. As of September 30, 2010, Pine Cliff owes Bonterra $1,477 (December 31, 2009 - $448). This agreement can be cancelled by either party by giving 90 days notice.

During the nine month period, the president, CEO and director of Pine Cliff loaned $100,000 to the Company by an unsecured loan that paid interest at Canadian chartered bank prime plus one percent. Pine Cliff repaid the loan amount plus accrued interest prior to the end of the quarter.

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

5. PROPERTY AND EQUIPMENT

($)	**September 30, 2010**		December 31, 2009	
	Cost	**Accumulated Depletion and Depreciation**	Cost	Accumulated Depletion and Depreciation
Canadian petroleum and natural gas properties and related equipment	**4,481,780**	**2,068,205**	3,328,873	1,384,807
Furniture, equipment and other	**-**	**-**	45,957	33,038
	4,481,780	**2,068,205**	3,374,830	1,417,845

During September 2010, the Company disposed of its furniture, equipment and other for $Nil proceeds. At the time of disposition the assets had a book value of $6,456.

6. TAXES

The Company continues to record a full valuation allowance for its future income tax assets as the recoverability is uncertain.

7. SHARE CAPITAL

Authorized

Unlimited number of Common Shares without nominal or par value.

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

Issued	Number	Amount ($)
Common Shares		
Balance, January 1, 2010	45,295,695	14,593,560
Issued on exercise of stock options	850,000	127,500
Transfer of contributed surplus to share capital		98,312
Balance, September 30, 2010	46,145,695	14,819,372

The number of weighted average basic and diluted shares outstanding for the three and nine months ended September 30:

	Three Months		Nine Months	
	2010	2009	**2010**	2009
Basic shares outstanding[1]	**46,145,695**	45,275,695	**46,070,757**	45,275,695
Dilutive share options	**21,050**	-	**20,249**	56,938
Diluted shares outstanding	**46,166,745**	45,275,695	**46,091,006**	45,275,695

[1] Basic shares outstanding is used to calculate basic and diluted loss per share when the Company is in a loss position

A summary of the changes to the Company's contributed surplus is presented below:

Contributed surplus

($)	**2010**	2009
Balance, January 1	**859,620**	722,968
Stock-based compensation expensed (non-cash)	**4,514**	132,416
Transfer of contributed surplus to share capital	**(98,312)**	-
Balance, September 30	**765,822**	855,384

The deficit balance is composed of accumulated losses.

A summary of the status of the Company's stock option plan as of September 30, 2010 and December 31, 2009, and changes during the nine month and twelve month periods ending on those dates is presented as follows:

	September 30, 2010		December 31, 2009	
	Options	**Weighted-Average Exercise Price**	Options	Weighted-Average Exercise Price
Outstanding at beginning of period	**3,126,000**	**$0.63**	3,118,000	$0.63
Options granted	**-**	**-**	40,000	0.15
Options exercised	**(850,000)**	**0.15**	(20,000)	0.15
Options expired	**(2,131,000)**	**0.79**	(12,000)	1.15
Outstanding at end of period	**145,000**	**$0.97**	3,126,000	$0.63
Options exercisable at end of period	**125,000**	**$1.10**	3,028,500	$0.62

The following table summarizes information about stock options outstanding at September 30, 2010:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 9/30/10	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 9/30/10	Weighted-Average Exercise Price
$0.15- $0.30	40,000	1.3 years	$0.15	20,000	$0.15
1.10 – 1.20	65,000	0.3 years	1.15	65,000	1.15
1.40 – 1.50	40,000	0.3 years	1.49	40,000	1.49
$0.15 - $1.50	145,000	0.6 years	$0.97	125,000	$1.10

The Company records a compensation expense over the vesting period based on the fair value of options granted to employees, directors and consultants. Unvested options of 20,000 as of September 30, 2010 vest in 2011.

8. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Factors

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

- Cash deposits;
- Receivables;
- Note receivable;
- Payables;

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

The Company does not enter into risk management contracts. The Company sells its oil and natural gas commodities at market prices at the date of sale in accordance with the Board directive.

Capital Risk Management

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

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

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

a) Financial assets, financial liabilities

The carrying amounts, fair value and face values of the Company's financial assets and liabilities are shown in Table 1.

Table 1

Continuing Operations	As at September 30, 2010		
($)	Carrying Value	Fair Value	Face Value
Financial assets			
Cash	50,354	50,354	50,354
Accounts receivable	161,429	161,429	161,429
Note receivable	449,000	449,000	449,000
Financial liabilities			
Accounts payable and accrued liabilities	287,051	287,051	287,051

Financial instruments, consisting of accounts receivable, note receivable, accounts payable and accrued liabilities carried in the consolidated balance sheet, are carried at amortized cost. Cash is carried at fair value. Pine Cliff classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument.

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

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

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

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

b) Risks and mitigations

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

Commodity price risk

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

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

Interest rate risk

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

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

Foreign exchange risk

The Company has discontinued its foreign operations, which had no revenue or production. The Company's domestic or continuing operations currently sells all of its Canadian production in Canadian currency. The Company has Canadian and U.S. dollar denominated cash balances. Funds held in foreign currency denominated accounts are generally held for short periods of time, as the Company transfers and converts Canadian funds to foreign currency as payments for foreign currency denominated payables come due. As such, Pine Cliff does not mitigate exchange rate risk by using risk management contracts.

Credit risk

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

Substantially all of the continuing operations' accounts receivable balance at September 30, 2010 ($161,429) and December 31, 2009 ($129,900) relates to product sales with Canadian oil and gas companies and crown royalty credits with the province of Alberta, all of which have consistently been received within 30 to 60 days.

The Company assesses quarterly if there has been any impairment of the financial assets of the Company. The Company does not have any significant credit risk exposure to any single counterparty.

The carrying value of accounts receivable approximates their fair value due to the relatively short periods to maturity on this instrument. Currently no accounts receivable is greater than 90 days. The maximum exposure to credit risk is represented by the carrying amount on the balance sheet. There are no material financial assets that the Company considers past due.

<u>Liquidity risk</u>

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

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

To help reduce these liquidity risks, the Company:

- Arranged short-term financing at a reasonable interest rate with its CEO and director.
- Has disposed of its South American Operations.

9. NON-CONTROLLING INTERESTS

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

There were no changes to non-controlling interests during the nine months ended September 30, 2010 and the year ended December 31, 2009.

Foreign Corp. has been granted an option to acquire an additional 1,000,000 common shares of CanAmericas at U.S. $0.25 per common share. Fifty percent of the options vested on January 13, 2007, and the remaining 50 percent vested on January 13, 2008, and all of the options expire on January 13, 2011.

Pine Cliff Energy Ltd.

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