

PRESIDENT'S MESSAGE TO SHAREHOLDERS

After a strong first quarter, the second quarter of 2019 was challenging with AECO 5A natural gas pricing averaging \$1.03 per Mcf, the lowest quarterly average in decades. Pine Cliff prides itself on being a low cost operator. We continue to take steps to further reduce costs and adjust our sales points to somewhat offset lower AECO prices, however, despite these efforts, the second quarter of this year resulted in negative funds flow for only the third quarter in the past 29 quarters. Significant highlights from Pine Cliff's second quarter were:

- realized \$1.69 per Mcf gas price for the three months ended June 30, 2019, 43% higher than the AECO 5A benchmark of \$1.03 per Mcf;
- realized \$2.27 per Mcf gas price for the six months ended June 30, 2019, 24% higher than the AECO 5A benchmark of \$1.82 per Mcf;
- closed an acquisition of oil and natural gas assets in the Ghost Pine area of Central Alberta for cash consideration of \$8.6 million (after estimated closing adjustments) on May 31, which added over 1,600 Boe/d as of the closing date and increased the Company's Pekisko oil locations to 28 gross (27.0 net) from eight gross (six net);
- issued 14,492,754 flow-through common shares at a price of \$0.276, resulting in gross proceeds of \$4.0 million;
- issued 6,215,652 common shares at a price of \$0.23 per share for gross proceeds of \$1.4 million, of which \$550,000 was from Pine Cliff directors and officers; and
- exited the quarter with \$7.9 million of cash in the bank and no bank debt.

Operations Update

Last year, we drilled our first Pekisko oil well in Central Alberta and it continues to exceed our expectations. In its first 180 days, it has produced 325 Boe/d, consisting of 190 Bbl/d of oil and natural gas liquids along with 810 Mcf/d of gas and generated approximately \$1.7 Million of adjusted funds flow. The cost of this well to drill, complete and tie in was approximately \$3.0 Million, with projected payback of approximately 14 months based on current strip pricing. Subject to commodity prices, Pine Cliff plans on drilling at least one more Pekisko oil well in the fourth quarter of 2019.

Industry/Government Initiatives Involving Shallow Gas Producers

The new administration of the Alberta Government has recognized the importance of a strong natural gas industry to Alberta's future and has been working with Pine Cliff and other natural gas producers to find solutions to some of the issues facing natural gas producers today. The government appointed an Associate Minister of Natural Gas for the first time ever and has since announced an approximate 35% reduction in property taxes paid on certain shallow gas wells and pipelines. The tax reduction is not a rebate but an adjustment recognizing that the Alberta municipal tax assessment system for natural gas assets is not equitable given the current asset valuations in the marketplace. We do not yet know how much this change in municipal taxation will impact Pine Cliff. For reference though, last year we paid approximately \$12 million in property taxes based on a total assessed value of our Pine Cliff assets of over \$650 million. That assessed value is six times our current enterprise value (market capitalization plus net debt) of approximately \$110 million. The government is undertaking a review of the municipal tax assessment system and we are optimistic that they will arrive at a permanent structure that is more equitable to shallow gas producers.

The Government of Alberta is also involved in other discussions with natural gas producers and pipeline companies to attempt to strengthen the competitiveness of the Alberta natural gas industry. Although we cannot predict the outcome of these discussions, I can comment that the change in the Alberta Government has resulted in more constructive discussions with natural gas producers than with the previous administration. I believe that the current Government understands that the health of the Alberta natural gas industry is important, not just to participate in the impending growth of LNG, continued oil sands expansion and the coal-to-gas shift in power demand on the horizon, but also for provincial revenues. In the 2005-2006 fiscal year, natural gas royalties contributed over \$8.4 Billion to the Alberta Government. In the 2018-2019 fiscal year, this number had been reduced by 94% to just over \$0.5 Billion.

Outlook

The third quarter of 2019 has started out with the similar volatility in AECO pricing that we have experienced in the past two summers. During the six day period from July 21st to the 26th, AECO average daily prices moved from \$0.18 per Mcf to \$2.01 to \$0.03 to \$1.45. Owning and operating critical infrastructure and pipelines during these volatile periods has allowed us to modify our sales points between AECO and the Saskatchewan TEP market on short notice to maximize revenue.

Cooler temperatures in Q1 2019 contributed to higher natural gas prices and thus higher Pine Cliff revenue, but another advantage to the colder weather was the reduction in Western Canadian gas storage levels. When you combine those weather impacts with the reduced producer capital expenditures and reduced field receipts in Western Canada, the result was that Canadian natural gas storage levels at the end of July 2019 were approximately 60 Bcf (20%) less than July 2018. This is another indicator that natural gas prices could have a similar or higher trajectory as last winter when we experienced higher natural gas prices than strip pricing had predicted in the summer of 2018.

US LNG growth has been impressive over the past three years, hitting a high of 6.4 Bcf/d on July 19, 2019. LNG development in Canada has also deservedly attracted significant headlines in the past six months. We think that these developments, along with projected increases in oil sands growth, new petrochemical facilities and coal-to-gas shifting in Alberta bode well for natural gas producers who will be asked to increase production at unprecedented levels to meet this growing demand in the upcoming years.

With another quarter of low AECO prices, it is not easy to stay optimistic, especially when the natural gas industry is dealing with its current stresses, but we remain confident that our business model is built for longevity. We have no bank debt today and we have seen several positive developments in the Western Canada natural gas industry in the last few months. Pine Cliff management believes our company is well positioned to reap the benefits of these encouraging changes. We will continue to manage our balance sheet as we navigate the company closer to what we feel will be a more robust natural gas marketplace in Western Canada. We thank you for investing with us and you can be assured that we will continue to look at ways to strengthen our business to ensure long term shareholder value.

Yours truly,



Phil Hodge
President and Chief Executive Officer
August 6, 2019

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, 2019. This MD&A is dated and based on information available as at August 6, 2019 and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2019 ("**Financial Statements**"), the audited annual consolidated financial statements for the year ended December 31, 2018 ("**Annual Financial Statements**") and the annual management's discussion and analysis for the year ended December 31, 2018 ("**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 ("**Mcf**") using a ratio of one (1) Bbl to six (6) thousand cubic feet. Natural gas volumes recorded in thousand cubic feet ("**Mcf**") are converted to barrels of oil equivalent ("**Boe**") using the ratio of six (6) thousand cubic feet to one (1) Bbl. This conversion ratio is based on energy equivalence primarily at the burner tip and does not represent a value equivalency at the wellhead. The terms Boe or Mcfe may be misleading, particularly if used in isolation.

2019 HIGHLIGHTS

Highlights from the three and six months ended June 30, 2019 are as follows:

- realized \$1.69 per Mcf gas price for the three months ended June 30, 2019, 43% higher than the AECO 5A benchmark of \$1.03 per Mcf;
- realized \$2.27 per Mcf gas price for the six months ended June 30, 2019, 24% higher than the AECO 5A benchmark of \$1.82 per Mcf;
- despite AECO prices averaging the lowest quarterly average in decades in the three months ended June 30, 2019, Pine Cliff minimized the adjusted funds flow used in operations to \$2.0 million as a result of its low cost structure and marketing diversification strategy;
- closed an acquisition of certain oil and natural gas assets in the Ghost Pine area of Central Alberta for cash consideration of \$8.6 million (after estimated closing adjustments) on May 31, 2019 (the "**May 2019 Acquisition**"), which added over 1,600 Boe/d as of the closing date and increased the Company's Pekisko oil locations by 28 gross (27.0 net);
- issued 14,492,754 flow-through common shares at a price of \$0.276, resulting in gross proceeds of \$4.0 million;
- issued 6,215,652 common shares at a price of \$0.23 per share for gross proceeds of \$1.4 million; and
- exited the quarter with \$7.9 million of cash in the bank.

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
(\$000s, unless otherwise indicated)				
FINANCIAL¹				
Oil and gas sales (before royalty expense)	21,497	21,939	53,560	51,650
Cash flow from operating activities	6,503	531	14,428	7,510
Adjusted funds flow²	(2,047)	(977)	4,776	4,160
Per share – Basic and Diluted (\$/share) ²	(0.01)	0.00	0.02	0.01
Loss	(24,179)	(17,909)	(30,704)	(33,489)
Per share – Basic and Diluted (\$/share)	(0.08)	(0.06)	(0.10)	(0.11)
Capital expenditures	815	1,276	1,810	4,453
Acquisitions	8,604	(3)	8,606	(291)
Net debt²	58,162	54,737	58,162	54,737
Weighted-average common shares outstanding (000s)				
Basic and diluted	314,130	307,076	310,623	307,076
OPERATIONS				
Production				
Natural gas (Mcf/d)	105,965	110,242	105,080	111,546
Natural gas liquids (Bbl/d)	1,063	967	1,022	972
Crude oil (Bbl/d)	399	216	398	218
Total (Boe/d)	19,123	19,557	18,933	19,781
Realized commodity sales prices				
Natural gas (\$/Mcf)	1.69	1.55	2.26	1.95
Natural gas liquids (\$/Boe)	29.74	56.74	33.51	54.09
Crude oil (\$/Bbl)	65.16	71.19	62.06	67.20
Combined (\$/Boe)	12.35	12.33	15.63	14.43
Netback (\$/Boe)				
Oil and gas sales	12.35	12.33	15.63	14.43
Royalty expense	(0.22)	(0.85)	(0.62)	(1.16)
Transportation expenses	(1.72)	(1.69)	(1.78)	(1.65)
Operating expenses	(10.23)	(9.07)	(10.35)	(9.23)
Operating netback (\$/Boe) ²	0.18	0.72	2.88	2.39
General and administrative expenses	(0.74)	(0.86)	(0.84)	(0.81)
Interest and bank charges, net of dividend income	(0.62)	(0.41)	(0.66)	(0.42)
Corporate netback (\$/Boe) ²	(1.18)	(0.55)	1.38	1.16
Operating netback (\$ per Mcfe) ²	0.03	0.12	0.48	0.40
Corporate netback (\$ per Mcfe) ²	(0.20)	(0.09)	0.23	0.19

¹ Includes results for acquisitions from the closing dates.

² This is a non-GAAP measure, see NON-GAAP MEASURES for additional information.

SENSITIVITIES

Pine Cliff's results are sensitive to changes in the business environment in which it operates. The following chart shows the Company's sensitivity to key commodity price variables 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
Realized crude oil price ²	\$1.00	512	0.00
Realized natural gas price ²	\$0.10	3,713	0.01
Interest rate on variable rate debt ⁴	1.0%	41	0.00

¹ This analysis does not adjust for changes in working capital and uses corporate royalty rates from the six months ended June 30, 2019.

² Pine Cliff has prepared this analysis using its Q2 2019 production volumes annualized for twelve months.

³ Based on the Q2 2019 basic weighted average shares outstanding.

⁴ Based on June 30, 2019 bank debt of \$nil, 2020 \$6 Million Notes and 2020 Related Party Notes, as defined herein, of \$6.0 million, less cash of \$7.9 million.

BENCHMARK PRICES

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Natural gas						
NYMEX (US\$/Mmbtu) ¹	2.64	2.78	(5)	2.88	2.89	-
AECO Daily 5A (C\$/Mcf) ²	1.03	1.18	(13)	1.82	1.62	12
Crude oil						
WTI (US\$/Bbl)	59.81	67.88	(12)	57.35	65.38	(12)
Edmonton Light (C\$/Bbl)	73.85	80.66	(8)	70.15	76.44	(8)
Foreign exchange						
US\$/C\$	1.338	1.290	4	1.334	1.280	4

¹ Mmbtu is the abbreviation for millions of British thermal units. One Mcf of natural gas is approximately 1.02 Mmbtu.

² AECO prices are quoted in \$/Gigajoule. Price has been converted from \$/GJ to \$/Mcf by multiplying by 1.05.

Quarterly Benchmark Prices

Pine Cliff's financial results are influenced by fluctuations in sales volumes, 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.

	Q2-2019	Q1-2019	Q4-2018	Q3-2018	Q2-2018	Q1-2018	Q4-2017	Q3-2017
Natural gas								
NYMEX (US\$/Mmbtu) ¹	2.64	3.12	3.73	2.85	2.78	2.99	2.91	2.98
AECO Daily 5A (C\$/Mcf) ²	1.03	2.61	1.74	1.19	1.18	2.07	1.68	1.45
Pine Cliff realized natural gas price (C\$/Mcf)	1.69	2.84	2.51	1.88	1.55	2.35	2.09	1.86
Crude oil								
WTI (US\$/Bbl)	59.81	54.88	52.41	69.50	67.88	62.87	55.40	48.20
Edmonton Light (C\$/Bbl)	73.85	66.44	38.94	81.95	80.66	72.21	68.98	56.65
Pine Cliff realized NGL price (C\$/Bbl)	29.74	37.64	44.85	61.05	56.74	51.45	47.73	41.98
Pine Cliff realized oil price (C\$/Bbl)	65.16	58.89	32.14	74.15	71.19	63.21	62.41	47.72
Foreign exchange								
US\$/C\$	1.338	1.329	1.331	1.310	1.290	1.270	1.270	1.250

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, 2019, the AECO daily benchmark was 13% and 12% lower, compared to the same periods of 2018. The lower prices this quarter are mainly due to supply and demand factors including pipeline and storage constraints, weather, economic conditions in producing and consuming regions throughout North America and political factors. While the price realized by the Company for natural gas production from Western Canada is still influenced by the Alberta price hub AECO, diversification projects to delivery points such as Dawn, Empress and TransGas into Saskatchewan have decreased that influence significantly. See "OIL AND GAS SALES" section for additional information on the diversification project premiums compared to AECO 5A.

The average benchmarks for WTI and Edmonton Light crude decreased by 12% and 8%, for the three and six months ended June 30, 2019, as compared to the same periods in 2018, due to increased levels of North American oil production combined with uncertainties of future demand. Canadian crude prices are based upon refinery postings at Edmonton, Alberta and are linked to WTI through transportation tariffs to common markets and the foreign exchange rate.

The supply and demand dynamics for certain 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. The decrease in NGL prices compared to Edmonton Light in the three and six months ended June 30, 2019 compared to the corresponding periods of the prior year is mainly due to lower butane pricing. The fluctuations in the NGL price correlate with changes in the Edmonton Light oil price.

SALES VOLUMES

Total sales volumes by product	Three months ended June 30,			Six months ended June 30		
	2019	2018	% Change	2019	2018	% Change
Natural gas (Mcf)	9,642,804	10,031,478	(4)	19,019,544	20,189,868	(6)
NGLs (Bbl)	96,692	87,972	10	184,958	175,945	5
Crude oil (Bbl)	36,351	19,696	85	71,968	39,411	83
Total Boe	1,740,177	1,779,582	(2)	3,426,850	3,580,334	(4)
Total Mcfe	10,441,062	10,677,486	(2)	20,561,100	21,482,004	(4)
Natural gas weighting	92%	94%	(2)	93%	94%	(1)

Average daily sales volumes by product	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Natural gas (Mcf/d)	105,965	110,242	(4)	105,080	111,546	(6)
NGLs (Bbl/d)	1,063	967	10	1,022	972	5
Crude oil (Bbl/d)	399	216	85	398	218	83
Total (Boe/d)	19,123	19,557	(2)	18,933	19,781	(4)
Total (Mcfe/d)	114,738	117,342	(2)	113,598	118,686	(4)

Average daily sales volumes by area	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Central (Boe/d)	9,294	9,053	3	9,138	9,298	(2)
Southern (Boe/d)	8,071	8,444	(4)	7,972	8,400	(5)
Edson (Boe/d)	1,758	2,060	(15)	1,823	2,083	(12)
Total (Boe/d)	19,123	19,557	(2)	18,933	19,781	(4)
Total (Mcf/d)	114,738	117,342	(2)	113,598	118,686	(4)

Pine Cliff's sales volumes decreased by 2% to 19,123 Boe/d (114,738 Mcfe/d) and 4% to 18,933 Boe/d (113,598 Mcfe/d) for the three and six months ended June 30, 2019, as compared to the same period in 2018. The decrease relates to natural gas production declines and production downtime due to cold weather during the first quarter, somewhat offset by production from the Company's oil well brought on production in January 2019 and one month of production from the May 2019 Acquisition.

Pine Cliff is projecting 2019 production volumes of 19,250 – 19,750 Boe/d (115,500 – 118,500 Mcfe/d), weighted approximately 92% towards natural gas. The increase from 18,500 – 19,000 Boe/d (111,000 – 114,000 Mcfe/d) is a result of the May 2019 Acquisition.

OIL AND GAS SALES

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Natural gas	16,252	15,546	5	42,896	39,485	9
NGL	2,876	4,991	(42)	6,198	9,517	(35)
Crude oil	2,369	1,402	69	4,466	2,648	69
Total oil and gas sales	21,497	21,939	(2)	53,560	51,650	4
% of revenue from natural gas sales	76%	71%	5	80%	76%	4

Realized prices

\$ per unit	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Natural gas (\$/Mcf)	1.69	1.55	9	2.26	1.95	16
NGL (\$/Bbl)	29.74	56.74	(48)	33.51	54.09	(38)
Crude oil (\$/Bbl)	65.16	71.19	(8)	62.06	67.20	(8)
Total (\$/Boe)	12.35	12.33	-	15.63	14.43	8
Total (\$/Mcf)	2.06	2.06	-	2.61	2.41	8

Oil and gas sales in the three months ended June 30, 2019 of \$21.5 million decreased by \$0.4 million from \$21.9 million in the same period of 2018, with a \$0.5 million decrease from lower production, slightly offset by a \$0.1 million increase from higher realized commodity pricing. Oil and gas sales in the six months ended June 30, 2019, increased \$1.9 million to \$53.6 million from \$51.7 million in the six months ended June 30, 2018, with \$4.1 million of the increase attributable to higher realized prices, slightly offset by a decrease of \$2.2 million from lower sales volumes.

Pine Cliff's realized natural gas price was \$1.69 per Mcf in the three months ended June 30, 2019, 9% higher than the \$1.55 per Mcf in the corresponding period of the prior year, despite a 13% decrease in AECO 5A benchmark pricing as a result of the Company's marketing diversification to non-AECO markets. Pine Cliff's realized natural gas price was \$2.26 per Mcf in the six months ended June 30, 2019, 16% higher than the \$1.95 per Mcf realized in the corresponding periods of the prior year. Pine Cliff's realized natural gas price was 64% higher and 24% higher than the AECO 5A benchmark in the three and six months ended June 30, 2019, both a result of Pine Cliff's marketing diversification to non-AECO markets and fixed price physical natural gas sales contracts.

For the three and six months ended June 30, 2019, Pine Cliff's realized NGL price was \$29.74 per Bbl and \$33.51 per Bbl, compared to \$56.74 per Bbl and \$54.09 per Bbl in the corresponding periods of the prior year. For the three and six months ended June 30, 2019, Pine Cliff's realized oil price was \$65.16 per Bbl and \$62.06 per Bbl, compared to \$71.19 per Bbl and \$67.20 per Bbl in the corresponding periods of the prior year. Pine Cliff's realized oil prices in the three and six months ended June 30, 2019 were both 88% of Edmonton Light compared to 88% in both corresponding periods of the prior year. Pine Cliff's realized NGL prices in the three and six months ended June 30, 2019 were 40% and 48% of Edmonton Light compared to 70% and 71% in the corresponding periods of

the prior year. The decrease in NGL prices compared to Edmonton Light in the three and six months ended June 30, 2019 compared to the corresponding periods of the prior year is mainly due to lower butane pricing.

ROYALTY EXPENSE

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Total royalty expense	391	1,520	(74)	2,110	4,166	(49)
\$ per Boe	0.22	0.85	(74)	0.62	1.16	(47)
\$ per Mcfe	0.04	0.14	(74)	0.10	0.19	(47)
Royalty expense as a % of oil and gas sales	2%	7%	(71)	4%	8%	(50)

For the three and six months ended June 30, 2019, total royalty expense decreased by 74% and 49% to \$0.4 million and \$2.1 million from \$1.5 million and \$4.2 million in the corresponding periods of the prior year. Royalty expense as a percentage of oil and gas sales decreased to 2% and 4% in the three and six months ended June 30, 2019, compared to 7% and 8% in the corresponding periods of the prior year. The decrease in royalty expenses as a percentage of oil and gas sales for the three and six months ended June 30, 2019, primarily due to gas crown royalties being charged on a reference price that is lower than Pine Cliff's realized gas price and higher gas cost allowance adjustments.

Pine Cliff anticipates royalty expenses to average 5-6% of oil and gas sales in 2019.

TRANSPORTATION COSTS

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Total transportation costs	2,988	3,005	(1)	6,084	5,894	3
\$ per Boe	1.72	1.69	2	1.78	1.65	8
\$ per Mcfe	0.29	0.28	2	0.30	0.28	8

Transportation costs of \$3.0 million for the three months ended June 30, 2019 are comparable to \$3.0 million in the corresponding period of the prior year. Transportation costs increased by 3% to \$6.1 million for the six months ended June 30, 2019, as compared to \$5.9 million in the corresponding period of the prior year as 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 that have higher costs to transport.

Pine Cliff anticipates transportation expenses to average \$1.80 per Boe (\$0.30 per Mcfe) in 2019.

OPERATING EXPENSES

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Total operating expenses	17,805	16,140	10	35,459	33,052	7
\$ per Boe	10.23	9.07	13	10.35	9.23	12
\$ per Mcfe	1.71	1.51	13	1.73	1.54	12

Operating expenses increased by 10% to \$17.8 million for the three months ended June 30, 2019, as compared to \$16.1 million in the corresponding period of the prior year, primarily a result of higher power and fuel costs, lower third party fee revenue and the May 2019 Acquisition. Operating expenses increased by 7% to \$35.5 million for the six months ended June 30, 2019, as compared to \$33.1 million in the corresponding period of the prior year, primarily a result of higher power and fuel costs and lower third party fee revenue. On a per Boe basis, operating costs increased for the three and six months ended June 30, 2019 by 13% and 12% respectively, compared to the same periods 2018 primarily a result of lower production volumes with a high proportion of fixed costs, higher power and fuel costs and lower third party fee revenue.

Pine Cliff anticipates operating expenses to average \$10.20 per Boe (\$1.70 per Mcfe) in 2019.

GENERAL AND ADMINISTRATIVE EXPENSES ("G&A")

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Gross G&A	1,812	2,043	(11)	4,033	4,017	-
Add: non-recurring transaction costs	15	-	100	15	-	100
Less: overhead recoveries	(543)	(517)	5	(1,163)	(1,127)	3
Total G&A expenses	1,284	1,526	(16)	2,885	2,890	-
\$ per Boe	0.74	0.86	(14)	0.84	0.81	4
\$ per Mcfe	0.12	0.14	(14)	0.14	0.13	4

G&A decreased by 16% to \$1.3 million in the three months ended June 30, 2019, as compared to \$1.5 million in the corresponding period of the prior year. The decrease in G&A during the three months ended June 30, 2019 is primarily a result of timing of expenditures. G&A of \$2.9 million for the six months ended June 30, 2019 is comparable to \$2.9 million in the corresponding period of the prior year.

On a per Boe basis, G&A for the three months ended June 30, 2019, decreased by 14% to \$0.74 per Boe from \$0.86 per Boe in the corresponding period of the prior year, primarily a result of timing of expenditures. On a per Boe basis, G&A for the six months ended June 30, 2019 increased 4% to \$0.84 per Boe from \$0.81 per Boe in the corresponding period of the prior year, primarily a result of non-recurring transaction costs from the May 2019 Acquisition and a decrease in sales volumes.

Pine Cliff anticipates G&A expenses to average \$0.75 per Boe (\$0.13 per Mcfe) in 2019.

SHARE-BASED PAYMENTS

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Total share-based payments	316	631	(50)	661	1,255	(47)
\$ per Boe	0.18	0.35	(49)	0.19	0.35	(46)
\$ per Mcfe	0.03	0.06	(49)	0.03	0.06	(46)

Share based payments decreased by 50% and 47% for the three and six months ended June 30, 2019 compared to the corresponding periods of 2018 primarily a result of the decrease in the fair value of the stock options granted in 2019. 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 the outstanding Common Shares.

During the six months ended June 30, 2019, Pine Cliff granted 7,134,141 stock options to purchase Common Shares at a weighted average exercise price of \$0.21 (June 30, 2018 - 7,309,300 at an average exercise price of \$0.33). As at June 30, 2019, the Company had 25,749,628 stock options outstanding representing 7.9% of Common Shares outstanding (June 30, 2018 - 26,568,044 representing 8.7% of Common Shares outstanding).

DEPLETION, DEPRECIATION AND IMPAIRMENT

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Total depletion and depreciation	11,930	10,726	11	23,319	21,602	8
\$ per Boe	6.86	6.03	14	6.80	6.03	13
\$ per Mcfe	1.14	1.00	14	1.13	1.01	13
Impairment	8,200	-	100	8,200	-	100
Total depletion, depreciation and impairment	20,130	10,726	88	31,519	21,602	46
\$ per Boe	11.57	6.03	92	9.20	6.03	53
\$ per Mcfe	1.93	1.00	92	1.53	1.01	53

Depletion and depreciation expense for the three and six months ended June 30, 2019, totaled \$11.9 million and \$23.3 million compared to \$10.7 million and \$21.6 million in the corresponding periods of the prior year. The increase is a result of a higher depletable base. Depletion and depreciation per Boe will fluctuate from one period to the next depending on changes in reserves that result from commodity prices and the amount and success of capital expenditures. Depletion is calculated using total proved and probable reserves and reserves estimates are subject to revision.

PP&E Impairment Assessment

As at June 30, 2019, the Company had four cash generating units (“CGU”) being the Southern CGU, Central Gas CGU, Edson CGU and Coal Bed Methane CGU. The Company reviewed each CGU’s property and equipment at June 30, 2019 for indicators of impairment and determined that an indicator related to the decrease in future commodity prices was present. The company prepared estimates of both the value in use and fair value less cost to sell of each of the Company’s CGUs. When it is determined that any CGU carrying value exceeds its recoverable amount, that CGU is considered impaired and an impairment expense is reported that equals this excess.

The following table outlines forecast benchmark prices and exchange rates used in the Company’s impairment test as at June 30, 2019:

Year	WTI Oil (US\$/Bbl) ¹	\$C to US\$ Foreign exchange rate ¹	Edmonton Light Crude Oil (Cdn\$/Bbl) ¹	AECO Gas (Cdn\$/MMBtu) ¹
2019 (6 months)	59.92	1.32	71.55	1.39
2020	63.57	1.28	74.26	1.91
2021	66.67	1.25	77.10	2.37
2022	69.30	1.25	80.52	2.66
2023	71.98	1.25	84.31	2.79
2024-2033	81.56	1.25	95.81	3.25
Thereafter	+2.0%/yr	1.25	+2.0%/yr	+2.0%/yr

¹ Source: Average of three consultant price forecasts, effective July 1, 2019 (McDaniel, GLJ Petroleum Consultants Ltd. and Sproule Associates Limited).

The recoverable amounts of each of the Company’s CGU’s at June 30, 2019 were estimated at their fair value less cost to sell, based on the net present value of future cash flows from oil and gas reserves as estimated by the Company’s independent reserves evaluator at December 31, 2018, adjusted for production and future pricing changes during the six months ended June 30, 2019. The fair value less costs to sell used to determine the recoverable amounts are classified as Level 3 fair value measurements as certain key assumptions are not based on observable market data, but rather, the Company’s management’s best estimates.

The Company used a pre-tax 15% discount rate for the June 30, 2019 impairment test which took into account risks specific to the CGU’s and inherent in the oil and gas business.

The following CGU was impaired:

CGU	2019	2018
Southern	8,200	-
Total Impairment	8,200	-

For the quarter ended June 30, 2019, a 1% decrease in the discount rate applied to the Company’s future estimated cash flows would result in a reversal of impairment of approximately \$0.4 million (2018 - \$nil), whereas a ten percent increase in forward commodity prices would result in a reversal of the \$8.2 million impairment (2018 - \$nil) recognized in the comprehensive loss for the six months ended June 30, 2019.

FINANCE EXPENSES

(\$000s)	Three months ended June 30,			Six months ended June 30,,		
	2019	2018	%Change	2019	2018	% Change
Interest expense and bank charges	1,076	725	48	2,246	1,523	47
\$ per Boe	0.62	0.41	51	0.66	0.42	57
\$ per Mcfe	0.10	0.07	51	0.11	0.07	57
Non cash:						
Accretion on decommissioning provision	1,606	1,317	22	3,142	2,590	21
Accretion on subordinated promissory notes	80	58	38	158	115	37
Total finance expenses	2,762	2,100	32	5,546	4,228	31
\$ per Boe	1.59	1.18	35	1.62	1.18	37
\$ per Mcfe	0.27	0.20	35	0.27	0.20	37

Finance expenses increased by 32% and 31% to \$2.8 million and \$5.5 million for the three and six months ended June 30, 2019, as compared to \$2.1 million and \$4.2 million in the corresponding period of the prior year, primarily a result of higher interest costs due to additional subordinated promissory notes as well as an increase in accretion expenses related to a higher risk free rate used to unwind the discount on the decommissioning provision. Please refer to the "DEBT, LIQUIDITY AND CAPITAL RESOURCES" section for additional information.

DEFERRED INCOME TAX

For the three and six months ended June 30, 2019, deferred income tax expenses were \$nil from \$4.2 million and \$9.4 million in the same periods of 2018.

As at June 30, 2019, a deferred income tax asset has not been recognized on \$81.9 million (December 31, 2018 - \$73.4 million) of deductible temporary differences as it is not probable that future taxable net income will be available against which the Company can utilize benefits.

Pine Cliff has approximately \$397.3 million in tax pools as at June 30, 2019 (December 31, 2018 - \$389.6 million), available for future use as deductions to reduce taxable income. Included in the Company's tax pools are estimated non-capital loss carry-forwards of \$110.1 million (December 31, 2018 - \$109.9 million) that expire between the years 2030 and 2039.

LOSS

Year to year variance analysis:

(\$000s)	
Loss for six months ended June 30, 2018	(33,489)
Price variance	4,124
Volume variance	(2,214)
Royalty expense	2,056
Transportation costs	(190)
Operating expenses	(2,407)
General and administrative	5
Depletion and depreciation	(1,717)
Share-based payments	594
Finance expenses	(1,318)
Realized loss in investments	2,687
Impairment	(8,200)
Dividend income	(35)
Deferred income expense	9,400
Loss for the six months ended June 30, 2019	(30,704)

CAPITAL EXPENDITURES, ACQUISITIONS AND DISPOSITIONS

(\$000s)	Six months ended June 30, 2019	Year ended December 31, 2018
Exploration and evaluation	16	239
Property, plant and equipment	1,794	10,426
Capital expenditures	1,810	10,665
Acquisitions	8,606	307
Dispositions	(85)	(285)
Total	10,331	10,687

Capital expenditures

Capital expenditures on PP&E of \$1.8 million during the six months ended June 30, 2019 were directed towards facility and maintenance capital of \$1.2 million, \$0.4 million to equip and tie-in the Pekisko oil well and \$0.2 million of other miscellaneous capital additions.

Acquisition

On May 31, 2019, Pine Cliff completed the acquisition of certain oil and natural gas assets in the Ghost Pine area of Central Alberta (the “**May 2019 Acquisition**”) for cash consideration of \$8.6 million, after estimated closing adjustments. The Acquisition has been accounted for as an asset acquisition as it does not meet the definition of a business combination under IFRS 3.

DECOMMISSIONING PROVISION

The total current and long-term decommissioning provision of \$263.4 million was estimated by management based on the Company’s working interest and estimated costs to remediate, reclaim and abandon its wells, pipelines, and facilities and estimated timing of the costs to be incurred in future periods.

At June 30, 2019, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was \$283.2 million (December 31, 2018 - \$264.6 million). The discounted and inflated amount required to settle the decommissioning liabilities of \$263.4 million has been calculated assuming a 1.94% inflation rate (December 31, 2018 – 1.88%) and discounted using an average risk-free interest rate of 2.35% (December 31, 2018 – 2.88%). 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.

During the six months ended June 30, 2019, Pine Cliff spent \$0.7 million on decommissioning expenditures.

DEBT, LIQUIDITY AND CAPITAL RESOURCES

Bank Credit Facilities

As at June 30, 2019, the Company had a \$5.0 million syndicated credit facility (the “**Credit Facility**”) with three Canadian Financial Institutions (the “**Syndicate**”) (December 31, 2018 - \$11.0 million Credit Facility). The Credit Facility of \$5.0 million consists of a \$2.7 million revolving syndicated credit facility and a \$2.3 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, 2019, were \$nil (December 31, 2018 - \$nil). Borrowings under the Credit Facility 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 rolling 12 month 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 on July 28, 2019 and was not renewed. As at June 30, 2019, the Company had \$1.8 million in letters of credit issued against its Credit Facility (December 31, 2018 - \$2.9 million).

Letter of Credit Facility

As at June 30, 2019, the Company had a \$2.6 million letter of credit facility (“**LC Facility**”) with a Canadian bank which is supported by a performance guarantee from Export Development Canada. The LC Facility is for issuing letters of credit to counterparties and is available on a demand basis. Letters of credit issued under the LC Facility incur an issuance fee of 4% per annum. The Credit Facility and LC 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, 2019, Pine Cliff was in compliance with all

covenants. As at June 30, 2019, the Company had \$1.1 million in letters of credit issued against its LC Facility (December 31, 2018 - \$nil). As at August 6, 2019, the Company had \$2.6 million in letters of credit issued against its LC Facility.

Due to Related Party Note

As at June 30, 2019, Pine Cliff had a \$6.0 million promissory note outstanding to the Company's Chairman of the Board maturing on September 30, 2020 ("**2020 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 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 Credit Facility and the holder of the \$30 Million 2020 Notes and \$19 Million 2022 Notes, as defined herein. Interest paid on the 2020 Related Party Note for the three and six months ended June 30, 2019 was \$0.1 million and \$0.2 million (March 31, 2018 - \$0.04 million and \$0.1 million).

\$6 Million Subordinated Promissory Notes due September 30, 2020

On July 29, 2016, the Company issued \$6.0 million in promissory notes maturing on July 29, 2018. In July 2018, these notes were amended to mature on September 30, 2020 ("**\$6 Million 2020 Notes**"). The \$6 Million 2020 Notes bear interest at 0.25% less than the monthly average effective interest rate paid on the Credit Facility, payable monthly. The \$6 Million 2020 Notes were issued to a shareholder and a relative of that shareholder, owning directly or by discretion and control, greater than 10% of the Common Shares. The \$6 Million 2020 Notes are secured by a \$6.0 million of floating charge debenture over all of the Company's assets and are subordinated to any and all claims in favor of the Credit Facility and the \$30 Million 2020 Note and \$19 Million 2022 Note holders.

\$30 Million 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 ("**\$30 Million 2020 Note**" or "**\$30 Million 2020 Notes**"), which are payable semi-annually; and (ii) 150 Common Share purchase warrants ("**2018 Warrants**"). The \$30 Million 2020 Notes mature on September 30, 2020 and all or a portion of the principal amount outstanding can be repaid earlier without penalty. The \$30 Million 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. The 2018 Warrants all expired on August 10, 2018.

The \$30 Million 2020 Notes were determined to be a hybrid instrument with an embedded derivative. The fair value of the debt component of the \$30 Million 2020 Notes were 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.

\$19 Million 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 ("**\$19 Million 2022 Note**" or "**\$19 Million 2022 Notes**"), which are payable semi-annually; and (ii) 150 Common Share purchase warrants ("**2021 Warrants**"). The \$19 Million 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.

The \$19 Million 2022 Notes were determined to be a hybrid instrument with an embedded derivative. The fair value of the debt component of the \$19 Million 2022 Notes were determined on issuance to be 7.6%, 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.

Share Capital

On May 31, 2019, Pine Cliff issued by way of a non-brokered private placement, 14,492,754 flow-through Common Shares (within the meaning of the Income Tax Act (Canada)) (the "**Flow-Through Shares**"), at a price of \$0.276 per Flow-Through Share, resulting in gross proceeds of \$4.0 million. The net proceeds of the flow-through private placement will be used to incur eligible Canadian development expenses ("**CDE**"). Pine Cliff is committed to, pursuant to the provisions of the Income Tax Act (Canada), incur all eligible CDE prior to March 30, 2020.

On May 31, 2019, Pine Cliff also issued by way of a non-brokered private placement, 6,215,652 Common Shares, at a price of \$0.23 per Common Share, resulting in gross proceeds of \$1.4 million. Insiders, including directors and officers, subscribed for a total of 2,608,695 Common Shares.

Share capital	August 6, 2019	June 30, 2019	December 31, 2018
Common Shares	327,784,193	327,784,193	307,075,787
Stock options	25,544,128	25,749,628	21,028,804
Warrants	2,850,000	2,850,000	2,850,000

Capital Resources

Pine Cliff's capital budget for 2019 has been approved by its board of directors at approximately \$11.1 million, including \$2.5 million for abandonments and reclamation and before acquisitions and dispositions. Pine Cliff anticipates funding its capital budget through cash flows from operating activities and working capital which includes proceeds from the Flow-Through Shares. Budgeted future capital expenditures related to drilling, not including commitments related to the Flow-Through Shares, 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 flows from operating activities will allow Pine Cliff to meet its financial liabilities, as well as fund future capital requirements. The Company believes it will obtain 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, 2019, the Company financed its capital expenditures with adjusted funds flows and working capital.

COMMITMENTS AND CONTINGENCIES

As at June 30, 2019, the Company has the following commitments and other contractual obligations:

	2019	2020	2021	2022	2023	Thereafter
(\$000s)						
Subordinated promissory notes ¹	-	36,000	-	19,000	-	-
Trade and other payables	20,426	-	-	-	-	-
Due to related party	-	6,000	-	-	-	-
Future interest	2,114	3,506	1,340	1,005	-	-
Lease obligations	497	997	905	713	537	-
Transportation ²	4,601	7,355	6,313	5,448	3,168	12,145
Total commitments and contingencies	27,638	53,858	8,558	26,166	3,705	12,145

¹ Principal amount.

² Firm transportation agreements.

Flow-Through Shares

In conjunction with the Flow-Through Shares, the Corporation has an obligation to incur \$4.0 million of eligible CDE expenditures prior to March 31, 2020. As at June 30, 2019, the Corporation had incurred \$nil of eligible expenditures and recorded a flow-through share liability of \$0.7 million.

QUARTERLY TRENDS AND SELECTED FINANCIAL INFORMATION¹

(\$000s, unless otherwise indicated)	2019			2018			2017	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
FINANCIAL								
Total revenue	21,106	30,344	28,396	24,148	20,419	27,065	25,444	23,892
Cash flow from operating activities	6,503	7,925	1,415	(309)	531	6,979	(4,350)	5,517
Adjusted funds flow ²	(2,047)	6,823	4,433	1,920	(977)	5,137	3,759	2,879
Adjusted funds flow per share – basic and diluted (\$/share) ²	(0.01)	0.02	0.01	0.01	0.00	0.02	0.01	0.01
Impairments	8,200	-	-	-	-	-	-	17,800
Loss	(24,179)	(6,525)	(28,520)	(10,710)	(17,909)	(15,580)	(32,996)	(30,214)
Loss per share – basic and diluted (\$/share)	(0.08)	(0.02)	(0.09)	(0.03)	(0.06)	(0.05)	(0.11)	(0.10)
Capital expenditures	815	995	4,302	1,910	1,276	3,177	3,091	3,318
Acquisitions	8,604	2	(61)	659	(3)	(288)	44	(9)
Dispositions	(85)	-	(51)	(16)	(135)	(83)	(148)	(65)
Net debt ²	58,162	51,820	56,819	56,325	54,737	52,414	53,638	53,377
Weighted average common shares outstanding:								
Basic and diluted	314,130	307,076	307,076	307,076	307,076	307,076	307,076	307,076
PRODUCTION VOLUMES								
Natural gas (Mcf/d)	105,965	104,186	110,295	111,067	110,242	112,871	122,304	124,450
Natural gas liquids (Bbl/d)	1,063	981	957	861	967	977	880	998
Crude oil (Bbl/d)	399	396	236	231	216	219	225	123
Average sales volumes (Boe/d)	19,123	18,741	19,576	19,603	19,557	20,008	21,489	21,863
Average sales volumes (Mcf/d)	114,738	112,446	117,456	117,618	117,342	120,048	128,934	131,178
PRICES AND NETBACKS								
Total oil and gas sales (\$/Boe)	12.35	19.01	16.72	14.21	12.33	16.50	14.50	12.75
Operating netback (\$/Boe) ²	0.18	5.68	3.56	2.34	0.72	4.04	2.85	2.30
Corporate netback (\$/Boe) ²	(1.18)	4.04	2.46	1.06	(0.55)	2.86	1.90	1.44
Total oil and gas sales (\$/Mcf)	2.06	3.17	2.79	2.37	2.06	2.75	2.49	2.13
Operating netback (\$/Mcf) ²	0.03	0.95	0.59	0.39	0.12	0.67	0.48	0.38
Corporate netback (\$/Mcf) ²	(0.20)	0.67	0.41	0.18	(0.09)	0.48	0.32	0.24

¹Includes results for acquisitions from the closing dates.

²This is a non-GAAP measure, see NON-GAAP MEASURES for additional information.

Over the past eight quarters, Pine Cliff's revenues, cash flow from operating activities, adjusted funds flow, and losses have fluctuated primarily due to changes in commodity prices and sales volumes. 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 increased from the third quarter of 2017 to the fourth 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 voluntary shut-ins in response to low natural gas commodity prices. Average sales volumes increased in the third quarter of 2018 compared to the second quarter of 2018, mainly due to realizing a full quarter of production from wells drilled in the first half of 2018. Average sales volumes decreased in the fourth quarter of 2018 through the first quarter of 2019 compared to the third quarter of 2018 due to natural production declines and production downtime due to cold weather, partially offset by production from the current drilling and recompletion projects. Average sales volumes increased in the second quarter of 2019 compared to the first quarter of 2019 mainly due to less downtime due to cold weather and sales volumes from the May 2019 Acquisition.

- Adjusted funds flow increased from the third quarter of 2017 to 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. Adjusted funds flow increased from the third quarter of 2018 to the first quarter of 2019, mainly as a result of higher commodity prices, slightly offset by decreased sales volumes. Adjusted funds flow decreased from the first quarter of 2019 to the second quarter of 2019, mainly as a result of lower commodity prices, slightly offset by increased sales volumes.
- Losses increased in the fourth quarter of 2017 compared to the third quarter of 2017, primarily a result of a deferred income tax expense. 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. Losses decreased from the second quarter of 2018 to the third quarter of 2018, mainly as a result of higher commodity prices and higher sales volumes. Losses increased from the third quarter of 2018 to the fourth quarter of 2018 as a result of a deferred income tax expense, slightly offset by higher commodity prices. Losses decreased from the fourth quarter of 2018 to the first quarter of 2019 mainly as a result of less deferred income tax expense and higher commodity prices, slightly offset by higher operating expenses. Losses increased from the first quarter of 2019 to the second quarter of 2019 mainly as a result of lower commodity prices and an impairment charge, slightly offset by lower royalty expenses.
- Total revenues have fluctuated from the third quarter of 2017 to the first quarter of 2019, mainly as a result of changes in commodity prices and sales volumes. Total revenues decreased from the first quarter of 2019 to the second quarter of 2019, mainly as a result of lower commodity prices, slightly offset by higher sales volumes.

OFF BALANCE SHEET TRANSACTIONS

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments of the Company consist of cash, restricted cash, trade and other receivables, trade and other payables, due to related party, subordinated promissory notes, and bank debt. The carrying values of cash, restricted cash, trade and other receivables and trade and other payables approximate their respective fair values due to the short time before maturing. The carrying values of due to related party, 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. Pine Cliff has no level 2 or level 3 financial instruments. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

Physical Sales Contracts

At June 30, 2019, the Company had the following physical natural gas sales contracts in place:

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Fixed Sale Price (\$CAD/GJ)	Fixed Sale Price (\$CAD/Mcf) ¹
July 1, 2019 to October 31, 2019	AECO	5,000	\$1.20	\$1.26
July 1, 2019 to October 31, 2019	AECO	5,000	\$1.29	\$1.35
July 1, 2019 to October 31, 2019	DAWN ²	4,000	\$3.40	\$3.57
July 1, 2019 to October 31, 2019	DAWN ²	4,000	\$3.44	\$3.61
July 1, 2019 to October 31, 2019	AECO	2,500	\$1.33	\$1.40
July 1, 2019 to October 31, 2019	AECO	2,500	\$1.15	\$1.21

¹ Price has been converted from \$/GJ to \$/Mcf by multiplying by 1.05.

² Dawn Hub into Dawn Township, Ontario.

CRITICAL ACCOUNTING JUDGMENTS AND 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 judgments or 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, 2018.

Financial Derivative Contracts

Pine Cliff had no financial derivative contracts in place during the six months ended June 30, 2019 or subsequent to.

ACCOUNTING POLICY AND STANDARD CHANGES

Adopted Accounting Pronouncements

IFRS 16 Leases ("IFRS 16")

Effective January 1, 2019 the Company adopted IFRS 16. IFRS 16 introduces a lease accounting model for lessees that requires a right-of-use asset and lease liability to be recognized on the balance sheet for contracts that are, or contain, a lease.

Pine Cliff adopted IFRS 16 using the modified retrospective approach, whereby the cumulative effect of initially applying the standard was recognized as a \$3.6 million increase to right-of-use assets (included in property, plant and equipment) with a corresponding increase to lease obligations. The initial right-of-use assets recognized were measured at amounts equal to the lease obligations. The weighted average incremental borrowing rate that will be used to determine the lease obligation at adoption is 4.7%. The right of use assets and lease obligations are mainly from the Company's head office lease in Calgary and vehicles for the field operations staff.

The adoption of IFRS 16 included the following elections:

- Pine Cliff elected to not apply lease accounting to leases for which the term ends within 12 months of the date of initial application;
- Pine Cliff elected to retain the classification of previous leases under IAS 17; and
- Pine Cliff elected to use hindsight in determining lease term.

As at December 31, 2018, Pine Cliff disclosed future lease obligations of \$4.0 million, which would have resulted in a lease obligation of \$3.6 million when discounted at the weighted average incremental borrowing rate at adoption of IFRS 16 of 4.7%.

IFRS 3 Business Combinations ("IFRS 3")

Effective January 1, 2019 the Company early adopted IFRS 3. IFRS 3 will be applied prospectively to acquisitions that occur on or after January 1, 2019. The amendments introduce an optional concentration test, narrow the definitions of a business and outputs, and clarify that an acquired set of activities and assets must include an input and a substantive process that together significantly contribute to the ability to create outputs. These amendments do not result in changes to the Company's accounting policies for applying the acquisition method.

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, 2019. The Chief Executive Officer and Chief Financial Officer have signed form 52-109F2, Certification of Interim Filings, which can be found on SEDAR at www.sedar.com.

NON-GAAP MEASURES

This MD&A uses the terms "adjusted funds flow", "operating netbacks", "corporate netbacks" and "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.

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Cash flow from operating activities	6,503	531	1,125	14,428	7,510	92
Adjusted by:						
Change in non-cash working capital	(8,654)	(1,716)	404	(10,389)	(4,394)	136
Decommissioning obligation settled	104	208	(50)	737	1,044	(29)
Adjusted funds flow	(2,047)	(977)	110	4,776	4,160	15
Adjusted funds flow (\$/Boe)	(1.18)	(0.55)	115	1.38	1.16	19
Adjusted funds flow (\$/Mcfe)	(0.20)	(0.09)	115	0.23	0.19	19
Adjusted funds flow – basic and diluted (\$/share)	(0.01)	0.00	(100)	0.02	0.01	100

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.

(\$ per Boe, unless otherwise indicated)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	\$ Change	2019	2018	\$ Change
Oil and gas sales	12.35	12.33	0.02	15.63	14.43	1.20
Royalty expense	(0.22)	(0.85)	0.63	(0.62)	(1.16)	0.54
Transportation expense	(1.72)	(1.69)	(0.03)	(1.78)	(1.65)	(0.13)
Operating expense	(10.23)	(9.07)	(1.16)	(10.35)	(9.23)	(1.12)
Operating netback	0.18	0.72	(0.54)	2.88	2.39	0.49
General and administrative	(0.74)	(0.86)	0.12	(0.84)	(0.81)	(0.03)
Interest and bank charges, net of dividend income	(0.62)	(0.41)	(0.21)	(0.66)	(0.42)	(0.24)
Corporate netback	(1.18)	(0.55)	(0.63)	1.38	1.16	0.22
Operating netback (\$ per Mcfe)	0.03	0.12	(0.09)	0.48	0.40	0.08
Corporate netback (\$ per Mcfe)	(0.20)	(0.09)	(0.11)	0.23	0.19	0.04

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, restricted cash and prepaid expenses and deposits, as shown in the table below:

(\$000s)	June 30, 2019	December 31, 2018	\$ Change
Due to related party – due September 30, 2020	6,000	6,000	-
Subordinated promissory notes ¹	55,000	55,000	-
Trade and other payables	20,426	16,772	3,654
Less:			
Trade and other receivables	(9,837)	(13,536)	3,699
Cash	(7,908)	(3,563)	(4,345)
Restricted cash	(1,500)	-	(1,500)
Prepaid expenses and deposits	(4,019)	(3,854)	(165)
Net debt	58,162	56,819	1,343

¹ The subordinated promissory notes for net debt are presented at the principal amount with \$36.0 million due on September 30, 2020 and \$19.0 million due on July 31, 2022.

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, expected interest costs, royalty and G&A levels; future capital expenditures, including the amount and nature thereof; future drilling opportunities and Pine Cliff’s ability to generate reserves and production from the undrilled locations; oil and natural gas prices and demand; expansion and other development trends of the oil and natural gas industry; business strategy and guidance; expansion and growth of our business and operations; amounts due to related party 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, 2019 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 (“**Mcf**”) using a ratio of one (1) Bbl to six (6) thousand cubic feet. Natural gas volumes recorded in thousand cubic feet (“**Mcf**”) are converted to barrels of oil equivalent (“**Boe**”) using the ratio of six (6) thousand cubic feet to one (1) Bbl. This conversion ratio is based on energy equivalence primarily at the burner tip and does not represent a value equivalency at the wellhead. The terms Boe or Mcfe may be misleading, particularly if used in isolation.

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, 2019	As at December 31, 2018
ASSETS			
Current assets			
Cash		7,908	3,563
Restricted cash	6	1,500	-
Trade and other receivables	4	9,837	13,536
Prepaid expenses and deposits		4,019	3,854
Total current assets		23,264	20,953
Exploration and evaluation	7	22,636	22,620
Property, plant and equipment	8	337,905	310,642
Total assets		383,805	354,215
LIABILITIES			
Current liabilities			
Trade and other payables	4	20,426	16,772
Lease liabilities	9	858	-
Flow-through share liability	17	667	-
Decommissioning provision	13	2,466	2,466
Total current liabilities		24,417	19,238
Lease liabilities	9	2,455	-
Due to related party	11	6,000	6,000
Subordinated promissory notes	12	54,438	54,280
Decommissioning provision	13	260,886	213,723
Total liabilities		348,196	293,241
SHAREHOLDERS' EQUITY			
Share capital	14	273,421	268,743
Warrants		288	288
Contributed surplus		13,176	12,515
Deficit		(251,276)	(220,572)
Total shareholders' equity		35,609	60,974
Total liabilities and shareholders' equity		383,805	354,215

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
REVENUE					
Oil and gas sales	15	21,497	21,939	53,560	51,650
Royalty expense		(391)	(1,520)	(2,110)	(4,166)
Oil and gas sales, net of royalties		21,106	20,419	51,450	47,484
Dividend income		-	-	-	35
Total revenue		21,106	20,419	51,450	47,519
EXPENSES					
Operating		17,805	16,140	35,459	33,052
Transportation		2,988	3,005	6,084	5,894
Depletion and depreciation	8	11,930	10,726	23,319	21,602
Share-based payments	14	316	631	661	1,255
Finance	16	2,762	2,100	5,546	4,228
General and administrative		1,284	1,526	2,885	2,890
Impairment	8	8,200	-	8,200	-
Realized loss on investments		-	-	-	2,687
Total expenses		45,285	34,128	82,154	71,608
Loss before income taxes		(24,179)	(13,709)	(30,704)	(24,089)
Deferred income tax expense		-	(4,200)	-	(9,400)
LOSS FOR THE PERIOD		(24,179)	(17,909)	(30,704)	(33,489)
OTHER COMPREHENSIVE LOSS					
Unrealized loss on investments		-	-	-	(2,081)
Amounts reclassified from comprehensive loss		-	-	-	2,081
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(24,179)	(17,909)	(30,704)	(33,489)
Loss per share (\$)					
Basic and diluted	14	(0.08)	(0.06)	(0.10)	(0.11)

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,	
		2019	2018	2019	2018
CASH PROVIDED BY (USED IN):					
OPERATING ACTIVITIES					
Loss for the period		(24,179)	(17,909)	(30,704)	(33,489)
Items not affecting cash:					
Depletion and depreciation	8	11,930	10,726	23,319	21,602
Share-based payments	14	316	631	661	1,255
Finance expenses	16	2,762	2,100	5,546	4,228
Impairment	8	8,200	-	8,200	-
Loss on sale of investments		-	-	-	2,687
Deferred income tax expense		-	4,200	-	9,400
Interest and bank charges	16	(1,076)	(725)	(2,246)	(1,523)
Decommissioning obligations settled	13	(104)	(208)	(737)	(1,044)
Changes in non-cash working capital accounts	16	8,654	1,716	10,389	4,394
Cash provided by operating activities		6,503	531	14,428	7,510
INVESTING ACTIVITIES					
Property, plant and equipment	8	(804)	(1,170)	(1,794)	(4,341)
Exploration and evaluation	7	(11)	(106)	(16)	(112)
Acquisitions	8	(8,604)	3	(8,606)	291
Dispositions	8	85	135	85	218
Sale of investments		-	-	-	2,274
Changes in non-cash working capital accounts	16	166	1,016	(3,201)	(1,487)
Cash used in investing activities		(9,168)	(122)	(13,532)	(3,157)
FINANCING ACTIVITIES					
Issuance of common shares, net of share issue costs	14	5,345	-	5,345	-
Common share proceeds restricted	6	(1,500)	-	(1,500)	-
Bank debt	10	-	(488)	-	(5,317)
Payments on lease obligations	9	(202)	-	(396)	-
Cash provided by (used in) financing activities		3,643	(488)	3,449	(5,317)
Increase (decrease) in cash		978	(79)	4,345	(964)
Cash - beginning of period		6,930	190	3,563	1,075
CASH - END OF PERIOD		7,908	111	7,908	111

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 loss ²	Warrants	Deficit	Total Equity
BALANCE AT JANUARY 1, 2018		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	14	-	1,255	-	-	-	1,255
BALANCE AT JUNE 30, 2018		268,743	10,581	-	958	(181,342)	98,940
Loss for the period		-	-	-	-	(39,230)	(39,230)
Issuance of warrants		-	-	-	288	-	288
Expiry of warrants		-	958	-	(958)	-	-
Share-based payments	14	-	976	-	-	-	976
BALANCE AT DECEMBER 31, 2018		268,743	12,515	-	288	(220,572)	60,974
Loss for the period		-	-	-	-	(30,704)	(30,704)
Share-based payments	14	-	661	-	-	-	661
Issuance of shares	14	4,701	-	-	-	-	4,701
Share issue costs, net of tax	14	(23)	-	-	-	-	(23)
BALANCE AT JUNE 30, 2019		273,421	13,176	-	288	(251,276)	35,609

¹Contributed surplus is comprised of share-based payments.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2019 and December 31, 2018 and for the three and six month periods ended June 30, 2019 and 2018.
(all tabular amounts in Canadian dollars 000s, unless otherwise indicated)

1. NATURE OF BUSINESS

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

Pine Cliff is engaged in the acquisition, exploration, development and production of oil and natural gas in the Western Canadian Sedimentary Basin and conducts many of its activities jointly with others; these unaudited 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, 2018 ("**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, 2018 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 6, 2019.

3. ADOPTED ACCOUNTING PRONOUNCEMENTS**IFRS 16 Leases ("IFRS 16")**

Effective January 1, 2019 the Company adopted IFRS 16. IFRS 16 introduces a lease accounting model for lessees that requires a right-of-use asset and lease liability to be recognized on the balance sheet for contracts that are, or contain, a lease.

Pine Cliff adopted IFRS 16 using the modified retrospective approach, whereby the cumulative effect of initially applying the standard was recognized as a \$3.6 million increase to right-of-use assets (included in property, plant and equipment) with a corresponding increase to lease obligations. The initial right-of-use assets recognized were measured at amounts equal to the lease obligations. The weighted average incremental borrowing rate that will be used to determine the lease obligation at adoption is 4.7%. The right of use assets and lease obligations are mainly from the Company's head office lease in Calgary and vehicles for the field operations staff.

The adoption of IFRS 16 included the following elections:

- Pine Cliff elected to not apply lease accounting to leases for which the term ends within 12 months of the date of initial application.
- Pine Cliff elected to retain the classification of previous leases under IAS 17.
- Pine Cliff elected to use hindsight in determining lease term.

As at December 31, 2018, Pine Cliff disclosed future lease obligations \$4.0 million, which would have resulted in a lease obligation of \$3.6 million when discounted at the weighted average incremental borrowing rate at adoption of IFRS 16 of 4.7%.

IFRS 3 Business Combinations ("IFRS 3")

Effective January 1, 2019 the Company early adopted IFRS 3. IFRS 3 will be applied prospectively to acquisitions that occur on or after January 1, 2019. The amendments introduce an optional concentration test, narrow the definitions of a business and outputs, and clarify that an acquired set of activities and assets must include an input and a substantive process that together significantly contribute to the ability to create outputs. These amendments do not result in changes to the Company's accounting policies for applying the acquisition method.

4. FINANCIAL INSTRUMENTS

Financial instruments and fair value measurement

Financial instruments of the Company consist of cash, restricted cash, trade and other receivables, trade and other payables, due to related party, subordinated promissory notes, and bank debt. The carrying values of cash, restricted cash, trade and other receivables and trade and other payables approximate their respective fair values due to the short time before maturing. The carrying values of due to related party, 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. Pine Cliff has no level 2 or level 3 financial instruments. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

The following table sets out the Company's classification, carrying value and fair value of financial assets and liabilities as at June 30, 2019 and December 31, 2018:

Description	June 30, 2019		December 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
Cash	7,908	7,908	3,563	3,563
Restricted cash	1,500	1,500	-	-
Trade and other receivables	9,837	9,837	13,536	13,536
Trade and other payables	(20,426)	(20,426)	(16,772)	(16,772)
Due to related party	(6,000)	(6,000)	(6,000)	(6,000)
Subordinated promissory notes	(54,438)	(54,438)	(54,280)	(54,280)

5. RISK MANAGEMENT

The Company is exposed to both financial and non-financial risks inherent in the oil and gas business. Financial risks include: commodity prices, interest rates, equity price, foreign exchange, credit availability and liquidity. Financial risks can be managed, at least to a degree, through the utilization of financial instruments. Certain non-financial risks can be mitigated 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, liquidity risk and credit risk are consistent unless otherwise noted with those disclosed in the Annual Financial Statements.

Physical Sales Contracts

At June 30, 2019, the Company had the following physical natural gas sales contracts in place:

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Fixed Sale Price (\$CAD/GJ)	Fixed Sale Price (\$CAD/Mcf) ¹
July 1, 2019 to October 31, 2019	AECO	5,000	\$1.20	\$1.26
July 1, 2019 to October 31, 2019	AECO	5,000	\$1.29	\$1.35
July 1, 2019 to October 31, 2019	DAWN ²	4,000	\$3.40	\$3.57
July 1, 2019 to October 31, 2019	DAWN ²	4,000	\$3.44	\$3.61
July 1, 2019 to October 31, 2019	AECO	2,500	\$1.33	\$1.40
July 1, 2019 to October 31, 2019	AECO	2,500	\$1.15	\$1.21

¹ Price has been converted from \$/GJ to \$/Mcf by multiplying by 1.05.

² Dawn Hub into Dawn Township, Ontario.

Financial Derivative Contracts

Pine Cliff had no financial derivative contracts in place during the six months ended June 30, 2019 or subsequent to.

Liquidity Risk

Liquidity risk is the risk that Pine Cliff will not be able to meet its financial obligations as they become due. Pine Cliff manages its liquidity risk through actively managing its capital, which it defines as cash, debt and equity. Capital management strategies include continuously monitoring forecasted and actual cash flow from operating, financing and investing activities and available opportunities for additional equity and debt. Pine Cliff actively monitors its working capital to ensure that it has sufficient available funds to meet its financial requirements at a reasonable cost. Management believes that funds generated from these sources currently will be adequate to settle Pine Cliff's financial liabilities.

6. RESTRICTED CASH

As at June 30, 2019, Pine Cliff has \$1.5 million in restricted cash from the proceeds of Flow-Through Shares, as defined herein, which will be released to the Company once certain conditions are met.

7. EXPLORATION AND EVALUATION

Exploration and evaluation assets:	Oil and gas properties	Mineral properties	Total
Balance at December 31, 2017	26,313	3,074	29,387
Additions	193	46	239
Transfer to property, plant, and equipment	(7,006)	-	(7,006)
Balance at December 31, 2018	19,500	3,120	22,620
Additions	16	-	16
Balance at June 30, 2019	19,516	3,120	22,636

8. PROPERTY, PLANT AND EQUIPMENT

Cost:	(\$000s)
Balance at December 31, 2017	558,482
Additions	10,426
Transfer from exploration and evaluation	7,006
Acquisitions	307
Dispositions	(369)
Decommissioning provision	12,990
Balance at December 31, 2018	588,842
Additions	1,794
Lease obligations	3,709
Acquisitions	8,606
Dispositions	(85)
Decommissioning provision	44,758
Balance at June 30, 2019	647,624
Accumulated depletion and depreciation:	(\$000s)
Balance at December 31, 2017	(234,524)
Depletion and depreciation	(43,760)
Disposition	84
Balance at December 31, 2018	(278,200)
Depletion and depreciation	(23,319)
Impairment	(8,200)
Balance at June 30, 2019	(309,719)
Carrying value at:	(\$000s)
December 31, 2018	310,642
June 30, 2019	337,905

Acquisition

On May 31, 2019, Pine Cliff completed the acquisition of certain oil and natural gas assets in the Ghost Pine area of Central Alberta (the "May 2019 Acquisition") for cash consideration of \$8.6 million, after estimated closing adjustments. The Acquisition has been accounted for as an asset acquisition as it does not meet the definition of a business combination under IFRS 3.

PP&E Impairment Assessment

As at June 30, 2019, the Company had four cash generating units (“CGU”) being the Southern CGU, Central Gas CGU, Edson CGU and Coal Bed Methane CGU. The Company reviewed each CGU’s property and equipment at June 30, 2019 for indicators of impairment and determined that an indicator related to the decrease in future commodity prices was present. The company prepared estimates of both the value in use and fair value less cost to sell of each of the Company’s CGUs. When it is determined that any CGU carrying value exceeds its recoverable amount, that CGU is considered impaired and an impairment expense is reported that equals this excess.

The following table outlines forecast benchmark prices and exchange rates used in the Company’s impairment test as at June 30, 2019:

Year	WTI Oil (US\$/Bbl) ¹	\$C to US\$ Foreign exchange rate ¹	Edmonton Light Crude Oil (Cdn\$/Bbl) ¹	AECO Gas (Cdn\$/MMBtu) ¹
2019 (6 months)	59.92	1.32	71.55	1.39
2020	63.57	1.28	74.26	1.91
2021	66.67	1.25	77.10	2.37
2022	69.30	1.25	80.52	2.66
2023	71.98	1.25	84.31	2.79
2024-2033	81.56	1.25	95.81	3.25
Thereafter	+2.0%/yr	1.25	+2.0%/yr	+2.0%/yr

¹Source: Average of three consultant price forecasts, effective July 1, 2019 (McDaniel, GLJ Petroleum Consultants Ltd. and Sproule Associates Limited).

The recoverable amounts of each of the Company’s CGU’s at June 30, 2019 were estimated at their fair value less cost to sell, based on the net present value of future cash flows from oil and gas reserves as estimated by the Company’s independent reserves evaluator at December 31, 2018, adjusted for production and future pricing changes during the six months ended June 30, 2019. The fair value less costs to sell used to determine the recoverable amounts are classified as Level 3 fair value measurements as certain key assumptions are not based on observable market data, but rather, the Company’s management’s best estimates.

The Company used a pre-tax 15% discount rate for the June 30, 2019 impairment test which took into account risks specific to the CGU’s and inherent in the oil and gas business.

The following CGU was impaired:

CGU	2019	2018
Southern	8,200	-
Total Impairment	8,200	-

For the quarter ended June 30, 2019, a 1% decrease in the discount rate applied to the Company’s future estimated cash flows would result in a reversal of impairment of approximately \$0.4 million (2018 - \$nil), whereas a ten percent increase in forward commodity prices would result in a reversal of the \$8.2 million impairment (2018 - \$nil) recognized in the comprehensive loss for the six months ended June 30, 2019.

9. LEASE LIABILITIES

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

	(\$000s)
2019	497
2020	997
2021	905
2022	713
2023	537
Total lease payments as at June 30, 2019	3,649
Amounts representing interest	(336)
Present value of lease payments	3,313
Current portion of lease obligations	(858)
Non-current portion of lease obligations	2,455

For the six months ended June 30, 2019, interest expense of \$0.08 million and a total cash outflow of \$0.4 million was recognized relating to lease obligations.

10. BANK DEBT

As at June 30, 2019, the Company had a \$5.0 million syndicated credit facility (the “**Credit Facility**”) with three Canadian Financial Institutions (the “**Syndicate**”) (December 31, 2018 - \$11.0 million Credit Facility). The Credit Facility of \$5.0 million consists of a \$2.7 million revolving syndicated credit facility and a \$2.3 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, 2019, were \$nil (December 31, 2018 - \$nil). Borrowings under the Credit Facility 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 rolling 12 month 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 on July 28, 2019 and was not renewed. As at June 30, 2019, the Company had \$1.8 million in letters of credit issued against its Credit Facility (December 31, 2018 - \$2.9 million).

Letter of Credit Facility

As at June 30, 2019, the Company had a \$2.6 million letter of credit facility (“**LC Facility**”) with a Canadian bank which is supported by a performance guarantee from Export Development Canada. The LC Facility is for issuing letters of credit to counterparties and is available on a demand basis. Letters of credit issued under the LC Facility incur an issuance fee of 4% per annum. The Credit Facility and LC 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, 2019, Pine Cliff was in compliance with all covenants. As at June 30, 2019, the Company had \$1.1 million in letters of credit issued against its LC Facility (December 31, 2018 - \$nil). As at August 6, 2019, the Company had \$2.6 million in letters of credit issued against its LC Facility.

11. DUE TO RELATED PARTY

As at June 30, 2019, Pine Cliff had a \$6.0 million promissory note outstanding to the Company’s Chairman of the Board maturing on September 30, 2020 (“**2020 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 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 Credit Facility and the holder of the \$30 Million 2020 Notes and \$19 Million 2022 Notes, as defined herein. Interest paid on the 2020 Related Party Note for the three and six months ended June 30, 2019 was \$0.1 million and \$0.2 million (March 31, 2018 - \$0.04 million and \$0.1 million).

12. SUBORDINATED PROMISSORY NOTES

Subordinated promissory notes due September 30, 2020:

Issued – July 29, 2016	6,000
Subordinated promissory notes due September 30, 2020, as at June 30, 2019 and December 31, 2018	6,000
Subordinated promissory notes due September 30, 2020:	
Subordinated promissory notes due September 30, 2020, as at December 31, 2017	29,307
Accretion expense	237
Subordinated promissory notes due September 30, 2020, as at December 31, 2018	29,544
Accretion expense	125
Subordinated promissory notes due September 30, 2020, as at June 30, 2019	29,669
Subordinated promissory notes due July 31, 2022 as at December 31, 2017	-
Subordinated promissory notes due July 31, 2022, issued July 13, 2018	18,706
Accretion expense	30
Subordinated promissory notes due July 31, 2022, as at December 31, 2018	18,736
Accretion expense	33
Subordinated promissory notes due July 31, 2022, as at June 30, 2019	18,769
Total subordinated promissory notes, as at December 31, 2018	54,280
Total subordinated promissory notes, as at June 30, 2019	54,438

\$6 Million Subordinated Promissory Notes due September 30, 2020

On July 29, 2016, the Company issued \$6.0 million in promissory notes maturing on July 29, 2018. In July 2018, these notes were amended to mature on September 30, 2020 (“**\$6 Million 2020 Notes**”). The \$6 Million 2020 Notes bear interest at 0.25% less than the monthly average effective interest rate paid on the Credit Facility, payable monthly. The \$6 Million 2020 Notes were issued to a shareholder and a relative of that shareholder, owning directly or by discretion and control, greater than 10% of the Common Shares.

The \$6 Million 2020 Notes are secured by a \$6.0 million of floating charge debenture over all of the Company's assets and are subordinated to any and all claims in favor of the Credit Facility and the \$30 Million 2020 Note and \$19 Million 2022 Note holders.

\$30 Million 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 ("**\$30 Million 2020 Note**" or "**\$30 Million 2020 Notes**"), which are payable semi-annually; and (ii) 150 Common Share purchase warrants ("**2018 Warrants**"). The \$30 Million 2020 Notes mature on September 30, 2020 and all or a portion of the principal amount outstanding can be repaid earlier without penalty. The \$30 Million 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. The 2018 Warrants all expired on August 10, 2018.

The \$30 Million 2020 Notes were determined to be a hybrid instrument with an embedded derivative. The fair value of the debt component of the \$30 Million 2020 Notes were 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.

\$19 Million 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 ("**\$19 Million 2022 Note**" or "**\$19 Million 2022 Notes**"), which are payable semi-annually; and (ii) 150 Common Share purchase warrants ("**2021 Warrants**"). The \$19 Million 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.

The \$19 Million 2022 Notes were determined to be a hybrid instrument with an embedded derivative. The fair value of the debt component of the \$19 Million 2022 Notes were determined on issuance to be 7.6%, 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.

13. DECOMMISSIONING PROVISION

The total current and long-term decommissioning provision of \$263.4 million was estimated by management based on the Company's working interest and estimated costs to remediate, reclaim and abandon its wells, pipelines, and facilities and estimated timing of the costs to be incurred in future periods.

At June 30, 2019, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was \$283.2 million (December 31, 2018 - \$264.6 million). The discounted and inflated amount required to settle the decommissioning liabilities of \$263.4 million has been calculated assuming a 1.94% inflation rate (December 31, 2018 - 1.88%) and discounted using an average risk-free interest rate of 2.35% (December 31, 2018 - 2.88%). 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.

	(\$000s)
Decommissioning provision, January 1, 2018	200,540
Increase relating to development activities	82
Decommissioning expenditures	(2,730)
Revisions (changes in estimates, inflation rate, and discount rates)	12,908
Accretion	5,389
Decommissioning provision, December 31, 2018	216,189
Provisions related to acquisitions	18,528
Decommissioning expenditures	(737)
Revisions (changes in estimates, inflation rate, and discount rates)	26,230
Accretion	3,142
Decommissioning provision, June 30, 2019	263,352
Less current portion of decommissioning provision	(2,466)
Non-current portion of decommissioning provision	260,886

14. SHARE CAPITAL

Authorized

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

Issued

Issued and outstanding share capital continuity:	Common Shares (000s)	Share capital (\$000s)
Balance, January 1, 2017	307,076	268,743
Balance, December 31, 2018	307,076	268,743
Shares issued pursuant to private and public share offerings ^{1,2}	20,708	4,701
Share issue costs, net of tax	-	(23)
Balance, June 30, 2019	327,784	273,421

¹ On May 31, 2019, Pine Cliff issued by way of a non-brokered private placement, 14,492,754 flow-through Common Shares (within the meaning of the Income Tax Act (Canada)) (the "**Flow-Through Shares**"), at a price of \$0.276 per Flow-Through Share, resulting in gross proceeds of \$4.0 million. The net proceeds of the flow-through private placement will be used to incur eligible Canadian development expenses ("**CDE**"). Pine Cliff will, pursuant to the provisions of the Income Tax Act (Canada), incur all eligible CDE prior to March 30, 2020.

² On May 31, 2019, Pine Cliff also issued by way of a non-brokered private placement, 6,215,652 Common Shares, at a price of \$0.23 per Common Share, resulting in gross proceeds of \$1.4 million. Insiders, including directors and officers, subscribed for a total of 2,608,695 Common Shares.

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, 2018	21,316	1.06
Granted	7,698	0.33
Expired	(6,598)	1.23
Forfeited	(1,387)	0.82
Outstanding, December 31, 2018	21,029	0.75
Granted	7,134	0.21
Expired	(2,027)	0.80
Forfeited	(386)	0.51
Outstanding, June 30, 2019	25,750	0.60
Exercisable, June 30, 2019	8,696	0.84

Exercise price:	Stock options outstanding (000s)	Weighted-average remaining term (years)	Stock options exercisable (000s)	Weighted-average remaining term (years)
\$0.21 - \$0.52	14,362	2.4	2,304	0.9
\$0.53 - \$0.84	3,614	1.3	1,747	0.8
\$0.85 - \$1.16	7,774	0.8	4,645	0.4
	25,750	1.8	8,696	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. During the six months ended June 30, 2019, the Company granted 7,134,141 stock options (June 30, 2018 - 7,309,300) with a fair value of \$0.08 (June 30, 2018 - \$0.12) per option using the Black-Scholes option pricing model using the following key assumptions:

Assumptions (weighted average):	Six months ended June 30,	
	2019	2018
Exercise price (\$)	0.21	0.33
Estimated volatility of underlying common shares (%)	51.8	49.8
Expected life (years)	3.0	3.0
Risk-free rate (%)	1.6	2.1
Forfeiture rate (%)	3.9	3.9
Expected dividend yield (%)	-	-

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, 2019 and 2018, all stock options and warrants were excluded as they were not dilutive.

Loss per share calculation:	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Numerator				
Loss for the period	(24,179)	(17,909)	(30,704)	(33,489)
Denominator (000s)				
Weighted-average Common Shares outstanding – basic and diluted	314,130	307,076	310,623	307,076
Loss per share – basic and diluted (\$)	(0.08)	(0.06)	(0.10)	(0.11)

15. 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.

(\$000s)	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Natural gas	16,252	15,546	42,896	39,485
NGL	2,876	4,991	6,198	9,517
Crude oil	2,369	1,402	4,466	2,648
Total oil and gas sales	21,497	21,939	53,560	51,650

16. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Changes in non-cash working capital:				
Trade and other receivables	5,129	5,508	3,699	4,936
Prepaid expenses and deposits	382	(2,241)	(165)	(2,820)
Trade and other payables and accrued liabilities	3,309	(535)	3,654	791
	8,820	2,732	7,188	2,907
Changes related to:				
Operating activities	8,654	1,716	10,389	4,394
Investing activities	166	1,016	(3,201)	(1,487)
	8,820	2,732	7,188	2,907

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Finance expenses:				
Interest expense and bank charges	1,076	725	2,246	1,523
Non cash:				
Accretion on decommissioning provision	1,606	1,317	3,142	2,590
Accretion on subordinated promissory notes	80	58	158	115
Total finance expenses	2,762	2,100	5,546	4,228

Cash interest paid in the three and six months ended June 30, 2019, was \$0.2 million and \$2.1 million (three and six months ended June 30, 2018 - \$0.2 million and \$1.5 million).

17. COMMITMENTS

As at June 30, 2019, the Company has the following commitments and other contractual obligations:

	2019	2020	2021	2022	2023	Thereafter
(\$000s)						
Subordinated promissory notes ¹	-	36,000	-	19,000	-	-
Trade and other payables	20,426	-	-	-	-	-
Due to related party	-	6,000	-	-	-	-
Future interest	2,114	3,506	1,340	1,005	-	-
Transportation ²	4,601	7,355	6,313	5,448	3,168	12,145
Total commitments and contingencies	27,141	52,861	7,653	25,453	3,168	12,145

¹Principal amount.

²Firm transportation agreements.

Flow-through Shares

In May 2019, the Corporation issued an aggregate of 14,492,754 Flow-Through Shares for gross proceeds of \$4.0 million. The Corporation has an obligation to incur \$4.0 million of eligible expenditures prior to March 31, 2020. As at June 30, 2019, the Corporation had incurred \$nil of eligible expenditures and recorded a flow-through share liability of \$0.7 million.

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
Cheryne A. Lowe
Chief Financial Officer and Corporate Secretary
Heather A. Isidoro
Vice President, Business Development
Christopher S. Lee
Vice President, Geology

HEAD OFFICE

850, 1015 - 4th Street SW
Calgary, Alberta T2R 1J4

Phone: (403) 269-2289
Fax: (403) 265-7488

REGISTRAR AND TRANSFER AGENT

Odyssey Trust Company of Canada

AUDITORS

Deloitte LLP

STOCK EXCHANGE LISTING

TSX Exchange
Trading Symbol: PNE

WEBSITE

www.pinecliffenergy.com

INVESTOR CONTACT

info@pinecliffenergy.com

