PNE-V

First Quarter 2010

Highlights

For the three months ended		**March 31, 2010**	December 31, 2009	March 31, 2009
FINANCIAL ($)				
Revenue - Oil and Gas		**210,797**	119,726	193,725
Cash Flow (Deficiency) from Operations		**2,206**	(115,801)	(229,307)
Per Share Basic and Diluted		**0.00**	(0.00)	(0.01)
Loss		**(188,651)**	(1,734,926)	(498,532)
Per Share Basic and Diluted		**(0.00)**	(0.04)	(0.01)
Capital Expenditures and Acquisitions		**1,013,177**	266,470	119,786
Total Assets		**3,768,237**	3,475,877	4,966,907
Working Capital (Deficiency)		**(426,596)**	491,064	1,903,038
Shareholders' Equity		**2,305,659**	2,363,915	4,644,004
OPERATIONS				
Oil and NGLs	- Barrels Per Day	**3**	1	1
	-Average Price ($ per barrel)	**81.19**	69.71	48.06
Natural Gas	-MCF Per Day	**435**	264	392
	-Average Price ($ per MCF)	**4.91**	4.55	5.32
Total Barrels of Oil Equivalent (BOE) Per Day [1]		**76**	45	66

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

Report to Shareholders

Pine Cliff Energy Ltd. ("Pine Cliff" or "the Company") is pleased to report its operational and financial results for the three months ended March 31, 2010.

Operations

Production increased approximately 15 percent in the first quarter of 2010 compared with the first quarter of 2009 and approximately 69 percent quarter over quarter to average 76 BOE per day. The production increases are mainly attributable to the increased activity in the Company's Sundance properties in Alberta, Canada.

During the first quarter of 2010, Pine Cliff completed and placed on production two gross (0.30 net) natural gas wells. The wells averaged approximately 444 MCF per day net to the Company during the month of March. Pine Cliff has continued to pursue additional opportunities in this area and has participated in drilling another two gross (0.30 net) natural gas wells. These wells came on production in April 2010 and production from these wells is currently exceeding 5,100 MCF per day (770 MCF per day net).

Pine Cliff intends to continue increasing its activities in Canada by aggressively pursuing acquisition opportunities and participating in a more active drilling program.

Financial

General and administrative expenditures decreased approximately 45 percent in the first quarter of 2010 compared to the first quarter of 2009 and decreased by approximately 25 percent compared to the fourth quarter of 2009. Both reductions are mainly due to the reduction of the Company's South American activities.

The disappointing 2008 drill results coupled with the increasingly difficult business and political environment required management and the Board of Directors to reconsider its commitment to Argentina as an area of new exploration and growth. As a result, the Company actively reduced its consulting services and other expenses in this area since the second quarter of 2009.

As of March 31, 2010, Pine Cliff had a working capital deficiency of $426,596. Additional funds will be required to cover the Company's remaining 2010 budgeted capital expenditures of $360,000 in relation to the tie-ins of the two (0.30 net) aforementioned natural gas wells. The deficiency is anticipated to be eliminated by cash flow from the newly completed gas wells and through the possible entering into of a bank facility or equity placement. In the short term, the CEO and director will finance the working capital shortfall by an unsecured loan at an interest rate of bank prime plus one percent.

Outlook

The Board of Directors and management remain optimistic that Pine Cliff will be able to take advantage of the many opportunities available to it to redirect its operations towards a domestic perspective. The Company will be considering the various options that may become available in regards to its Argentina operations. Pine Cliff has been successful in realizing promising results on its Sundance properties in Alberta and intends to continue seeking out additional domestic opportunities of producing and non-producing properties.

Submitted on behalf of the Board of Directors

George F. Fink
President, Chief Executive Officer and Director

Management's Discussion and Analysis

The following report dated May 27, 2010 is a review of the operations and current financial position for Pine Cliff Energy Ltd. ("Pine Cliff" or "the Company") and should be read in conjunction with the unaudited financial statements for the three months ended March 31, 2010, including the notes related thereto, and the audited financial statement for the year ended December 31, 2009, together with the notes related thereto.

FORWARD-LOOKING INFORMATION

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

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

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

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

Financial and Operational

Quarterly Financial and Operational Highlights

	2010	2009			
	1st	4th	3rd	2nd	1st
Financial ($)					
Revenue - Oil and Gas	**210,797**	119,726	93,177	111,773	193,725
Cash Flow (Deficiency) from Operations	**2,206**	(115,801)	(74,702)	(294,455)	(229,307)
Per Share Basic and Diluted	**0.00**	(0.00)	0.00	(0.01)	(0.01)
Loss	**(188,651)**	(1,734,926)	(263,808)	(325,010)	(498,532)
Per Share Basic and Diluted	**(0.00)**	(0.04)	(0.01)	(0.01)	(0.01)
Capital Expenditures and Acquisitions	**1,013,177**	266,470	600,732	9,581	119,786
Total Assets	**3,768,237**	3,475,877	4,900,934	4,558,217	4,966,907
Working Capital (Deficiency)	**(426,596)**	491,064	991,619	1,738,974	1,903,038
Shareholders' Equity	**2,305,659**	2,363,915	4,089,767	4,341,385	4,644,004
Operations					
Oil and liquids (barrels per day)	**3**	1	1	2	1
Natural Gas (MCF per day)	**435**	264	295	312	392

	2008			
	4th	3rd	2nd	1st
Financial ($)				
Revenue - Oil and Gas	295,944	129,537	138,415	143,116
Cash Flow (Deficiency) from Operations	(68,211)	(332,184)	(122,517)	(202,613)
Per Share Basic and Diluted	(0.00)	(0.01)	(0.00)	(0.01)
Loss	(6,423,691)	(505,953)	(295,111)	(317,113)
Per Share Basic and Diluted	(0.14)	(0.01)	(0.01)	(0.01)
Capital Expenditures and Acquisitions	1,067,843	1,511,745	2,516,214	281,388
Total Assets	5,570,015	11,621,915	12,043,617	12,221,650
Working Capital	2,316,982	3,440,165	5,278,074	7,937,179
Shareholders' Equity	5,044,701	11,400,311	12,043,617	12,003,398
Operations				
Oil and liquids (barrels per day)	2	1	-	4
Natural Gas (MCF per day)	453	146	142	168

Production

	Three months ended		
	March 31, 2010	December 31, 2009	March 31, 2009
Crude oil and NGLs (barrels per day)	**3**	1	1
Natural gas (MCF per day)	**435**	264	392
Total BOE per day [(1)]	**76**	45	66

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

During the first quarter the Company completed and placed on production two gross (0.30 net) natural gas wells. The wells averaged approximately 444 MCF per day net to the Company during the month of March. The Company has an expected annual decline rate of approximately 20 percent on its other production.

During the first quarter, the Company participated in drilling another two (0.3 net, 15 percent working interest in each well) natural gas wells on its Sundance property. These wells came on production in April 2010. Production from these wells as of the date of this report exceeds 5,100 MCF per day (770 MCF per day net).

Revenue

	Three months ended		
($)	**March 31, 2010**	December 31, 2009	March 31, 2009
Revenue:			
Oil and gas sales	**210,797**	119,726	193,725
Average Realized Prices			
Crude oil and NGLs (per barrel)	**81.19**	69.71	48.06
Natural gas (per MCF)	**4.91**	4.55	5.32

Revenue from petroleum and natural gas sales for Q1 2010 increased by $17,072 from Q1 2009 due to increased production volumes. An increase in revenue from Q4 2009 to Q1 2010 was primarily due to higher production volumes and increased commodity prices for natural gas. The Company did not have hedging agreements in either 2010 or 2009 and presently does not have any future hedging agreements.

Royalties

	Three months ended		
($)	**March 31, 2010**	December 31, 2009	March 31, 2009
Crown royalties	**17,369**	9,257	44,556
Gross overriding royalties	**5,121**	2,902	4,796
Total royalty expense	**22,490**	12,159	49,352
Percentage of revenue	**10.7%**	10.2%	25.5%
$ per BOE	**3.33**	2.91	8.61

Crown royalties are lower in the first quarter of 2010 compared to the first quarter of 2009 due to a crown royalty holiday on a well drilled late in 2008. The crown royalty adjustment was not received until the second quarter of 2009. Crown royalties increased in Q1 2010 compared to Q4 2009 due to the production from the two (net 0.30) natural gas wells that were on production in the first quarter of 2010. Gross overriding royalties are also higher for the same reason. Royalties are expected to increase due to the two (0.3 net) wells that have come on production in April 2010.

Alberta Government Competitiveness Review

The results of the Alberta Government Competitiveness Review on the changes to the current Alberta crown royalty structure come into effect January 1, 2011. Crown royalty rates have not been disclosed at this time. Management believes the result of the changes in the Alberta Crown Royalty structure will not likely have a material impact on crown royalties in the future.

Interest Income

	Three months ended		
	March 31,	December 31,	March 31,
($)	**2010**	2009	2009
Interest income	**-**	16	5,781

The Company maintains both Canadian and U.S. investment accounts that pay interest at prime less various percentages as long as the Company maintains certain minimum account balances. The Company did not earn any interest as the Company did not maintain the minimum cash balance to earn interest.

Production Costs

	Three months ended		
	March 31,	December 31,	March 31,
($)	**2010**	2009	2009
Production costs	**45,978**	31,354	57,809
$ per BOE [(1)]	**6.81**	7.51	10.08

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

Production costs were lower in Q1 2010 versus Q1 2009 due to adjustments to prior period charges in Q1 2009. The increase in production costs in the first quarter of 2010 compared to the fourth quarter of 2009 was mainly due to gas compression and processing charges on increased volumes resulting from the two (0.3 net) wells that came on production in Q1 2010.

General and Administrative

	Three months ended		
	March 31,	December 31,	March 31,
($)	**2010**	2009	2009
G&A expense	**179,425**	239,077	324,997

General and administrative (G&A) expenditures decreased significantly in Q1 2010 compared to Q1 2009 due to a reduction in the Company's South American activities. With the unsuccessful completion of the three-well drill program on the Canadon Ramirez Concession, the Company's Board of Directors and management are reviewing the Company's involvement in Argentina and have reduced its consulting services and other international expenses since Q2 2009. The decrease in G&A expenditures between Q1 2010 and Q4 2009 is primarily due to a $66,000 interest charge by the operator of the Canadon Ramirez Concession recorded in Q4 2009. The Company is currently disputing the interest charge.

Pine Cliff does not have any employees at the present time but has engaged Bonterra Energy Corp. (Bonterra) a related party (see Related Party section), to provide management services and engage the services of consultants on a contract or temporary basis. Pine Cliff's subsidiary CanAmericas Energy Ltd. (CanAmericas) has also engaged the consulting services of an individual professional as senior management and officer of CanAmericas.

Foreign Exchange Loss (Gain)

	Three months ended		
($)	**March 31, 2010**	December 31, 2009	**March 31, 2009**
Foreign exchange loss (gain)	**(6,495)**	57,885	**7,043**

The Company maintains foreign denominated bank accounts to facilitate its foreign operations. The gain on foreign exchange in Q1 2010 relates to the depreciation of the Canadian dollar with the Argentine peso. During the fourth quarter of 2009, $53,000 of foreign exchange gain was booked to capital assets to partially offset a $110,000 foreign exchange loss booked to capital assets in 2008. This reclassification of foreign exchange gain was the result of the foreign exchange gain and loss on outstanding cash call receivables denominated in U.S. dollars and Argentine pesos which were expended in 2009.

Stock-Based Compensation

	Three months ended		
($)	**March 31, 2010**	December 31, 2009	March 31, 2009
Stock-based compensation	**2,895**	6,074	97,834

The Company has a stock-based compensation plan. The Company records a compensation expense over the vesting period based on the fair value of options granted to employees of the management company (see section "Related Party Transactions"), directors and service providers in respect of the Company. No new options were issued in the first quarter of 2010. Of the options outstanding as of March 31, 2010, $2,211 of stock-based compensation is remaining to be expensed in 2010 and 2011.

Depletion, Depreciation, and Accretion and Dry Hole Exploration Costs

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

During the first quarter of 2010, the Company expensed $120,820 (2009 - $106,540) for depletion, depreciation and accretion of its property and equipment. The increase is related to increased production volumes in the first quarter of 2010. The fourth quarter of 2009 had $79,186 lower depletion, depreciation and accretion due to lower production volumes.

The first quarter of 2010 also had a full impairment provision of $15,463 on the Canadon Ramirez Concession in Argentina as the three well exploration program was unsuccessful. In Q4 2009, $31,071 was expensed to dry hole costs and no costs were written-off in Q1 2009.

The first quarter of 2010 also had a full impairment provision of $17,490 on the Laguna de Piedra Concession in Argentina that the Farmor of this Concession represented to Pine Cliff that it had clear title to this property. Subsequent to the Company earning in on the property, the local municipality designated a portion of the Laguna Concession surface area as a "Nature Area". The operator of the Concession has commenced negotiations with the municipality to have it reinstate the Concession, but negotiations have been unsuccessful at this time. The Company took a $1,463,712 impairment provision for this same property in Q4 2009.

Income Taxes

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

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

	Rate of Utilization %	Amount ($)
Undepreciated capital costs	25	391,795
Foreign exploration expenditures	10	5,875,000
Share issue costs	20	28,609
Canadian exploration expenditures	100	392,110
Canadian development expenditures	30	1,971,597
Canadian oil and gas expenditures	10	517,708
Non-capital loss carry forward *	100	5,836,448
		15,013,267

* $567,708 expires 2026, $1,523,672 expires 2027, $1,684,143 expires in 2028, $1,769,136 expires in 2029 and $291,789 expires in 2030.

Non-Controlling Interest

A private foreign company (Foreign Corp.) owns seven percent of CanAmericas, a 93 percent owned subsidiary of Pine Cliff. In 2008, losses in CanAmericas exceeded the non-controlling interest investment and therefore none of CanAmericas' loss in 2010 and 2009 was allocated to the non-controlling interest.

Loss

	Three months ended		
($)	**March 31, 2010**	December 31, 2009	March 31, 2009
Loss	**188,651**	1,734,926	498,532
Loss per share	**0.00**	0.04	0.01

The decrease in the first quarter loss of 2010 compared to Q1 2009 was predominantly due to increased oil and gas revenue and decreased general and administrative costs. The decrease in the Q1 2010 loss compared to Q4 2009 loss was predominantly due to the impairment provision for the Laguna de Piedra Concession in Q4 2009 of $1,463,712 compared to $17,490 in Q1 2010.

Cash Flow (Deficiency) from Operations

	Three months ended		
($)	**March 31, 2009**	December 31, 2009	March 31, 2009
Cash flow (deficiency) from operations	**2,206**	(115,801)	(229,307)
Cash flow (deficiency) from operations per share	**0.00**	(0.00)	(0.01)

Cash flow increased in the first quarter of 2010 compared to Q1 2009 as the Company had increased oil and gas revenue, decreased general and administrative costs, decreased production costs and decreased crown royalties. The increase in cash flow from Q1 2010 compared to Q1 2009 was primarily due to increased oil and gas sales.

Related Party Transactions

Pine Cliff has a management agreement with Bonterra, a company with common directors and management with Pine Cliff, to have Bonterra provide executive services (President and CEO, CFO and COO), accounting services, oil and gas administration and office administration. The management fee consists of a monthly fee of $7,500 (2009 - $10,000), three percent of net earnings before income taxes plus minor general and administrative expenses incurred by Bonterra that were specifically attributable to Pine Cliff. Total fees for Q1 2010 were $22,500 (Q1 2009 - $30,000). As at March 31, 2010, amounts owing to Bonterra were $458 (December 31, 2009 - $448). This agreement with Bonterra can be cancelled by either party giving 90 days notice.

Liquidity and Capital Resources

As of March 31, 2010, Pine Cliff had working capital (deficiency) of ($426,596) (December 31, 2009 - $491,064). Additional funds will be required to cover the Company's remaining 2010 budgeted capital expenditures of $360,000 in relation to the tie-in of its two (0.3 net) Canadian natural gas wells in the Sundance area. The CEO and director will finance the working capital shortfall by an unsecured loan, that bears interest at Canadian chartered bank prime plus one percent and will have no set repayment terms but will be payable on demand.

Canadon Ramirez Concession

Pine Cliff through its subsidiaries has paid 100 percent of costs totaling U.S. $5,500,000, including a 21 percent Value Added Tax (V.A.T.), for work to be conducted on the concession to earn a 49 percent participating interest, which included a three well drilling program. As of March 31, 2010 all costs relating to this concession have been written off. There are no further material farm-in commitments on this property, but the Company may decide to do additional exploratory programs in the future.

Laguna de Piedra Concession

Pine Cliff through its subsidiaries has paid 40 percent of costs totaling U.S. $1,120,000 including V.A.T. to earn a 25 percent participating interest in the entire permit. The Company had planned to participate in further programs on this project. The certainty of the Farmor having title to the Concession is under review. The Company has therefore taken a full impairment provision on the property.

The V.A.T amount is recoverable against V.A.T liabilities generated on the sale of petroleum production in Argentina. The V.A.T amount has been capitalized to exploration costs, as its recoverability can not be determined until a successful producing property is established.

The Company has a line of credit through its subsidiary CanAmericas to the lower of its available amount of cash or U.S. $3,690,000, which can be drawn by means of letters of guarantee and letters of credit. The line of credit may be cancelled without notice. No letters of guarantee or credit are currently outstanding.

The Company is currently in dispute with the operator of the Canadon Ramirez Concession for the 2008 Canon (land rental payments). It is the Company's interpretation that the operator is responsible for the 2008 Canon under the Joint Operating Agreement. Should the Company be unsuccessful, the amount of its share of the Canon is approximately $122,000. If the disputed amount (or a portion of) is settled the Company will capitalize the costs.

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

Issued	Number	Amount ($)
Common Shares		
Balance, January 1, 2010	45,295,695	14,593,560
Issued on exercise of stock options	850,000	127,500
Transfer of contributed surplus to share capital		98,312
Balance, March 31, 2010	46,145,695	14,819,372

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

	March 31, 2010		December 31, 2009	
	Options	**Weighted-Average Exercise Price**	Options	Weighted-Average Exercise Price
Outstanding at beginning of period	**3,126,000**	**$0.63**	3,118,000	$0.63
Options granted	**-**	**-**	40,000	0.15
Options exercised	**(850,000)**	**0.15**	(20,000)	0.15
Options cancelled	**(1,125,000)**	**0.45**	(12,000)	1.15
Outstanding at end of period	**1,151,000**	**$1.15**	3,126,000	$0.63
Options exercisable at end of period	**1,098,500**	**$1.17**	3,028,500	$0.62

The following table summarizes information about stock options outstanding at March 31, 2010:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 3/31/10	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 3/31/10	Weighted-Average Exercise Price
$0.15 – $0.30	40,000	1.8 years	$0.15	20,000	$0.15
1.10 – 1.20	1,071,000	0.3 years	1.18	1,038,500	1.18
1.40 – 1.50	40,000	0.8 years	1.49	40,000	1.49
$0.15 - $1.50	1,151,000	0.4 years	$1.15	1,098,500	$1.17

The Company records a compensation expense over the vesting period based on the fair value of options granted to employees, directors and consultants. Unvested options as of March 31, 2010 vest 32,500 in 2010 and 20,000 in 2011.

The Company's subsidiary CanAmericas issued an option to Foreign Corp. during the first quarter of 2006 to acquire 1,000,000 common shares of CanAmericas at an option price of U.S. $0.25 per common share.

Fifty percent of the options vested on January 13, 2007, and fifty percent vested on January 13, 2008, and all the options expire on January 13, 2011.

Financial Reporting Update

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

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

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

In the fourth quarter of 2009, the Company commenced phase two of the process of conversion to IFRS by engaging its external auditors to perform a detailed review of the of the implementation of IFRS on the Company's high impact and medium impact areas identified below:

High impact areas include:

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

Medium impact areas include:

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

The Company in conjunction with its auditors are currently finalizing phase two with an anticipated completion date of June 30, 2010 to determine accounting policies and the resulting numerical changes to opening balance sheet items. The Company anticipates commencing phase three (financial statement and note compilation) during the third quarter of 2010. Key information will be disclosed as it becomes available during the transition period.

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

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

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

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

Submitted on behalf of the Board of Directors,

George F. Fink
President, CEO and Director

Management's Responsibility for Financial Statements

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

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

The Company's auditors have not performed a review of these interim financial statements. The audit committee has reviewed these financial statements with management and has reported to the Board of Directors. The Board of Directors has approved the financial statements as presented in this interim report.

Consolidated Balance Sheets

As at March 31, 2010 and December 31, 2009 (unaudited)

($)	2010	2009
Assets		
Current		
Cash	**758,304**	1,372,643
Accounts receivable	**173,776**	129,904
Prepaid expenditures	**18,716**	16,345
	950,796	1,518,892
Property and Equipment (Note 7)		
Property and equipment	**4,355,055**	3,374,830
Accumulated depletion and depreciation	**(1,537,614)**	(1,417,845)
Net Property and Equipment	**2,817,441**	1,956,985
	3,768,237	3,475,877
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 5)	**1,377,392**	1,027,828
Asset Retirement Obligations	**85,186**	84,134
	1,462,578	1,111,962
Non-Controlling Interests (Note 6)	**-**	-
Contingent Liability (Note 12)		
Shareholders' Equity		
Share capital (Note 9)	**14,819,372**	14,593,560
Contributed surplus	**764,203**	859,620
Deficit	**(13,277,916)**	(13,089,265)
Accumulated other comprehensive income	**-**	-
	2,305,659	2,363,915
	3,768,237	3,475,877

Consolidated Statements of Loss, Comprehensive Loss and Deficit

For the three months ended March 31 (unaudited)

($)	**2010**	2009
Revenue		
Oil and gas sales	**210,797**	193,725
Royalties	**(22,490)**	(49,352)
Interest income	**-**	5,781
	188,307	150,154
Expenses		
Production costs	**45,978**	57,809
General and administrative	**179,425**	324,997
Foreign exchange loss (gain)	**(6,495)**	7,043
Stock-based compensation	**2,895**	97,834
Depletion, depreciation and accretion	**120,820**	106,540
Impairment of oil and gas assets (Note 7)	**32,953**	-
	375,576	594,223
Loss Before Taxes and Non-Controlling Interests	**(187,269)**	(444,069)
Taxes (Note 8)		
Current	**1,382**	54,463
Future	**-**	-
	1,382	54,463
Loss Before Non-Controlling Interests	**(188,651)**	(498,532)
Loss applicable to non-controlling interests (Note 6)	**-**	-
Loss and Comprehensive Loss for the Period	**(188,651)**	(498,532)
Deficit, Beginning of Period	**(13,089,265)**	(10,266,989)
Deficit, End of Period	**(13,277,916)**	(10,765,521)
Loss Per Share - Basic and Diluted	**(0.00)**	(0.01)

Consolidated Statements of Cash Flow

For the three months ended March 31 (unaudited)

($)	2010	2009
Operating Activities		
Loss for the period	**(188,651)**	(498,532)
Items not affecting cash		
Stock-based compensation	**2,895**	97,834
Depletion, depreciation and accretion	**120,820**	106,540
Impairment of oil and gas assets	**32,953**	-
	(31,983)	(294,158)
Change in non-cash working capital		
Accounts receivable	**(22,314)**	14,221
Prepaid expenditures	**(2,371)**	(7,512)
Accounts payable and accrued liabilities	**58,874**	58,142
	34,189	64,851
Cash Provided by (Used in) Operating Activities	**2,206**	(229,307)
Financing Activities		
Share option proceeds	**127,500**	-
Cash Provided by Financing Activities	**127,500**	-
Investing Activities		
Property and equipment expenditures	**(1,013,177)**	(119,786)
Change in non-cash working capital		
Accounts receivable	**(21,558)**	-
Accounts payable and accrued liabilities	**290,690**	(261,565)
Cash Used in Investing Activities	**(744,045)**	(381,351)
Net Cash Outflow	**(614,339)**	(610,658)
Cash, Beginning of Period	**1,372,643**	2,624,556
Cash, End of Period	**758,304**	2,013,898
Cash interest paid	**-**	-
Cash taxes paid	**40,097**	7,717

Notes to the Consolidated Financial Statements

Periods ended March 31, 2010 and 2009 (unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements for Pine Cliff Energy Ltd. ("Pine Cliff" or "the Company") as at and for the three months ended March 31, 2010 should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2009. The notes to these interim consolidated financial statements do not conform in all respects to the note disclosure requirements of generally accepted accounting policies (GAAP) for annual consolidated financial statements. These interim consolidated financial statements are prepared using the same accounting policies and methods of computation as disclosed in the annual consolidated financial statements as at and for the year ended December 31, 2009, except for those disclosed in Note 3 below. The disclosures provided within are incremental to those included with the annual financial statements.

2. GOING CONCERN

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to discharge its obligations and realize its assets in the normal course of business at the values at which they are carried in these financial statements, and that the Company will be able to continue its business activities.

At March 31, 2010, the Company had working capital deficiency of $427,000, a capital budget for the remaining nine months of 2010 of $360,000 and cash (deficiency) from operations of $2,000 (March 31, 2009 – ($229,000)). The Company does not currently generate sufficient cash flow to meet its capital commitments.

The Company has committed to participate in tying in two wells (0.3 net) drilled in 2010 on its Canadian Sundance property at an estimated cost to the Company of $360,000.

The future funding of the capital program will be funded by the CEO and director by an unsecured loan, that bears interest at Canadian chartered bank prime plus one percent and will have no set repayment terms but will be payable on demand. This loan will ensure the Company's ability to finance its activities, to successfully explore, develop, produce and market economically viable reserves. As at March 31, 2010, the Company had increased the value of its proved and probable oil and gas reserves by participating in a successful two well (0.3 net) drilling program. Management believes that the current reserves also have third party lending value and that the Company may be able to raise additional capital required for the future development of the Company's future projects.

Management and the Board of Directors believe that the going concern assumption is appropriate for these financial statements. If this assumption is not appropriate, adjustments to the carrying values of the assets and liabilities, revenues and expenses and the balance sheet classifications used may be necessary in the future.

3. RECENT ACCOUNTING PRONOUNCEMENTS

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

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

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

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

4. BANKING AGREEMENT

The Company has a line of credit through its subsidiary CanAmericas for the lower of its available amount of cash or U.S. $3,690,000, which can be drawn by means of letters of guarantee and letters of credit. The line of credit may be cancelled without notice. No letters of guarantee or credit are currently outstanding.

5. RELATED PARTY TRANSACTIONS

Pine Cliff has a management agreement with Bonterra Energy Corp. (Bonterra) an oil and gas corporation publicly traded on the Toronto Stock Exchange, with common directors and management, to provide executive services, accounting services, oil and gas administration and office administration for Pine Cliff. Total fees for the three month period were $22,500 (2009 - $30,000) plus minimal administrative costs. As of March 31, 2010 Pine Cliff owed Bonterra $458 (December 31, 2009 - $448). This agreement can be cancelled by either party giving 90 days notice.

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

6. NON-CONTROLLING INTERESTS

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

There were no changes to non-controlling interest during the three months ended March 31, 2010 and the year ended December 31, 2009.

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

7. PROPERTY AND EQUIPMENT

($)	**March 31, 2010**		December 31, 2009	
	Cost	**Accumulated Depletion and Depreciation**	Cost	Accumulated Depletion and Depreciation
Petroleum and natural gas properties and related equipment	**4,309,098**	**1,502,422**	3,328,873	1,384,807
Furniture, equipment and other	**45,957**	**35,192**	45,957	33,038
	4,355,055	**1,537,614**	3,374,830	1,417,845

As of March 31, 2010, the Company spent $7,674,979 (December 31, 2009 - $7,642,026) for exploration activities for the Canadon Ramirez Concession and Laguna de Peidra Concesssion (South American Properties). For the three months ended March 31, 2010, a full impairment provision of $15,463 (2009 - $Nil) was taken on the exploration costs related to the Canadon Ramirez Concession as the previous programs were deemed to be unsuccessful.

A full impairment provision for the three months ended March 31, 2010 of $17,490 (2009 - $Nil) was taken on the Laguna de Piedra Concession as access to a portion of the surface to complete programs on the exploration permit is currently under negotiation with the local municipality. Subsequent to the Company earning in on the property, the local municipality designated a portion of the Laguna Concession surface area as a “Nature Area.” The operator of the Concession has commenced negotiations with the municipality to resolve this issue.

Development costs of $846,613 included in petroleum and natural gas properties and related equipment at March 31, 2010 were incurred to drill two natural gas wells in Canada. The drilling costs for these wells have been excluded from costs subject to depletion and depreciation as these wells were not completed or producing as of March 31, 2010.

8. TAXES

The Company has a current tax expense of $1,382 (2009 - $54,463) related to Argentina capital tax. A one percent Argentina capital tax is payable in respect of the exploration costs for the Canadon Ramirez and the Laguna de Piedra Concessions.

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

9. SHARE CAPITAL

Authorized

Unlimited number of Common Shares without nominal or par value.

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

Issued	Number	Amount ($)
Common Shares		
Balance, January 1, 2010	45,295,695	14,593,560
Issued on exercise of stock options	850,000	127,500
Transfer of contributed surplus to share capital		98,312
Balance, March 31, 2010	46,145,695	14,819,372

The number of weighted average basic and diluted shares outstanding for the three months ended March 31:

	2010	2009
Basic shares outstanding[(1)]	**45,952,806**	45,275,695
Dilutive share options	**13,997**	201,353
Diluted shares outstanding	**45,966,803**	45,477,048

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

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

Contributed surplus

($)	**2010**	2009
Balance, January 1	**859,620**	722,968
Stock-based compensation expensed (non-cash)	**2,895**	97,834
Transfer of contributed surplus to share capital	**(98,312)**	-
Balance, March 31	**764,203**	820,802

The deficit balance is composed of accumulated losses.

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

	March 31, 2010		December 31, 2009	
	Options	**Weighted-Average Exercise Price**	Options	Weighted-Average Exercise Price
Outstanding at beginning of period	**3,126,000**	**$0.63**	3,118,000	$0.63
Options granted	**-**	**-**	40,000	0.15
Options exercised	**(850,000)**	**0.15**	(20,000)	0.15
Options cancelled	**(1,125,000)**	**0.45**	(12,000)	1.15
Outstanding at end of period	**1,151,000**	**$1.15**	3,126,000	$0.63
Options exercisable at end of period	**1,098,500**	**$1.17**	3,028,500	$0.62

The following table summarizes information about stock options outstanding at March 31, 2010:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 3/31/10	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 3/31/10	Weighted-Average Exercise Price
$0.15- $0.30	40,000	1.8 years	$0.15	20,000	$0.15
1.10 – 1.20	1,071,000	0.3 years	1.18	1,038,500	1.18
1.40 – 1.50	40,000	0.8 years	1.49	40,000	1.49
$0.15 - $1.50	1,151,000	0.4 years	$1.15	1,098,500	$1.17

The Company records a compensation expense over the vesting period based on the fair value of options granted to employees, directors and consultants. Unvested options as of March 31, 2010 vest 32,500 in 2010 and 20,000 in 2011.

10. SEGMENTED INFORMATION

The Company has operations in Canada and in South America. All operating activities are related to exploration, development and production of petroleum and natural gas:

($)	Canada	South America	Total
March 31, 2010			
Revenue, gross	210,797	-	210,797
Loss before non-controlling interest	19,975	168,676	188,651
Capital expenditures	980,224	32,953	1,013,177
Property and equipment	2,806,676	10,765	2,817,441
Total assets	3,722,287	45,950	3,768,237
March 31, 2009			
Revenue, gross	197,748	1,758	199,506
Loss before non-controlling interest	182,880	315,652	498,532
Capital expenditures	1,448	118,338	119,786
December 31, 2009			
Property and equipment	1,944,066	12,919	1,956,985
Total assets	3,352,664	123,213	3,475,877

11. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Factors

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

- Cash deposits;
- Receivables;
- Payables;

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

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

Capital Risk Management

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

The Company monitors capital on the basis of the ratio of budgeted exploration capital requirements to current working capital. The budgeted capital expenditure to working capital base figures for March 31, 2010 is presented below:

($)	**March 31, 2010**
Budgeted capital expenditure [1]	**360,000**
Current assets	**950,796**
Current liabilities	**(1,377,392)**
Working capital deficiency	**(426,596)**
Working capital deficiency to budgeted capital expenditure (in months)	**(14.2)**

[1] Budgeted capital expenditure represents the Company's estimated future twelve month capital expenditures.

The March 31, 2010 working capital deficiency to the budgeted capital expenditures is currently planned to be eliminated by cash flow from the newly completed gas wells and possible entering into of a bank facility or equity placement. In the short term the Company's CEO and director will provide financing (see Note 2).

The following section (a) of this note provides a summary of the Company's underlying economic positions as represented by the carrying values, fair values and contractual face values of its financial assets and financial liabilities.

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

a) Financial assets, financial liabilities

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

Table 1

	As at March 31, 2010		
($)	Carrying Value	Fair Value	Face Value
Financial assets			
Cash	758,304	758,304	758,304
Accounts receivable	173,776	173,776	255,836
Financial liabilities			
Accounts payable and accrued liabilities	1,377,392	1,377,392	1,377,392

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

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

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

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

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

b) Risks and mitigations

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

Commodity price risk

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

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

Interest rate risk

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

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

Foreign exchange risk

The Company has foreign operations, but no revenue from production from the foreign properties and currently sells all of its Canadian production in Canadian currency. The Company has a U.S. cash and Argentina peso cash balance. Funds held in foreign denominated accounts are generally held for short periods of time, as the Company transfers and converts Canadian funds to foreign currency as payments for foreign currency denominated payables come due. As such, Pine Cliff does not mitigate exchange rate risk by using risk management contracts.

Credit risk

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

Substantially all of the accounts receivable balance at March 31, 2010 ($173,776) and December 31, 2009 ($129,904) relates to product sales with Canadian oil and gas companies and crown royalty credits with the province of Alberta, all of which have consistently been received within 30 to 60 days. The Company, through its subsidiary CanAmericas, also has a receivable of $82,060 (2009 - $68,787) for Argentina Value Added Tax on non-capital expenditures. The Company has taken a full allowance on the V.A.T., as the Company has no Argentina income subject to V.A.T. against which to claim the receivable.

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

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

Liquidity risk

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

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

To help reduce these liquidity risks, the Company:

- Arranged short-term financing at a reasonable interest rate with its CEO and director.
- Has changed its focus to its Canadian operations and minimized its requirements for its South American Properties.

12. CONTINGENT LIABILITY

The Company is currently in dispute with the operator of the Argentina Canadon Ramirez Concession for the 2008 Canon (land rental payments). It is the Company's interpretation that the operator is responsible for the 2008 Canon under the Joint Operating Agreement. Should the Company be unsuccessful, the amount of its share of the Canon is $122,000. If the disputed amount (or a portion thereof) is settled the Company will capitalize the costs.

CORPORATE INFORMATION

Board of Directors

G.J. Drummond, Nassau, Bahamas
G.F. Fink, Calgary, Alberta
C.R. Jonsson, Vancouver, British Columbia
F.W. Woodward, Calgary, Alberta

Officers

G.F. Fink – Chief Executive Officer
R.M. Jarock – President and Chief Operating Officer
G.E. Schultz – Vice President, Finance, Chief Financial Officer and Secretary

Registrar & Transfer Agent

Olympia Trust Company, Calgary, Alberta

Auditors

Deloitte & Touche LLP, Calgary, Alberta

Solicitors

Borden Ladner Gervais LLP, Calgary, Alberta

Bankers

The Royal Bank of Canada, Calgary, Alberta

Stock Listing

The TSX Venture Exchange
Trading Symbol: PNE

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