Pine Cliff Energy Ltd.

2008 INTERIM REPORT

FIRST QUARTER

For the period ended
March 31, 2008

HIGHLIGHTS

For the three months ended	**March 31 2008**	December 31 2007	March 31 2007
Financial ($)			
Revenue – oil and gas	**143,116**	112,685	198,515
Funds Flow from Operations (1)	**(159,541)**	(228,913)	(165,886)
Per Share - Basic	**(0.00)**	(0.01)	(0.00)
Per Share – Diluted	**(0.00)**	(0.01)	(0.00)
Loss	**(317,113)**	(381,561)	(270,109)
Per Share - Basic	**(0.01)**	(0.01)	(0.01)
Per Share - Diluted	**(0.01)**	(0.01)	(0.01)
Capital Expenditures	**281,388**	193,350	2,196,476
Total Assets	**12,221,650**	12,445,994	4,211,984
Working Capital	**7,937,179**	8,378,110	602,650
Shareholders' Equity	**12,003,398**	12,205,066	4,008,304
Operations			
Oil and NGL's - Barrels Per Day	**4**	2	7
- Average Price ($ per barrel)	**56.91**	68.33	58.91
Natural Gas- MCF Per Day	**168**	182	226
- Average Price ($ per MCF)	**8.17**	6.16	8.05
Total Barrels Per Day (2)	**30**	40	44

(1) Funds flow from operations is not a recognized measure under GAAP. Management believes that in addition to cash flow from operations, funds flow from operations is a useful supplemental measure as it demonstrates the Company's ability to generate the funds necessary to fund future growth through capital investment. Investors are cautioned, however, that this measure should not be construed as an indication of the Company's performance. The Company's method of calculating this measure may differ from other issuers and accordingly, it may not be comparable to that used by other issuers. For these purposes, the Company defines funds flow from operations as funds provided by operations before changes in non-cash operating working capital items excluding foreign exchange loss and asset retirement expenditures.

(2) BOE's 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.

The following report dated May 23, 2008 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, 2008, including the notes related thereto, and the audited financial statement for the year ended December 31, 2007, together with the notes related thereto.

Forward-looking Information

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

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

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

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

General

Pine Cliff is pleased to report that during the past quarter it has been successful in advancing some of its projects.

- Three wells have been drilled in the Cañadón Ramirez property in Argentina. Testing and evaluating has commenced on the first well and then will move to the second and third wells. It is anticipated that all tests will be completed in the next six weeks. Results will be released on a timely basis. Pine Cliff has a 49 percent participating interest in this property.
- The 3D seismic program has been completed on the Laguna de Piedra concession in Argentina. The evaluation and processing should be completed in Q2, 2008 to determine whether there are economic drill locations. Pine Cliff has a 25 percent participating interest in this property.
- Pine Cliff has committed to pay 100 percent of costs totaling $4,620,000 U.S. including value added tax of 21 percent to earn a 60 percent participating interest in a permit in the San Jorge basin in Argentina. Earn-in for this property is subject to final granting of the concession for this property by the Provincial government to the Farmor. The finalization for this large concession is expected to be completed in Q3, 2008.

The Company is continuing to assess and evaluate properties in Canada with the intention of growing its activities in the Western Canadian Sedimentary Basin.

The company will continue with a more aggressive approach towards participating in domestic and international activities.

Quarterly Financial and Operational Highlights

	2008	2007			
	1st	4th	3rd	2nd	1st
Revenue – Oil and Gas	**143,116**	112,685	95,160	176,590	198,515
Funds Flow from Operations (1)	**(159,541)**	(228,913)	(287,764)	(252,435)	(165,886)
Per Share Basic	**(0.00)**	(0.01)	(0.01)	(0.01)	(0.00)
Per Share Diluted	**(0.00)**	(0.01)	(0.01)	(0.01)	(0.00)
Loss	**(317,113)**	(381,561)	(383,510)	(346,274)	(270,109)
Per Share Basic	**(0.01)**	(0.01)	(0.01)	(0.01)	(0.01)
Per Share Diluted	**(0.01)**	(0.01)	(0.01)	(0.01)	(0.01)
Capital Expenditures	**281,388**	193,350	174,289	233,648	2,196,476
Total Assets	**12,221,650**	12,445,994	4,173,333	3,946,888	4,211,984
Working Capital	**7,937,179**	8,378,110	(314,684)	182,319	602,650
Shareholder's Equity	**12,003,398**	12,205,066	3,371,089	3,749,025	4,008,304
Operations					
Oil and Liquids (barrels per day)	**4**	2	1	5	7
Natural Gas (MCF per day)	**168**	182	163	226	226

	2006			
	4th	3rd	2nd	1st
Revenue – Oil and Gas	$ 170,231	$ 90,386	$ 108,413	$ 292,070
Funds Flow from Operations (1)	(51,833)	(113,095)	(337,020)	77,700
Per Share Basic	(0.00)	(0.00)	(0.01)	0.00
Per Share Diluted	(0.00)	(0.00)	(0.01)	0.00
Net Loss	(209,575)	(211,784)	(526,107)	(67,139)
Per Share Basic	(0.01)	(0.01)	(0.01)	(0.00)
Per Share Diluted	(0.01)	(0.01)	(0.01)	(0.00)
Capital Expenditures	19,227	(3,463)	124,236	131,926
Total Assets	4,494,010	4,700,305	4,892,079	5,373,147
Working Capital (Deficiency)	2,963,513	3,030,822	3,175,577	3,625,133
Shareholder's Equity	4,239,638	4,411,915	4,589,015	5,093,951
Operations				
Oil and Liquids (barrels per day)	3	5	4	9
Natural Gas (MCF per day)	226	131	139	284

(1) Funds flow from operations is not a recognized measure under GAAP. Management believes that in addition to cash flow from operations, funds flow from operations is a useful supplemental measure as it demonstrates the Company's ability to generate the funds necessary to fund future growth through capital investment. Investors are cautioned, however, that this measure should not be construed as an indication of the Company's performance. The Company's method of

calculating this measure may differ from other issuers and accordingly, it may not be comparable to that used by other issuers. For these purposes, the Company defines funds flow from operations as funds provided by operations before changes in non-cash operating working capital items excluding foreign exchange loss and asset retirement expenditures.

Production

Production was approximately 26% less in the first quarter of 2008 than the first quarter of 2007; 4 barrels per day of natural gas liquids (2007 – 7) and 168 MCF per day of natural gas (2007 – 226). Production for the first quarter of 2008 was also down from the fourth quarter of 2007 (2 barrels per day of natural gas liquids and 182 MCF per day of natural gas). During the third quarter of 2007 one of the Company's commingled gas wells with various production zones started to produce sand and production fell significantly. The operator of the well performed an unsuccessful workover in December of 2007 to attempt to properly optimize production from all zones. To properly repair the wellbore would involve a procedure whereby the cost currently exceeds the benefits. The operator will therefore leave the wellbore as is. As a result of the workover, production for this commingled gas well decreased again in the first quarter of 2008.

Revenue

Revenue from petroleum and natural gas sales was $143,116 during the first quarter of 2008 compared to $198,515 for the first quarter of 2007. The decrease is primarily attributable to a decrease in production. There was a modest increase in revenue of $30,431 over the fourth quarter of 2007 due to higher natural gas prices.

Royalties

Royalties consist of Crown royalties of $34,130 (Q1 2007 – $30,790 and Q4 2007 – $27,091) paid to the Province of Alberta and gross overriding royalties of $2,738 (Q1 2007 – $6,552 and Q4 2007 - $4,569). Crown royalties were higher in the first quarter of 2008 than the first quarter of 2007 as there were wells on a crown royalty holiday in Q1 2007. Quarter over quarter saw a slight increase in crown royalties due to higher commodity prices. Lower gross overriding royalties in the first quarter of 2008 compared to the first and last quarters of 2007 resulted from lower production on wells subject to these royalties.

Interest Income

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 has increased its cash balance with regard to proceeds received from the rights offering done in the fourth quarter of 2007. The Company was therefore earning interest at higher rates and on an increased cash balance.

Production Costs

Production costs for the three months ended March 31, 2008 were $26,249 or $9.55 per BOE versus $40,956 or $10.31 per BOE in the first quarter of 2007. Production costs per BOE are lower due to decreased natural gas compression and processing costs. BOE's 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. Q4 2007 production costs of $35,090 or $12.53 per BOE were higher than Q1 2008 due to capacity constraints at the gas plant in the previous quarter. The Company had incurred increased processing fees in relation to its Sundance gas production.

General and Administrative

General and administrative expense for the first three months of 2008 was $282,129 compared to $294,919 for the first three months of 2007 and $329,773 for the fourth quarter of 2007. The decrease of $13,000 in Q1 2008 over Q1 2007 was due primarily to less legal fees and traveling costs with regards to negotiations for its subsidiary CanAmericas Energy Ltd. ("CanAmericas") activities in South America.

The decrease of $47,000 in Q1 2008 from Q4 2007 was also primarily due to decreased legal fees relating to operational development with regard to its subsidiary CanAmericas' activities in South America.

Pine Cliff does not have any employees at the present time but engages the services of consultants on a contract or temporary basis. Pine Cliff's subsidiary CanAmericas has also engaged the services of two individual professionals as senior management and officers of CanAmericas. One of these officers is a geologist and geophysicist and the other is a geologist and engineer.

Foreign Exchange Gain (Loss)

The Company maintains foreign denominated bank accounts to facilitate its foreign operations. The gain on foreign exchange of $2,310 for the first quarter of 2008 and $6,302 for the last quarter of 2007 relates to the depreciation of the Canadian dollar from December 31, 2007 to March 31, 2008, as apposed to a foreign exchange loss of $8,420 for the first quarter of 2007 as the Canadian dollar appreciated over that quarter.

Stock Based Compensation

Stock based compensation for Q1 2008 was $115,445 and $37,276 for Q1 2007 (Q4 2007 – $90,783). The Company has a stock-based compensation plan for Pine Cliff.

The Company records a compensation expense over the vesting period based on the fair value of options granted to employees, directors and consultants. The Company issued 1,108,000 stock options in Pine Cliff during 2007 and none in the first quarter of 2008. The Company estimated the 2007 stock options fair value at $547,080 ($0.49 per option) using the Black-Scholes option pricing model, assuming a weighted average risk free interest rate of 4.14 percent, weighted average expected volatility of 64.8 percent, weighted average expected life of 2.5 years and no annual dividend rate. As of March 31, 2008 approximately $385,000 of unamortized stock based compensation exists and will be amortized over two years, approximately $285,000 in 2008 and $100,000 in 2009.

Depletion, Depreciation, and Accretion

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 2008 the Company expensed $65,469 (2007 – $79,606) for depletion, depreciation and accretion of its property and equipment. The decrease is related to reduced production volumes in the first quarter of 2008. The fourth quarter of 2007 had a slightly higher depletion, depreciation and accretion amount of $73,464 due to slightly higher production.

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 1% 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	$ 347,514
Foreign exploration expenditures	10	2,775,198
Share issue costs	20	121,908
Canadian exploration expenditures	100	392,110
Canadian development expenditures	30	405,397
Canadian oil and gas expenditures	10	699,243
Non-capital loss carry forward *	100	1,898,481
		$6,639,851

* $735,057 expires 2026, $929,726 expires 2027 and $233,698 expires in 2028

Non-Controlling Interest

As described above, Foreign Corp. owns seven percent of CanAmericas. The Q1 2008 amount of $23,342 (Q1 2007 - $12,659 and Q4 2007 - $21,296) of loss applicable to non-controlling interest relates to their share of revenues and costs associated with CanAmericas South American activities.

Loss

Loss in the first quarter of 2008 was $317,113 ($270,109 in the first quarter of 2007). The increase in the loss was due mainly to increased stockbased compensation expense and a 1% Argentina capital tax of $27,889 (2007 - $Nil).

The decrease in losses of $66,448 in Q1 2008 compared to the Q4 2007 loss was primarily due to higher oil and gas commodity prices, increased interest income, lower general and administrative costs and lower production costs in Q1 2008 over Q4 2007.

Funds Flow From Operations

Negative Funds flow from operations decreased to ($159,541) in the first quarter of 2008 compared to ($228,913) for the last quarter of 2007 from ($165,886) in the first quarter of 2007. The increase compared to Q1 2007 was due primarily to increased interest income and lower production and administration costs. This increase in funds flow was partially offset by lower oil and gas revenue due to lower production levels. The increase in funds flow from Q1 2008 compared to Q4 2007 was due to increased oil and gas sales from higher commodity prices and lower general and administrative costs offset by decreased production.

The following reconciliation compares funds flow for the first three months of 2008 and 2007 to the Company's cash flow from operating activities as calculated according to Canadian generally accepted accounting principles:

For the three month periods ending March 31,	**2008**	2007
Cash flow from operating activities	**($204,923)**	($115,860)
Items not affecting funds flow		
Accounts receivable	**34,543**	(85,858)
Prepaid expenses	**5,059**	5,716
Accounts payable and accrued liabilities	**3,470**	38,536
Foreign exchange gain (loss)	**2,310**	(8,420)
Funds flow for the period	**($159,541)**	($165,886)

Related Party Transactions

Pine Cliff has a management agreement with Bonterra Energy Corp. ("Bonterra Corp."), a wholly owned subsidiary of Bonterra Energy Income Trust and a company with common directors and management, to have Bonterra Corp. 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 $19,800, three percent of net earnings before income taxes, $250 per month per operated producing well and $150 per month per water injector well plus out of pocket costs. Total fees for the three months ended March 31, 2008 were $59,400 (2007 - $54,000) plus minimal out of pocket costs. This agreement can be cancelled by either party by giving 90 day's notice.

Commitments

The Company has three farm-in agreements in South America which require future expenditure commitments as outlined below:

Canadon Ramirez Concession

Pine Cliff, has committed to pay 100% of costs totaling $5,500,000 US, including the 21% Value Added Tax ("V.A.T."), for work to be conducted on the concession within two years to earn a 49% participating interest.

As of March 31, 2008, the Company has expended $2,746,194 CDN ($2,399,190 US) including V.A.T of $462,622 CDN ($404,019 US) on the Canadon Ramirez Concession. 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.

Commitment by Year ($000's US)

Year	Amount
2008	3,101

San Jorge Basin Permit

Pine Cliff, has committed to pay 100% of costs totaling $4,620,000 US including V.A.T. to earn a 60% participating interest in the entire permit. As of March 31, 2008, no amounts have been expended on this permit. The V.A.T amount is recoverable against V.A.T liabilities generated on the sale of petroleum production in Argentina. CanAmericas' commitment and earn-in in this property is subject to final granting of the concession for this property by the provincial government to the Farmor. The finalization for this conversion is expected to be completed in the third quarter of 2008.

Commitment by Year ($000's US)

Year	Amount
2008	300
2009	2,595
2010	1,725
	4,620

Laguna de Piedra Concession

Pine Cliff through its subsidiaries has committed to pay 40% of costs totaling $1,120,000 US including V.A.T. to earn a 25% participating interest in the entire permit.

As of March 31, 2008, the Company has expended $69,908 CDN ($68,083 US) including V.A.T of $10,102 CDN ($9,889 US) on the Laguna de Piedra Concession. 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.

Commitment by Year ($000's US)

Year	Amount
2008	1,052

The Company issued a letter of guarantee to spend $1,120,000 US for work to be conducted on this Concession. The guarantee expires July 1, 2008. Subsequent to March 31, 2008 the Company has spent sufficient funds to meet its commitment.

The success of the South American operations and recoverability of the capitalized costs related thereto are dependent upon the development of successful producing properties. This may require additional financing in amounts sufficient to continue the on-going development of the South American operations and to meet the related obligations as they become due.

Liquidity and Capital Resources

As of March 31, 2008, Pine Cliff had positive working capital of $7,937,179 (December 31, 2007 - $8,378,110). These funds will be used to fund future exploration and development of Canadian and international properties.

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, 2008	45,275,695	$14,588,722
Issued on exercise of options	–	–
Transfer of contributed surplus to share capital		–
Balance, March 31, 2008	45,275,695	$14,588,722

A summary of the status of the Company's stock option plan as of March 31, 2008 and December 31, 2007, and changes during the three month and twelve month periods ending on those dates is presented below:

	March 31, 2008		December 31, 2007	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at beginning of period	3,053,000	$0.62	2,420,000	$0.29
Options granted	–	–	1,108,000	1.16
Options exercised	–	–	(440,000)	0.17
Options cancelled	–	–	(35,000)	0.40
Outstanding at end of period	3,053,000	$0.62	3,053,000	$0.62
Options exercisable at end of period	1,187,500	$0.19	1,162,500	$0.18

The following table summarizes information about stock options outstanding at March 31, 2008:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding At 3/31/08	Weighted-Average Remaining Contractual Life	Number Weighted-Average Exercise Price	Exercisable At 3/31/08	Weighted-Average Exercise Price
$0.15	1,090,000	1.8 years	$0.15	1,090,000	$0.15
0.50 - 0.60	825,000	1.8 years	0.51	57,500	0.57
0.70 - 0.75	80,000	1.8 years	0.72	40,000	0.72
1.10 - 1.20	1,018,000	2.8 years	1.18	–	–
1.40 - 1.50	40,000	2.8 years	1.49	–	–
$0.15 - $1.50	3,053,000	2.2 years	$0.62	1,187,500	$0.19

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, 2008 vest 816,000 in 2008, 1,024,500 in 2009 and 25,000 in 2010.

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 $0.25 US 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 will expire on January 13, 2011.

Financial Reporting Update

During 2008, the Company adopted Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments - Disclosures" and Section 3863, "Financial Instruments – Presentation" that deal with disclosures regarding the Company's objectives, policies and processes for managing capital and the significance of financial instruments for the entity's financial position and performance; and the nature, extent and management of risks arising from financial instruments to which the Company is exposed. See notes 1 and 10 in the notes to the Unaudited Consolidated Financial Statements for further details.

Future Accounting Changes

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets," replacing Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs." Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008.

Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009.

These establish standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062.

The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements. The Company does not expect that the adoption of this new Section will have a material impact on its consolidated financial statements.

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.

Pine Cliff Energy Ltd.

Consolidated Balance Sheets

As at March 31, 2008 (unaudited) and December 31, 2007	**2008**	2007
Assets		
Current		
Cash	**$ 7,978,752**	$ 5,769,448
Restricted term investment	–	2,689,601
Accounts receivable	**106,447**	71,904
Prepaid expenditures	**33,527**	28,468
	8,118,726	8,559,421
Property and Equipment (Note 5)		
Property and equipment	**4,920,226**	4,638,837
Accumulated depletion and depreciation	**(817,302)**	(752,264)
Net Property and Equipment	**4,102,924**	3,886,573
	$12,221,650	$12,445,994
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 181,547**	$ 181,311
Asset Retirement Obligations	**34,868**	34,438
Non-Controlling Interests (Note 4)	**1,837**	25,179
	218,252	240,928
Commitments (Note 9)		
Shareholders' Equity		
Share capital (Note 7)	**14,588,722**	14,588,722
Contributed surplus	**456,910**	341,465
Deficit	**(3,042,234)**	(2,725,121)
Accumulated other comprehensive income	**–**	–
	12,003,398	12,205,066
	$12,221,650	$12,445,994

Pine Cliff Energy Ltd.

Consolidated Statements of Loss, Comprehensive Loss and Deficit

For the three months ended March 31 (unaudited)	**2008**	2007
Revenue		
Oil and gas sales	**$ 143,116**	$ 198,515
Royalties	**(36,868)**	(37,342)
Interest income	**68,168**	17,236
	174,416	178,409
Expenses		
Production costs	**26,249**	40,956
General and administrative	**282,129**	294,919
Foreign exchange loss (gain)	**(2,310)**	8,420
Stock based compensation	**115,445**	37,276
Depletion, depreciation and accretion	**65,469**	79,606
	486,982	461,177
Loss Before Taxes and Non-Controlling Interests	**(312,566)**	(282,768)
Taxes (Note 6)		
Current	**27,889**	–
Future	**–**	–
	27,889	–
Loss before Non-Controlling Interests	**(340,455)**	(282,768)
Loss applicable to non-controlling interests (Note 4)	**23,342**	12,659
Loss and Comprehensive Income for the Period	**(317,113)**	(270,109)
Deficit, Beginning of Period	**(2,725,121)**	(1,343,667)
Deficit, End of Period	**($3,042,234)**	($1,613,776)
Loss Per Share - Basic and Diluted	**($0.01)**	($0.01)
Weighted Average Common Shares		
Basic	**45,275,695**	36,532,219
Diluted	**46,133,294**	37,701,514

Pine Cliff Energy Ltd.

Consolidated Statements of Cash Flow

For the three months ended March 31 (unaudited)	**2008**	2007
Operating Activities		
Loss for the period	**($ 317,113)**	($ 270,109)
Items not affecting cash		
Stock based compensation	**115,445**	37,276
Depletion, depreciation and accretion	**65,469**	79,606
Foreign exchange loss (gain)	**(2,310)**	8,420
Loss applicable to non-controlling interests	**(23,342)**	(12,659)
	(161,851)	(157,466)
Change in non-cash working capital		
Accounts receivable	**(34,543)**	85,858
Prepaid expenditures	**(5,059)**	(5,716)
Accounts payable and accrued liabilities	**(3,470)**	(38,536)
	(43,072)	41,606
Cash Used in Operating Activities	**(204,923)**	(115,860)
Financing Activities		
Issue of shares under stock option plan	**–**	1,500
Cash Provided by Financing Activities	**–**	1,500
Investing Activities		
Property and equipment expenditures	**(281,388)**	(2,196,476)
Proceeds on disposal of restricted term investments	**2,689,601**	–
Change in non-cash working capital		
Accounts payable and accrued liabilities	**3,704**	–
Cash Provided by (Used in) Investing Activities	**2,411,917**	(2,196,476)
Foreign Exchange (Loss) Gain on Cash Held in Foreign Currency	**2,310**	(8,420)
Net Cash Inflow (Outflow)	**2,209,304**	(2,319,256)
Cash, Beginning of Period	**5,769,448**	2,915,020
Cash, End of Period	**$ 7,978,752**	$ 595,764
Cash interest paid	**$ –**	$ –
Cash taxes paid	**$ –**	$ –

Periods ended March 31, 2008 and 2007 (unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of application followed in the preparation of the interim financial statements other than those described below are the same as those followed in the preparation of Pine Cliff Energy Ltd.'s ("the Company" or "Pine Cliff") 2007 annual financial statements. These interim financial statements do not include all disclosures required for annual financial statements. The interim financial statements as presented should be read in conjunction with the 2007 annual financial statements.

The Company adopted Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments - Disclosures" and Section 3863, "Financial Instruments – Presentation." All the above Sections were required to be adopted for fiscal years beginning on or after October 1, 2007. As a result the Company has added note 10 providing the required disclosures regarding the Company's objectives, policies and processes for managing capital and the significance of financial instruments for the entity's financial position and performance; and the nature, extent and management of risks arising from financial instruments to which the entity is exposed.

Accounting Changes

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets," replacing Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs." Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. This standard establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements. The Company does not expect that the adoption of this new Section will have a material impact on its consolidated financial statements.

2. RESTRICTED TERM INVESTMENT AND BANKING AGREEMENT

The Company has a line of credit through its subsidiary CanAmericas in the amount of $3,690,000 US, which can be drawn by means of letters of guarantee and letters of credit. The line of credit bears interest at US or CDN prime plus 2% per annum depending on the currency borrowed. The line of credit is repayable on demand.

The Company had a letter of guarantee to cover its commitment to spend $2,142,446 US for drilling three wells on the Canadon Ramirez Concession. The guarantee expired January 31, 2008.

The Company has a performance security agreement whereby a guarantee to spend $1,120,000 US on the Laguna de Peidra concession has been reassigned to Export Development Canada for a fee. The reassignment reduces the Company's requirement to maintain 1.25 times the letter of guarantee in its bank account. The guarantee expires June 30, 2008.

3. RELATED PARTY TRANSACTIONS

Bonterra Energy Income Trust ("Bonterra"), an organization with common directors and management and former parent of the Company, through its wholly owned subsidiary Bonterra Energy Corp. ("Bonterra Corp.") provides management services and office administration to the Company. Total fees for the three month period were $59,400 (2007 - $54,000) plus minimal out of pocket costs. As of March 31, 2008 Pine Cliff owed Bonterra Corp $276 (December 31, 2007 - $3,976).

Pine Cliff acquired its Canadian oil and gas properties from Novitas Energy Ltd. ("Novitas"). As of March 31, 2008 Pine Cliff owed Novitas $18,143 (December 31, 2007 - $Nil) for invoiced expenditures by the operator of those oil and gas properties. Novitas is a wholly owned subsidiary of Bonterra.

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.

4. 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 $1,400,000 U.S. for 5,600,000 common shares from the Company and $100,000 U.S. for 400,000 common shares from Foreign Corp.

Changes to non-controlling interest were as follows:

	March 31, 2008	December 31, 2007
Non-controlling interest, January 1	$25,179	$74,970
Loss applicable to non-controlling interest	(23,342)	(49,791)
Non-controlling interest, end of period	$ 1,837	$25,179

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

5. PROPERTY AND EQUIPMENT

	March 31, 2008		December 31, 2007	
	Cost	Accumulated Depletion and Depreciation	Cost	Accumulated Depletion and Depreciation
Petroleum and natural gas properties and related equipment	$4,866,714	797,080	$4,585,325	734,384
Furniture, equipment and other	53,512	20,222	53,512	17,880
	$4,920,226	$817,302	$4,638,837	$752,264

As of March 31, 2008, the Company spent $2,751,350 for exploration activities for the Canadon Ramirez Concession and Laguna de Piedra Concession as discussed in Note 9. These costs presently have been excluded from costs subject to depletion and depreciation.

6. TAXES

The Company has accrued $27,889 current tax expense related to Argentina capital tax. A 1% 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.

7. SHARE CAPITAL

Authorized

Unlimited number of Common Shares without nominal or par value.

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

Issued	Number	Amount
Common Shares		
Balance, January 1, 2008	45,275,695	$14,588,722
Issued on exercise of options	–	–
Transfer of contributed surplus to share capital		–
Balance, March 31, 2008	45,275,695	$14,588,722

A summary of the status of the Company's stock option plan as of March 31, 2008 and December 31, 2007, and changes during the three month and twelve month periods ending on those dates is presented below:

	March 31, 2008		December 31, 2007	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at beginning of period	3,053,000	$0.62	2,420,000	$0.29
Options granted	–	–	1,108,000	1.16
Options exercised	–	–	(440,000)	0.17
Options cancelled	–	–	(35,000)	0.40
Outstanding at end of period	3,053,000	$0.62	3,053,000	$0.62
Options exercisable at end of period	1,187,500	$0.19	1,162,500	$0.18

The following table summarizes information about stock options outstanding at March 31, 2008:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding At 3/31/08	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable At 3/31/08	Weighted-Average Exercise Price
$0.15	1,090,000	1.8 years	$0.15	1,090,000	$0.15
0.50-0.60	825,000	1.8 years	0.51	57,500	0.57
0.70-0.75	80,000	1.8 years	0.72	40,000	0.72
1.10-1.20	1,018,000	2.8 years	1.18	–	–
1.40-1.50	40,000	2.8 years	1.49	–	–
$0.15-$1.50	3,053,000	2.2 years	$0.62	1,187,500	$0.19

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, 2008 vest 816,000 in 2008, 1,024,500 in 2009 and 25,000 in 2010.

8. 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, 2008			
Revenue, gross	191,226	20,058	211,284
Loss before non-controlling interest	154,203	186,252	340,455
Capital expenditures	7,426	273,962	281,388
Property and equipment	1,057,233	3,045,691	4,102,924
Total assets	6,479,801	5,685,422	12,165,223
March 31, 2007			
Revenue, gross	187,878	27,873	215,751
Loss	92,881	189,887	282,768
Capital expenditures	38,271	2,158,205	2,196,476
December 31, 2007			
Property and equipment	1,111,830	2,774,743	3,886,573
Total assets	6,428,371	6,017,623	12,445,994

9. COMMITMENTS

The Company has three farm-in agreements in South America which require future expenditure commitments as outlined below:

Canadon Ramirez Concession

Pine Cliff, has committed to pay 100% of costs totaling $5,500,000 US, including the 21% Value Added Tax (“V.A.T.”), for work to be conducted on the concession within two years to earn a 49% participating interest.

As of March 31, 2008, the Company has expended $2,746,194 CDN ($2,399,190 US) including V.A.T of $462,622 CDN ($404,019 US) on the Canadon Ramirez Concession. 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.

Commitment by Year ($000's US)

Year	Amount
2008	3,101

San Jorge Basin Permit

Pine Cliff, has committed to pay 100% of costs totaling $4,620,000 US including V.A.T. to earn a 60% participating interest in the entire permit. As of March 31, 2008, no amounts have been expended on this permit. The V.A.T amount is recoverable against V.A.T liabilities generated on the sale of petroleum production in Argentina. CanAmericas' commitment and earn-in in this property is subject to final granting of the concession for this property by the provincial government to the Farmor. The finalization for this conversion is expected to be completed in the third quarter of 2008.

Commitment by Year ($000's US)

Year	Amount
2008	300
2009	2,595
2010	1,725
	4,620

Laguna de Piedra Concession

Pine Cliff through its subsidiaries has committed to pay 40% of costs totaling $1,120,000 US including V.A.T. to earn a 25% participating interest in the entire permit.

As of March 31, 2008, the Company has expended $69,908 CDN ($68,083 US) including V.A.T of $10,102 CDN ($9,889 US) on the Laguna de Piedra Concession. 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.

Commitment by Year ($000's US)

Year	Amount
2008	1,052

The Company issued a letter of guarantee to spend $1,120,000 US for work to be conducted on this Concession. The guarantee expires July 1, 2008. Subsequent to March 31, 2008 the Company has spent sufficient funds to meet its commitment.

The success of the South American operations and recoverability of the capitalized costs related thereto are dependent upon the development of successful producing properties. This may require additional financing in amounts sufficient to continue the on-going development of the South American operations and to meet the related obligations as they become due.

10. 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, foreign exchange risk, credit risk, and liquidity risk). Financial risk management is carried out by senior management under the direction of the Directors.

The Company does not enter into risk management contracts. The Company sells its oil and 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 are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide 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 new shares.

The Company monitors capital on the basis of the ratio of annual budgeted exploration capital requirements to current working capital. This ratio is calculated using the projected cash requirements for nine months to a year in advance and maintaining a working capital balance of approximately 6 months to satisfy this requirement on a continuous basis.

The Company believes that maintaining approximately a six month current working capital balance to the exploration capital budget requirement is an appropriate basis to allow it to continue its future development of the Company's largest assets; the "Canadon Ramirez Concession," "Laguna de Piedra Concession" and the "San Jorge Basin Concession."

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

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

a) Financial assets, financial liabilities

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

Table 1

	As at March 31, 2008			As at December 31, 2007		
($000)	Carrying Value	Fair Value	Face Value	Carrying Value	Fair Value	Face Value
Financial assets						
Restricted term investments	–	–	–	2,689	2,689	2,689
Accounts receivable	106	106	118	72	72	81
Financial liabilities						
Accounts payable and accrued liabilities	182	182	182	181	181	181

The budgeted capital expenditure to working capital base figures for March 31, 2008 and December 31, 2007 are presented below:

($000)	March 31, 2008	December 31, 2007
Budgeted capital expenditure (December 31, 2007)	6,425	6,425
Expenditures 2008	(281)	–
Budgeted capital expenditure	6,144	6,425
Number of months budgeted	9	12
Current assets	8,119	8,559
Current liabilities	(182)	(181)
Working capital	7,937	8,378
Budgeted capital expenditure to working capital base	0.8	0.8
Working capital to budgeted capital expenditure (in months)	11.6	15.7

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 possible development of its oil and gas properties in Argentina. The Company also engages to a much lesser extent in the sale of oil and natural gas properties in Canada. Fluctuations in prices of these commodities may directly impact the Company's performance and ability to continue with its operations.

The Company's management, in agreement with the Board of Directors, currently does not use risk management contracts to set price parameters for its production.

Sensitivity Analysis

The Company is still in the exploration stage of development of its exploration properties and as such generates nominal cash flow or earnings from these properties. In addition the Company's petroleum and natural gas operations provide only moderate cash flow and as such changes of $1.00 US per barrel in the price of crude oil, $0.10 per MCF in the price of natural gas and $0.01 change in the Cdn/US exchange rate would have no material impact on the Company.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows 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 Comaplex 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, US and Argentina Pesos investment chequing accounts. 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. As discussed above, the Company generally manages its capital such that its annual budgeted capital requirements to current working capital ratio are approximately six months. This reduces the effects of unused funds generating a minimum return on investment.

Sensitivity Analysis

Based on historic movements and volatilities in the interest rate markets, and management's current assessment of the financial markets, the Company believes that a one percent variation in the Canadian prime interest rate is reasonably possible over a 12 month period. No income tax effect has been calculated as the Company has more than sufficient tax pools to offset against profit.

The following illustrates the annual impact of a 1% fluctuation in the Canadian prime interest rate:

	As at March 31, 2008				As at December 31, 2007			
	Plus 1%		Minus 1%		Plus 1%		Minus 1%	
($000)	Earnings	Equity	Earnings	Equity	Earnings	Equity	Earnings	Equity
Financial assets								
Cash deposits	79	79	(79)	(79)	58	58	(58)	(58)
Restricted term investments	–	–	–	–	27	27	(27)	(27)
Accounts receivable	–	–	–	–	–	–	–	–
Financial liabilities								
Accounts payable and accrued liabilities	–	–	–	–	–	–	–	–
Total increase (decrease)	79	79	(79)	(79)	85	85	(85)	(85)

Foreign exchange risk

The Company has foreign operations, but no revenue from production from the foreign properties and currently sells all of its Canadian product sales in Canadian currency. The Company has a US cash and Argentina Pesos cash balance and earns an insignificant amount of interest on its US and Argentina Pesos bank account. 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 payment for foreign currency denominated payables come due. As such, Pine Cliff does not mitigate this risk by hedging its CAD/USD/ARG exchange rate.

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.

Of the accounts receivable balance at March 31, 2008 ($50,000) and December 31, 2007 ($72,000) all relate to product sales with Canadian oil and gas companies and interest income from major Canadian chartered banks all of which have always paid within 30 to 60 days.

The Company assesses quarterly if there has been any impairment of the financial assets of the Company. During the three month period ended March 31, 2008 there was no impairment provision required on any of the financial assets of the Company due to historical success of collecting receivables. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying value of accounts receivable approximates their fair value due to the relatively short periods to maturity on this instrument. 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,
- Pine Cliff 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
- Pine Cliff may be unable to settle or recover a financial asset at all.

To help reduce these risks, the Company:

- Has a general capital policy of maintaining approximately six months of annual budgeted capital requirements as its working capital base.
- Maintain a continuous evaluation approach as to the requirements for its largest exploration programs; the Canadon Ramirez Concession, Laguna de Piedra Concession and the San Jorge Basin Concession.

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