Pine Cliff Energy Ltd.

2006 INTERIM REPORT

For the period ended
June 30, 2006

Highlights

For the periods ended	Three Months Ended June 30 2006	Three Months Ended June 30 2005	Six Months Ended June 30[3] 2006	Six Months Ended June 30[3] 2005
Financial ($)				
Revenue – oil and gas	**108,413**	140,417	**400,483**	140,417
Funds Flow from Operations[1]	**(337,020)**	48,374	**(259,320)**	24,198
Per Share - Basic	**(0.01)**	0.00	**(0.01)**	0.00
Per Share – Diluted	**(0.01)**	0.00	**(0.01)**	0.00
Loss	**(526,107)**	(44,553)	**(593,246)**	(68,729)
Per Share - Basic	**(0.01)**	(0.00)	**(0.02)**	(0.00)
Per Share - Diluted	**(0.01)**	(0.00)	**(0.02)**	(0.00)
Capital Expenditures and Acquisitions	**124,236**	1,615,915	**256,162**	1,615,915
Total Assets			**4,892,079**	5,481,085
Working Capital			**3,175,577**	3,699,784
Shareholders' Equity			**4,589,015**	5,308,028
Operations				
Oil and NGL's - Barrels Per Day	**4**	6	**6**	6
– Average Price ($ per barrel)	**77.45**	56.92	**65.00**	56.92
Natural Gas – MCF Per Day	**139**	153	**211**	153
– Average Price ($ per MCF)	**6.37**	8.20	**8.54**	8.20
Total Barrels Per Day[2]	**27**	31	**41**	31

(1) Funds flow from operations is not a recognized measure under GAAP. Management believes that in addition to net loss, funds flow from operations is a useful supplemental measure as it demonstrates the Company's ability to generate the cash 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 including foreign exchange loss.

(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.

(3) The Company was incorporated in the Province of Alberta on November 10, 2004 and commenced operations on April 8, 2005.

Management's Discussion and Analysis

The following report dated August 18, 2006 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 six months ended June 30, 2006, including the notes related thereto, and the audited financial statements for the year ended December 31, 2005, together with the notes related thereto.

General

At the present time the Company is focusing mainly on the establishment of operations in South America to supplement its Canadian operations and to complete its long term objective of becoming an active oil and natural gas producer in Canada and on an international basis.

Internationally the Company is presently attempting to obtain producing and non-producing properties in Argentina and Chile. Negotiations with various levels of governments and with companies that have existing operations are presently ongoing in these countries and management is optimistic with regard to its ability to establish long term relationships that will be beneficial to all shareholders.

Financial and Operational

The Company was incorporated in the Province of Alberta on November 10, 2004 and commenced operations April 8, 2005. Therefore all 2005 comparative figures are only for three months of operations.

Production

During the second quarter of 2006, the operator of the gas plant, where approximately 80 percent of the Company's production is processed, performed an annual turnaround in May and June resulting in the significant reduction in production. Subsequent to the completion of the turnaround, capacity restrictions resulted in the continued shut-in of the Company's production. At the present time the operator is unable to confirm when capacity will again be available.

Revenue

Revenue from petroleum and natural gas sales was $400,483 during the first half of 2006 compared to $140,417 for the first half of 2005. The increase is due to six months of operations for 2006 as well as additional drilling performed during 2005 and the winter of 2006. As discussed above approximately 80 percent of the Company's production has been shut-in since May resulting in a decrease of $183,657 in Q2 compared to Q1 oil and gas revenue.

Royalties

Royalties consist of Crown royalties of $9,794 (2005 - $19,447) paid to the Province of Alberta and gross overriding royalties of $19,136 (2005 - $3,782). During the fourth quarter of 2005, the Company received approval for a Crown royalty holiday on certain of its wells. The result was a refund of previously paid Crown royalties. The Company receives a 25 percent royalty tax credit on Crown royalties paid to the Province of Alberta.

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.

Production Costs

Production costs for the six months ended June 30, 2006 were $67,930 or $9.05 per BOE (2005 – $20,407 or $7.12 per BOE). 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 increase in total operating costs was due to increased production volumes. The reduction in Q2 production costs ($25,979) from Q1 production costs ($41,951) was due to the shut-in of production in the second quarter of 2006.

General and Administrative

General and administrative expense for the first six months of 2006 was $569,198 ($375,669 in the second quarter) compared to $97,799 for the first six months of 2005 and $193,529 for the first quarter of 2006. The primary reason for the increases in expenses was due to the Company incurring $302,410 in respect of administration costs related to its 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 Energy Ltd. ("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.

On April 14, 2006, CanAmericas entered into an operations/engineering contract with a South American company to provide services with regard to properties CanAmericas is examining in South America. The contract provides for a monthly retainer of $30,000 U.S. until December 31, 2006. The contract amount is to be reviewed quarterly and adjusted by mutual consent of the parties. The contract is in effect until December 31, 2006 and thereafter may be terminated by either party by giving 60 days written notice. The contractor will also receive a five percent working interest of CanAmericas' working interest in each project after CanAmericas has recovered 140 percent of all of its costs in the project including the retainer.

In addition to the above, increases in geological consulting fees of $62,650 (Canadian operations), audit, accounting and engineering costs related to the 2005 year end audit and financial reporting of $33,554 and $48,000 in management fees (see below) were incurred in the first six months of 2006 compared to the corresponding 2005 period. The Q2 increase of $182,140 over Q1 was primarily due to the Company's South American operations with a reduction in geological consulting fees offsetting a portion of the increase.

Pine Cliff also has a management agreement with Comstate Resources Ltd. (Comstate), a wholly owned subsidiary of Bonterra Energy Income Trust and a company with common directors and management, to have Comstate 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 $18,000, three percent of net earnings before income taxes, plus out of pocket costs. Total fees for the six months ended June 30, 2006 were $108,000 (2005 - $60,000) plus minimal out of pocket costs.

Foreign Exchange Loss

As discussed above, the Company incorporated a subsidiary company, 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 with $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. The loss on foreign exchange of $54,905 relates to the appreciation of the Canadian dollar from the date of the above share issuance to June 30, 2006.

Stock Based Compensation

Stock based compensation for Q2 2006 was $112,099 (2005 - $28,186). The Company has a stock-based compensation plan for Pine Cliff as well as for CanAmericas. The Company records a compensation expense over the vesting period based on the fair value of options granted to employees, directors and consultants with regard to either Company. The Company issued 845,000 stock options in Pine Cliff during the second quarter of 2006. The Company estimated the stock options fair value at $176,362 ($0.21 per option) using the Black-Scholes option pricing model, assuming a weighted average risk free interest rate of 4.14 percent, weighted average expected average volatility of 65 percent, weighted average expected average life of 2.5 years and no annual dividend rate.

During the first quarter of 2006 the Company issued 1,000,000 stock options of CanAmericas to Foreign Corp. at a price of $0.25 U.S. (the same price as Pine Cliff paid for its shares). The value of these options was estimated using the Black-Scholes option pricing model, assuming a risk free interest rate of 3.815 percent, expected average volatility of 85 percent, expected average life of 2.5 years and no annual dividend rate. The total value of these options to be amortized over the vesting period of the options is $149,588 (approximately $0.15 per option) of which $51,946 was amortized during the first six months of 2006.

Depletion, Depreciation, Dry hole Costs and Accretion

During the first half of 2006 the Company provided for $134,558 (2005 - $91,948) related to depletion, depreciation and dry hole costs of its property and equipment and accretion. The increase is related to additional production volumes in 2006. The decrease of $34,626 from the first quarter relates to lower production volumes due to the shut-in of most of the Company's producing wells (see production above).

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.

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 so that it is not liable for current income tax.

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

	Rate of Utilization %	Amount
Undepreciated capital costs	25	$ 264,670
Share issue costs	20	117,353
Non-capital loss carryforward (Pine Cliff)	100	98,895
Non-capital loss carryfoward (CanAmericas)	100	333,756
Canadian exploration expenditures	100	392,110
Canadian development expenditures	30	479,889
Canadian oil and gas expenditures	10	768,816
		$2,455,489

Non-Controlling Interest

As described above, Foreign Corp. owns approximately seven percent of CanAmericas. The $25,746 of loss applicable to non-controlling interest relates to their share of revenues and costs associated with CanAmericas' South American activities.

Loss

The loss in the first six months of 2006 was $593,246 ($526,107 in the second quarter) compared to $68,729 in the corresponding 2005 period and $67,139 in the first quarter of 2006. The 2006 loss, and in particular that which was incurred in the second quarter of 2006, was predominantly due to general and administrative costs incurred with regard to the Company's South American operations as well as the future tax adjustment. The Company is optimistic that current planned activity will result in improved results in the future.

Funds Flow From Operations

Funds flow from operations decreased to negative $259,320 in the first six months of 2006 (($337,020) in the second quarter) from $24,198 in first half of 2005. The decreases from 2005 and the first quarter of 2006 were due to the Company's start up activities in South America.

The following reconciliation compares funds flow for the first six months of 2006 and the corresponding 2005 period to the Company's cash flow from operating activities as calculated according to Canadian generally accepted accounting principles:

	2006	2005
Cash flow from operating activities	$ 86,914	$ (32,381)
Items not affecting funds flow		
Due to related party	(16,006)	–
Accounts receivable	(271,051)	91,363
Prepaid expenses	603	–
Accounts payable and accrued liabilities	(5,040)	(30,501)
Due to related party	165	(4,283)
Foreign exchange loss	(54,905)	–
Funds flow for the period	$ (259,320)	$ 24,198

Liquidity and Capital Resources

As of June 30, 2006, Pine Cliff had positive working capital of $3,175,577 (December 31, 2005 - $3,565,689). 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 six months are as follows:

Issued	Number	Amount
Common Shares		
Balance, January 1, 2006	36,420,041	$ 5,352,428
Shares issued pursuant to Company option plan	78,000	11,700
Transfer of contributed surplus to share capital	–	7,202
Balance, June 30, 2006	36,498,041	$ 5,371,330

A summary of the status of the Company's stock option plan as of June 30, 2006 and December 31, 2005, and changes during the six month and twelve month periods ending on those dates is presented below:

	June 30, 2006		December 31, 2005	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at beginning of period	1,686,000	$ 0.16	–	$ –
Options granted	845,000	0.51	1,752,000	0.16
Options exercised	(78,000)	0.15	–	–
Options cancelled	(23,000)	0.15	(66,000)	0.15
Outstanding at end of period	2,430,000	$ 0.28	1,686,000	$ 0.16
Options exercisable at end of period	765,000	$ 0.15	–	$ –

The following table summarizes information about stock options outstanding at June 30, 2006:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding At 6/30/06	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable At 6/30/06	Weighted-Average Exercise Price
$0.15	1,565,000	3.6 years	$0.15	765,000	$0.15
$0.50-$0.70	865,000	3.6 years	0.51	–	–
$0.15-$0.70	2,430,000	3.6 years	$0.28	765,000	$0.15

The Company's subsidiary CanAmericas adopted a stock option plan during the first quarter of 2006. Options issued during the first six months were as follows:

	June 30, 2006	
	Options	Weighted-Average Exercise Price
Outstanding at beginning of period	–	$ –
Options granted	1,000,000	0.25 U.S.
Options cancelled	–	–
Outstanding at end of period	1,000,000	$ 0.25 U.S.
Options exercisable at end of period	–	$ –

The options vest 50 percent each on January 13, 2007 and January 13, 2008.

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

CONSOLIDATED BALANCE SHEETS

As at June 30, 2006 (unaudited) and December 31, 2005	2006	2005
Assets		
Current		
Cash	$3,236,178	$3,334,961
Due from related party (Note 2)	–	16,006
Accounts receivable	68,279	339,330
Prepaid expenditures	4,063	3,460
	3,308,520	3,693,757
Future Income Tax Asset	103,239	216,254
Property and Equipment		
Property and equipment	1,789,423	1,538,809
Accumulated depletion and depreciation	(309,103)	(180,832)
Net Property and Equipment	1,480,320	1,357,977
	$4,892,079	$5,267,988
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 132,943	$ 127,903
Due to related party (Note 2)	–	165
	132,943	128,068
Asset Retirement Obligations	30,251	29,513
Non-controlling Interests (Note 3)	139,870	–
	303,064	157,581
Shareholders' Equity		
Share capital (Note 4)	5,371,330	5,352,428
Contributed surplus	139,993	87,041
Deficit	(922,308)	(329,062)
	4,589,015	5,110,407
	$4,892,079	$5,267,988

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

For the periods ended June 30 (unaudited)	**Three Months**		Six Months	
	2006	2005	**2006**	2005
Revenue				
Oil and gas sales	**$ 108,413**	$ 140,417	**$ 400,483**	$ 140,417
Royalties	**(6,049)**	(23,229)	**(28,930)**	(23,229)
Alberta royalty tax credit	**664**	4,862	**2,448**	4,862
Interest income	**37,375**	20,354	**58,712**	20,354
	140,403	142,404	**432,713**	142,404
Expenses				
Production costs	**25,979**	20,407	**67,930**	20,407
General and administrative	**375,669**	73,623	**569,198**	97,799
Foreign exchange loss	**75,775**	–	**54,905**	–
Stock based compensation	**59,818**	28,186	**112,099**	28,186
Dry hole costs	**5,550**	–	**5,550**	–
Depletion, depreciation and accretion	**44,416**	91,948	**129,008**	91,948
	587,207	214,164	938,690	238,340
Loss before Taxes and Non-Controlling Interests	**(446,804)**	(71,760)	**(505,977)**	(95,936)
Income Taxes (Recovery)				
Current	**–**	–	**–**	–
Future	**102,068**	(27,207)	**113,015**	(27,207)
	102,068	(27,207)	**113,015**	(27,207)
Loss before Non-controlling interests	**(548,872)**	(44,553)	**(618,992)**	(68,729)
Loss applicable to non-controlling interests (Note 3)	**22,765**	–	**25,746**	–
Loss for the Period	**(526,107)**	(44,553)	**(593,246)**	(68,729)
Deficit, Beginning of Period	**(396,201)**	(24,176)	**(329,062)**	–
Deficit, End of Period	**$(922,308)**	$ (68,729)	**$(922,308)**	$ (68,729)
Loss Per Share - Basic	**($0.01)**	($0.00)	**($0.02)**	($0.00)
Loss Per Share - Diluted	**($0.01)**	($0.00)	**($0.02)**	($0.00)

CONSOLIDATED STATEMENTS OF CASH FLOW

For the periods ended June 30 (unaudited)	Three Months 2006	Three Months 2005	Six Months 2006	Six Months 2005
Operating Activities				
Loss for the period	$ (526,107)	$ (44,553)	$ (593,246)	$ (68,729)
Items not affecting cash				
Stock based compensation	59,818	28,186	112,099	28,186
Dry hole costs	5,550	–	5,550	–
Depletion, depreciation and accretion	44,416	91,948	129,008	91,948
Future income taxes	102,068	(27,207)	113,015	(27,207)
Foreign exchange loss	75,775	–	54,905	–
Loss applicable to non-controlling interests	(22,765)	–	(25,746)	–
	(261,245)	48,374	(204,415)	24,198
Change in non-cash working capital				
Due from related party	–	–	16,006	–
Accounts receivable	100,706	(89,672)	271,051	(91,363)
Prepaid expenditures	3,222	–	(603)	–
Accounts payable and accrued liabilities	85,286	30,501	5,040	30,501
Due to related party	–	4,283	(165)	4,283
	189,214	(54,888)	291,329	(56,579)
Cash Provided by (Used in) Operating Activities	(72,031)	(6,514)	86,914	(32,381)
Financing Activities				
Proceeds received on initial public offering	–	5,463,005	–	5,463,005
Issue costs	–	(92,660)	–	(92,660)
Share option proceeds	11,700	–	11,700	–
Issue of shares by subsidiary (Note 3)	–	–	113,670	–
Deferred charges	–	82,963	–	–
Change in non-cash working capital				
Accounts receivable	–	3,975	–	–
Accounts payable and accrued liabilties	–	(88,100)	–	(25,000)
Due to related party	–	(128,533)	–	(53,845)
Cash Provided by Financing Activities	11,700	5,240,650	125,370	5,291,500
Investing Activities				
Property and equipment expenditures	(124,236)	(1,615,915)	(256,162)	(1,615,915)
Change in non-cash working capital				
Accounts payable and accrued liabilities	(89,370)	–	–	–
Due to related party	–	128,023	–	128,023
Cash Used in Investing Activities	(213,606)	(1,487,892)	(256,162)	(1,487,892)
Foreign Exchange Loss on Cash Held in Foreign Currency	(75,775)	–	(54,905)	–
Net Cash Inflow (Outflow)	(349,712)	3,746,244	(98,783)	3,771,227
Cash, Beginning of Period	3,585,890	24,984	3,334,961	1
Cash, End of Period	$3,236,178	$3,771,228	$3,236,178	$3,771,228
Cash Interest Paid	$ –	$ –	$ –	$ –
Cash Taxes Paid	$ –	$ –	$ –	$ –

Notes to the Consolidated Financial Statements

Periods ended June 30, 2006 and 2005 unaudited

1. SIGNIFICANT ACCOUNTING POLICIES

   The accounting policies and methods of application followed in the preparation of the interim financial statements other than described below are the same as those followed in the preparation of the Company's 2005 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 2005 annual financial statements.

   Consolidation

   These financial statements include the accounts of the Company and its 93.3 percent owned subsidiary CanAmericas Energy Ltd. ("CanAmericas") (see note 3).

   Foreign Currency Translation

   The Company translates foreign currency denominated monetary assets and liabilities of its integrated foreign subsidiary at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities are translated at historical exchange rates. Revenues and expenses are translated at estimated transaction date exchange rates except depletion and depreciation expense, which is translated at the same historical exchange rates as the related assets. Exchange gains or losses are included in the determination of net income as foreign exchange gain or loss.

2. RELATED PARTY TRANSACTIONS

   Bonterra Energy Income Trust, an organization with common directors and management and former parent of the Company, through its wholly owned subsidiary Comstate Resources Ltd. ("Comstate") provides management services and office administration to the Company. The management fee consists of a monthly fee of $18,000 (2005 - $12,000) plus out of pocket costs, a fee of three percent of net earnings before income taxes, $250 per month per operated producing well and $150 per month per water injector well. Total management fees paid for the first six months of 2006 were $108,000 (2005 - $60,000) and have been included in general and administrative costs. As of June 30, 2006, the Company had no balances owing to Comstate.

3. NON-CONTROLLING INTERESTS

   The Company incorporated a subsidiary company, CanAmericas, to explore and develop oil and gas properties primarily in South America. CanAmericas is owned 93.3 percent by the Company and 6.7 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.

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. This option vests at a rate of 50 percent per year over a two year period.

4. 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, 2006	36,420,041	$5,352,428
Shares issued pursuant to Company option plan	78,000	11,700
Transfer of contributed surplus to share capital	–	7,202
Balance, June 30, 2006	36,498,041	$5,371,330

A summary of the status of the Company's stock option plan as of June 30, 2006 and December 31, 2005, and changes during the six month and twelve month periods ending on those dates is presented below:

	June 30, 2006		December 31, 2005	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at beginning of period	1,686,000	$0.16	–	$ –
Options granted	845,000	0.51	1,752,000	0.16
Options exercised	(78,000)	0.15	–	–
Options cancelled	(23,000)	0.15	(66,000)	0.15
Outstanding at end of period	2,430,000	$0.28	1,686,000	$0.16
Options exercisable at end of period	765,000	$0.15	–	$ –

The following table summarizes information about stock options outstanding at June 30, 2006:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding At 6/30/06	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable At 6/30/06	Weighted-Average Exercise Price
$0.15	1,565,000	3.6 years	$0.15	765,000	$0.15
$0.50-$0.70	865,000	3.6 years	0.51	–	–
$0.15-$0.70	2,430,000	3.6 years	$0.28	765,000	$0.15

The Company records a compensation expense over the vesting period based on the fair value of options granted to employees, directors and consultants.

During the second quarter, the Company granted 845,000 stock options with a weighted average exercise price of $0.51. Of the stock options issued, 740,000 options vest April 10, 2007, the remaining 105,000 vest over two years. The Company estimated the stock options' fair value at $176,362 ($0.21 per option) using the Black-Scholes option pricing model, assuming a weighted average risk free interest rate of 4.14 percent, weighted average expected average volatility of 65 percent, weighted average expected average life of 2.5 years and no annual dividend rate.

5. **SEGMENTED INFORMATION**

The Company, with the incorporation of CanAmericas in February, 2006, has operations in Canada and South America; all operating activities are related to exploration, development and production of petroleum and natural gas as follows:

($)	Canada	South America	Total
Three Months Ended June 30, 2006(1)			
Revenue, gross	144,385	1,403	145,788
Loss before non-controlling interest	207,408	341,464	548,872
Capital expenditures	99,124	25,112	124,236
Six Months Ended June 30, 2006(1)			
Revenue, gross	435,636	23,559	459,195
Loss before non-controlling interest	232,807	386,185	618,992
Property and equipment	1,455,691	24,629	1,480,320
Capital expenditures	230,050	25,112	256,162
Total assets	3,399,991	1,492,088	4,892,079

(1) Prior to the incorporation of CanAmericas, the Company had no reportable segments and as such no prior period information has been provided.

6. **COMMITTMENTS**

On April 14, 2006, CanAmericas entered into an operations/engineering contract with a South American company to provide services in respect of properties CanAmericas is examining in South America. The contract provides for a monthly retainer of $30,000 U.S. until December 31, 2006. The contract amount is to be reviewed quarterly and adjusted by mutual consent of the parties. The contract is in effect until December 31, 2006 and thereafter may be terminated by either party by giving 60 days written notice. The contractor will also receive a five percent working interest of CanAmericas working interest in each project after CanAmericas has recovered 140 percent of all of its costs in the project including the retainer.

7. **CURRENCY RISK**

The Company is exposed to fluctuations in foreign currency as a result of its South American operations. The Company has not entered into any foreign currency derivatives with respect to its US currency account.

Pine Cliff Energy Ltd.

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