

PINE CLIFF ENERGY LTD.
2005 FIRST QUARTER REPORT
FOR THE THREE MONTHS ENDED
MARCH 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following report dated May 9, 2005 is a review of the operations, current financial position and outlook for the Company and should be read in conjunction with the unaudited financial statements for the three months ended March 31, 2005, including the notes related thereto, and the audited financial statement for the period ended December 31, 2004, together with the notes related thereto.

General Discussion

Pine Cliff Energy Ltd. (the "Company" or "Pine Cliff") was incorporated on November 10, 2004 in the Province of Alberta. The business of the Company is the acquisition of interests in petroleum and natural gas rights and the exploration, development and production of petroleum and natural gas. The Company will be focusing its activities in Western Canada.

The Company will pursue property acquisitions in which it has both technical knowledge and operational strength. Pine Cliff will then attempt to enhance operations by reducing operating costs and increasing petroleum and natural gas production. Pine Cliff will also be developing drilling prospects and will be acquiring land to drill these prospects. Funding will be from the Company's working capital.

Financial and Operational

Quarterly results for the three months ending March 31, 2005 and the period from November 10, 2004 to December 31, 2004:

(\$)	2005	2004
Revenues	-	-
Net Earnings (Loss)	(24,176)	-
Per Share – basic and diluted	(2,418)	-
Capital Expenditures	-	-
Total assets	192,458	78,846
Debt	-	-
Shareholders Equity	(24,175)	1

The Company as of March 31, 2005 did not own any oil and gas properties. Effective April 8, 2005, the Company acquired interests in two natural gas properties for \$761,000. The Sundance lands in West Central Alberta are currently the major portion of the property being acquired. Pine Cliff now has a 14.4 percent working interest (subject to crown royalty) in 4,960 acres in this area. There are two wells (0.308 net) on the lands. The Company's current net production from the Sundance lands is approximately 90 MCF per day of natural gas plus 4 barrels of natural gas liquids per day.

The Company's partners in the Sundance lands are currently drilling two multi-zone wells. The Company's interest in these wells is 15 and 3 percent. Results from the drilling will be released when they are provided to Pine Cliff. It is expected that success with these or other wells drilling in the area will result in the possibility of several other wells being drilled on the Company's lands.

Pine Cliff also acquired an interest in a crown lease of 256 hectares in the Auburndale area of East Central Alberta. The Company anticipates drilling a Devonian well for sweet natural gas prior to the end of May. There is currently no production from this lease, nor are there any wells located on these lands.

The funding for the acquisition and exploration and development of the above mentioned properties will be funded out of proceeds raised from the Company's initial public offering. Please see below for discussion on the details of the offering.

The Company as of March 31, 2005 incurred \$161,808 of costs in respect of its initial public offering. Of these charges \$72,595 has been paid by Novitas Energy Ltd. (Novitas), the Company parent company prior

to the completion of Pine Cliff's initial public offering. Novitas has agreed to provide working capital to the Company pending the completion of its initial public offering. Total amount owing to Novitas as of March 31, 2005 was \$102,684 which was repaid in April 2005.

Pine Cliff does not have any employees at the present time. Effective February 1, 2005, Pine Cliff entered into 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, vice president, finance and vice president, operations duties), accounting services, oil and gas administration and office administration. The management fee consists of a monthly fee of \$12,000 per month 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. As of March 31, 2005, \$25,849 was owing to Comstate by Pine Cliff in relation to these charges.

On April 7, 2005 the Company concluded its initial public offering of 36,420,031 Common Shares at \$0.15 per share for gross proceeds of \$5,463,005. Total expenses related to the initial public offering are anticipated to be \$170,000. As of March 31, 2005, \$96,808 has been included in prepaid expenses pending completion of the initial public offering. As disclosed in the Company's Prospectus relating to its initial public offering, the Company granted 930,000 stock options to certain of its directors and officers, and an additional 802,000 stock options to other staff and service providers at an exercise price of \$0.15 per share. The Company commenced trading on the TSX Venture Exchange on April 11, 2005.

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,

(signed) "George F. Fink"
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 for 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.

Our 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.

STATEMENT OF LOSS AND DEFICIT

For the Three Months Ended March 31, 2005 (unaudited) (Note 1)

<i>Revenue</i>	\$ -
<i>Expenses</i>	
General and administrative (Note 7)	<u>24,176</u>
<i>Loss before Income Taxes</i>	(24,176)
<i>Income Taxes</i>	<u>-</u>
<i>Net loss for the period</i>	(24,176)
<i>Retained earnings, beginning of period</i>	<u>-</u>
<i>Deficit, end of period</i>	<u>\$ (24,176)</u>

PINE CLIFF ENERGY LTD.

STATEMENT OF CASH FLOWS

For the Three Months Ended March 31, 2005 (unaudited) (Note 1)

<i>Operating Activities</i>	
Net loss for the period	\$ (24,176)
Items not affecting cash	<u>-</u>
	<u>(24,176)</u>
Change in non-cash working capital	
Accounts receivable	(1,691)
Due to related parties	<u>25,849</u>
	<u>24,158</u>
<i>Cash Used in Operating Activities</i>	<u>(18)</u>
<i>Financing Activities</i>	
Deferred charges	(82,963)
Change in non-cash working capital	
Accounts receivable	(3,975)
Accounts payable and accrued liabilities	63,100
Due to related parties (Note 4)	<u>48,839</u>
<i>Cash Provided by Financing Activities</i>	<u>25,001</u>
<i>Net Cash Inflow</i>	24,983
<i>Cash, beginning of period</i>	<u>1</u>
<i>Cash, end of period</i>	<u>\$ 24,984</u>

PINE CLIFF ENERGY LTD.

BALANCE SHEETS

As at March 31, 2005 (unaudited) and December 31, 2004 (Note 1)

	2005	2004
<u>ASSETS</u>		
<i>Current Assets</i>		
Cash	\$ 24,984	\$ 1
Accounts receivable	<u>5,666</u>	<u>-</u>
	30,650	1
<i>Deferred Charges (Note 3)</i>	<u>161,808</u>	<u>78,845</u>
	<u>\$ 192,458</u>	<u>\$ 78,846</u>
 <u>LIABILITIES</u>		
<i>Current Liabilities</i>		
Accounts payable and accrued liabilities	\$ 88,100	\$ 25,000
Due to related parties (Note 4)	<u>128,533</u>	<u>53,845</u>
	<u>216,633</u>	<u>78,845</u>
 <u>SHAREHOLDERS EQUITY</u>		
<i>Share Capital (Note 2)</i>	1	1
<i>Deficit</i>	<u>(24,176)</u>	<u>-</u>
	<u>(24,175)</u>	<u>1</u>
	<u>\$ 192,458</u>	<u>\$ 78,846</u>

Notes to the Financial Statements

Period ended March 31, 2005 (Note 1)

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of application followed in the preparation of the interim financial statements are the same as those followed in the preparation of the Company's 2004 annual financial statements. The interim financial statements as presented should be read in conjunction with the 2004 annual financial statements.

Commencement of Operations

The Company was incorporated in the Province of Alberta on November 10, 2004 and commenced operations April 8, 2005 (see Notes 5 and 6).

2. 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		
<u>Balance, December 31, 2004</u>	<u>10</u>	<u>\$ 1</u>
<u>Balance, March 31, 2005</u>	<u>10</u>	<u>\$ 1</u>

3. DEFERRED CHARGES

The Company has incurred \$161,808 of costs in respect of its initial public offering. These costs have been recorded as deferred charges and will be charged to share capital when the public offering is recorded (see Notes 4 and 5).

4. DUE TO RELATED PARTIES

Novitas Energy Ltd. (Novitas), a company with common directors and management, has agreed to provide working capital to the Company until completion of its initial public offering (see Note 5). As of March 31, 2005, the Company owed \$102,684 to Novitas in respect of costs incurred in relation to its initial public offering and provision of working capital. As of March 31, 2005, the Company owes Comstate Resources Ltd. (Comstate), a wholly owned subsidiary of Bonterra Energy Income Trust and a company with common directors and management \$25,849 for management services (see Note 7).

5. SUBSEQUENT EVENT – INITIAL PUBLIC OFFERING

On April 7, 2005, the Company concluded its initial public offering of 36,420,031 Common Shares at \$0.15 per share for gross proceeds of \$5,463,005. The Company granted 930,000 stock options to certain of its directors and officers, and an additional 802,000 stock options to other service providers at an exercise price of \$0.15 per share. The Company commenced trading on the TSX Venture Exchange on April 11, 2005.

6. SUBSEQUENT EVENT – ASSET PURCHASE

On April 8, 2005, the Company completed its acquisition of producing and non-producing properties from Novitas for total consideration of \$761,000 cash.

7. COMMITMENTS

Commencing February 1, 2005, the Company entered into a management agreement with Comstate to provide executive services (president, vice president, finance and vice president, operations duties), accounting services, oil and gas administration and office administration. The management fee consists of a monthly fee of \$12,000 per month 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.