Long-term Value Focus

Q1-2015 Report

MESSAGE TO SHAREHOLDERS

Despite the first quarter of 2015 being a volatile three months for commodity prices, Pine Cliff continued to execute on its business plan. Highlights during the quarter are as follows:

- Maintained average daily sales volumes of 12,021 boe per day as compared to 12,095 boe per day in the fourth quarter of 2014;
- Repaid $8.5 million in bank debt during the quarter despite the low commodity price environment, exiting the quarter with net debt of $31.3 million; and
- Generated funds flow from operations of $6.2 million ($0.03 per share), a decrease of 47% as compared to the fourth quarter of 2014, mainly a result of a lower commodity price environment.

The first quarter of 2015 was one of the busiest periods in Pine Cliff's history, although it appears that may be surpassed by the next couple quarters of 2015. The dramatic decline in commodity prices that began in 2014 has challenged producers and left many with few options to strengthen their balance sheets as their cash flows have dropped. Pine Cliff was built to capitalize on the opportunities we are now analyzing and we were very pleased to announce a $15.94 million acquisition in April. The assets purchased are contiguous with Pine Cliff's current asset base, adding approximately 585 boe per day of production and drilling inventory to Pine Cliff's Carrot Creek / Edson core area and 445 boe per day of production to Pine Cliff's Southern core area. Pine Cliff anticipates this acquisition will close on or around May 30, 2015. These assets were purchased for approximately $15,500 per flowing boe per day and $3.30 per boe on a proved plus probable reserve basis. These metrics are some of the lowest in our three year history. We hope this will not be our last acquisition in 2015.

Pine Cliff is currently producing approximately 11,900 boe per day (week of April 20-26th) and we maintain our 2015 production guidance of 11,300 to 11,800 boe per day. Although we expect to increase our production guidance upon closing of the May 30, 2015 acquisition, we do not anticipate amending our annual capital expenditure guidance of $10 million at that time. Even at current forward strip prices, the funds flow generated within Pine Cliff will be significantly in excess of our capital expenditures allowing us to further reduce the amount drawn on our credit facility.

We remain focused on building per share value and our team is working hard to try and execute further accretive acquisitions in 2015 that will fit our asset mix. Thanks again for your support, patience and confidence in our business plan.

Yours truly,

Phil Hodge
President and Chief Executive Officer
May 12, 2015

Please refer to the attached Management's Discussion and Analysis for Reader Advisories regarding forward-looking information, non-IFRS measures and oil and gas measurements. This President's Message should be read in conjunction with the unaudited condensed consolidated interim financial statements of Pine Cliff Energy Ltd. together with Management's Discussion and Analysis for the three months ended March 31, 2015 and 2014, which can be found on www.sedar.com and is subject to the same cautionary statements as set out therein.

	Three months ended March 31	
	2015	2014
($000s, unless otherwise indicated)		
FINANCIAL		
Oil and gas sales	**18,801**	18,376
Total revenue	**17,608**	16,634
Cash flow from operating activities	**8,998**	10,039
Funds flow from operations [1]	**6,182**	10,089
Basic per share ($/share)	**0.03**	0.05
Diluted per share ($/share)	**0.03**	0.05
Earnings (loss)	**(5,503)**	2,969
Basic per share ($/share)	**(0.02)**	0.01
Diluted per share ($/share)	**(0.02)**	0.01
Capital expenditures, excluding acquisitions	**2,886**	1,120
Net Debt [2]	**31,279**	23,512
Weighted-average common shares outstanding (000s)		
Basic	**234,446**	200,710
Diluted	**234,446**	208,634
OPERATIONS		
Production		
Natural gas (Mcf/d)	**68,208**	36,116
Crude oil (Bbls/d)	**128**	56
Natural gas liquids (Bbls/d)	**525**	201
Total (Boe/d)	**12,021**	6,276
Realized commodity sales prices		
Natural gas ($/Mcf)	**2.76**	5.17
Crude oil ($/Bbl)	**52.07**	91.01
Natural gas liquids ($/Boe)	**25.85**	59.65
Combined ($/Boe)	**17.38**	32.53
Netback ($/Boe)		
Operating netback ($/Boe) [3]	**7.33**	19.82
Corporate netback ($/Boe) [4]	**5.72**	17.86

[1] Funds flow from operations is a non-IFRS measure that represents the total of funds provided by operating activities, before adjusting for changes in non-cash working capital.
[2] Net debt is a non-IFRS measure calculated as the sum of bank debt and trade and other payables less trade and other receivables, cash, prepaid expenses and deposits and investments.
[3] Operating netback is a non-IFRS measure calculated as the Company's oil and gas sales, less royalties and operating expenses, averaged over the Boe production of the Company.
[4] Corporate netback is a non-IFRS measure calculated as the Company's operating netback, less general and administrative expenses, interest and bank charges plus finance and dividend income, averaged over the Boe production of the Company.

May 12, 2015

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") is a review of the operations and current financial position for the three months ended March 31, 2015 for Pine Cliff Energy Ltd. ("Pine Cliff" or the "Company") and should be read in conjunction with the unaudited interim condensed consolidated financial statements as at and for the three month periods ended March 31, 2015 and 2014, together with the notes related thereto, and the audited consolidated financial statements as at and for the year ended December 31, 2014, together with the notes related thereto ("2014 Annual Financial Statements"). Additional information relating to the Company, including the Company's Annual Information Form, may be found on www.sedar.com and by visiting Pine Cliff's website at www.pinecliffenergy.com.

Pine Cliff's head office is based in Calgary, Alberta, Canada. Common shares of the Company are listed and posted for trading on the TSX Venture Exchange under the symbol "PNE".

READER ADVISORIES

This MD&A contains financial measures that are not defined under International Financial Reporting Standards ("IFRS") and forward-looking statements. Readers are cautioned that the MD&A should be read in conjunction with the Company's disclosure under "Non-IFRS Measures" and "Forward-Looking Information" included at the end of the MD&A.

Other Measurements

All amounts herein are presented in Canadian dollars unless otherwise specified. All references to C$ or $ are to Canadian dollars and references to US$ are to United States dollars.

Where amounts are expressed in a barrel of oil equivalent ("Boe" or daily equivalent of "Boe/d"), natural gas volumes have been converted to barrels of oil equivalent on the basis that six thousand cubic feet of natural gas ("Mcf" or daily equivalent of "Mcf/d") is equal to one barrel of oil ("Bbl" or daily equivalent of "Bbl/d"). This conversion ratio is based on energy equivalence primarily at the burner tip and does not represent a value equivalency at the wellhead. The term Boe may be misleading, particularly if used in isolation.

SENSITIVITIES

Pine Cliff's results are sensitive to changes in the business environment in which it operates. The following chart shows the Company's sensitivity to key commodity price variables and interest rates. The sensitivity calculations are performed independently showing the effect of the change of one variable; all other variables are held constant.

Business environment sensitivities		Impact on annual funds flow from operations [1]	
	Change	$000s	$ per share [3]
Crude oil price - Edmonton par ($/Bbl) [2]	$1.00	200	0.00
Natural gas price - AECO ($/Mcf) [2]	$0.10	2,350	0.01
Interest rate on variable rate debt	1.0%	390	0.00

[1] This analysis does not adjust for changes in working capital and uses current royalty rates.
[2] Pine Cliff has prepared this analysis using its first quarter 2015 daily sales volumes annualized for twelve months.
[3] Based on the first quarter of 2015 basic weighted average shares outstanding of 234,446,480.

PINE CLIFF'S STRATEGIC OBJECTIVES AND ACQUISITIONS

Pine Cliff is a growth oriented oil and gas exploration and production company seeking to acquire material asset positions in the Western Canadian Sedimentary Basin ("WCSB") to enlarge its current core areas and create new core areas of production with significant reserves and drilling inventories. The Company's current vision is to deliver long-term value to shareholders by building a portfolio of high-return assets for future growth focusing on counter cyclical natural gas opportunities while also accelerating current oil and liquids drilling and optimization opportunities.

The Company has been active in the acquisition and divestiture market and has executed the following key transactions since January 2012:

- The acquisition of certain oil and natural gas assets in the Carrot Creek area of Alberta (the "Carrot Creek Asset Acquisition") in March 2012;
- The combining of its operations with those of Geomark Exploration Ltd. ("Geomark") in October 2012;
- The acquisition of Skope Energy Ltd. (the "Skope Acquisition") in February 2013;

- The acquisition of additional working interests in the Monogram Unit (the "Monogram Unit") that is a portion of the Southern Assets, as defined herein, and related infrastructure (the "Monogram Asset Acquisition") in July 2013;
- The acquisition of additional interests in the Southern Assets (the "Additional Interests Acquisition") in August 2013;
- The acquisition of certain oil and natural gas assets in the Carrot Creek/Edson area of Alberta (the "Carrot Creek/Edson Asset Acquisition") in August 2014;
- The acquisition of certain shallow gas natural assets in Alberta and Southern Saskatchewan (the "Shallow Gas Asset Acquisition") in October 2014; and
- Subsequent to March 31, 2015, Pine Cliff announced the acquisition of certain oil and natural gas assets in the Carrot Creek/Edson area of Alberta and certain shallow natural gas assets in Southern Alberta. This acquisition is scheduled to close on or around May 30, 2015.

Management is pleased with its progress and believes that the assets that have been assembled to date and the cash flow from these assets will provide Pine Cliff with significant future opportunities. In the near-term, Pine Cliff will continue to maintain a strong financial position, drill, recomplete or optimize selected strategic wells and aggressively pursue, evaluate and attempt to execute on further accretive business acquisitions.

PINE CLIFF'S OPERATIONS

Pine Cliff's main areas of production are as follows:

- Southern Assets – at March 31, 2015, Pine Cliff holds an approximate 95% working interest in a package of high-quality, low decline, producing shallow gas assets mainly in southeast Alberta and minor interests in southwest Saskatchewan (collectively, the "Southern Assets"). The majority of the producing zones in these properties are from the upper Cretaceous Milk River, Medicine Hat and Second White Specks sands, which together constitute a meaningful interest for Pine Cliff in one of the largest Canadian gas fields in Western Canada. These fields are characterized by their shallow depths, low-permeability, clay-rich sands and long production life;

- Carrot Creek/Edson – Pine Cliff holds a working interest in a package of liquid rich natural gas assets which are located near the town of Edson, Alberta (the "Carrot Creek/Edson Assets"). In addition to the producing assets, Pine Cliff has, in aggregate, 23 gross (9.33 net) sections of undeveloped land. The Carrot Creek/Edson Assets have multi-zone potential which can be further exploited using horizontal drilling technology; and

- Minor properties – the balance of Pine Cliff's 2015 production comes from non-operated properties in the Sundance area of northwest Alberta, shallow natural gas assets in the Wetaskiwin area of northeast Alberta and from non-operated properties in the Harmatten, Garrington and Carstairs areas of central Alberta, however the Company does not currently have large enough land positions or working interests in these areas to consider them significant core areas.

SELECTED QUARTERLY FINANCIAL INFORMATION

	2015	2014				2013		
($000s, unless otherwise indicated)	**Q1**	Q4 [1]	Q3 [2]	Q2	Q1	Q4	Q3 [3]	Q2
Average sales volumes (boe/d)	**12,021**	12,095	6,810	6,371	6,276	6,443	5,784	4,335
Operating netback ($/boe) [4]	**7.33**	11.74	15.08	17.45	19.82	10.26	7.32	10.75
Oil and gas sales	**18,801**	25,469	17,469	17,136	18,376	12,621	9,719	9,084
Oil and gas sales, net of royalties	**17,487**	22,819	15,700	15,339	16,447	11,634	8,595	8,546
Total revenue	**17,608**	23,003	15,907	15,540	16,634	11,839	8,783	8,727
Cash flow from operating activities	**8,998**	13,969	6,390	7,242	10,039	6,631	2,579	3,751
Funds flow from operations [5]	**6,182**	11,615	8,104	9,180	10,089	5,564	3,014	3,721
Per share - basic ($/share)	**0.03**	0.05	0.04	0.05	0.05	0.03	0.02	0.02
Per share - diluted ($/share)	**0.03**	0.05	0.04	0.04	0.05	0.02	0.02	0.02
Earnings (loss)	**(5,503)**	(8,929)	918	2,333	2,969	3,772	(709)	(183)
Per share - basic ($/share)	**(0.02)**	(0.04)	0.00	0.01	0.01	0.01	(0.00)	(0.00)
Per share - diluted ($/share)	**(0.02)**	(0.04)	0.00	0.01	0.01	0.01	(0.00)	(0.00)

[1] The results for Q4-2014 include the results of the Shallow Gas Asset Acquisition for the period of October 1 to December 31, 2014.
[2] The results for Q3-2014 include the results of the Carrot Creek/Edson Asset Acquisition for the period of August 7 to September 30, 2014.
[3] The results for Q3-2013 include the results of the Monogram Asset Acquisition for the period of July 24 to September 30, 2013 and the Additional Interests Acquisition for the period of August 30 to September 30, 2013.
[4] Operating netback is a non-IFRS measure calculated as the Company's oil and gas sales, less royalties and operating expenses, averaged over the Boe production of the Company.

[5] Funds flow from operations is a non-IFRS measure that represents the total of funds provided by operating activities, before adjusting for changes in non-cash working capital.

First quarter 2015 highlights

During the first quarter of 2015, Pine Cliff reports that it:

- Attained average daily sales volumes of 12,021 Boe/d as compared to 6,276 Boe/d in the first quarter of 2014. The increase is mainly a result of additional production from the Shallow Gas Acquisition and the Carrot Creek/Edson Asset Acquisition in the latter half of 2014;
- Achieved quarterly funds flow from operations of $6.2 million, a decrease of 39% as compared to the first quarter 2014 funds flow from operations of $10.1 million. This decrease is mainly a result of a lower commodity price environment, partially offset by higher average sales volumes; and
- Realized a quarterly loss of $5.5 million (earnings in the first quarter of 2014 of $3.0 million), mainly a result of lower commodity prices, higher aggregate overall operating and depletion and depreciation expenses; and
- Announced subsequent to quarter end, the acquisition of certain oil and natural gas assets contiguous to its Carrot Creek/Edson Assets and its Southern Assets.

GUIDANCE FOR 2015

The 2015 guidance provides information as to management's expectation for results of operations for 2015. Readers are cautioned that the 2015 guidance may not be appropriate for other purposes. The Company's expected results are sensitive to fluctuations in the business environment and may vary accordingly. This guidance contains forward-looking information and should be read in conjunction with the Company's disclosure under "Forward-Looking Information" included on the final page of the MD&A.

Production

	2015 Guidance	Three months ended March 31, 2015
Barrels of oil equivalent per day	11,300 - 11,800	12,021

Pine Cliff is projecting production volumes in 2015 to average between 11,300 Boe/d and 11,800 Boe/d, representing an increase of 46% over the 2014 average production (percent change based on the mid-point of the 2015 guidance). Pine Cliff expects to further revise its production guidance for 2015 upon the closing of the acquisition announced subsequent to March 31, 2015.

Capital Expenditures

	2015 Guidance	Three months ended March 31, 2015
($000's)		
Total	10,000	2,886

Pine Cliff remains committed to adding assets to its portfolio and is optimistic that the current depressed commodity pricing environment may provide accretive acquisition opportunities for the Company. Pine Cliff maintains its capital guidance and plans to spend approximately $10.0 million in 2015. Capital expenditures during the first three months of 2015 were $2.9 million. Pine Cliff's capital budget is designed to be flexible based on natural gas pricing and is expected to be substantially lower than the Company's estimated 2015 funds flow from operations, based on current strip pricing, positioning Pine Cliff to continue to strengthen its balance sheet in 2015.

Operating Expenses and Overhead

Pine Cliff expects 2015 operating expenses to average approximately $9.15 per Boe, royalties to average approximately 10% of revenue and general and administrative and net interest expenses to average approximately $1.80 per Boe, for an approximate corporate breakeven natural gas price of $2.00 per Mcf.

SALES VOLUMES

Total sales volumes by product	Three months ended March 31 2015	2014
Natural gas (Mcf)	**6,138,756**	3,250,459
Crude oil (Bbls)	**11,512**	5,018
NGLs (Bbls)	**47,273**	18,097
Barrels of oil equivalent	**1,081,912**	564,858
Natural gas weighting	**95%**	96%

Average daily sales volumes by product	Three months ended March 31 2015	2014
Natural gas (Mcf/d)	**68,208**	36,116
Crude oil (Bbls/d)	**128**	56
NGLs (Bbls/d)	**525**	201
Total (Boe/d)	**12,021**	6,276

Average daily sales volumes by property	Three months ended March 31 2015	2014
(Boe/d)		
Southern Assets	**10,126**	5,307
Carrot Creek	**1,700**	691
Minor properties	**195**	278
Total	**12,021**	6,276

Pine Cliff's sales volumes increased 92% to 12,021 Boe/d in the first quarter of 2015 as compared to 6,276 Boe/d in the first quarter 2014. The significant increase was mainly due to two significant acquisitions which were completed in the latter half of 2014 along with smaller production adds from a modest 2014 capital program. Base production continues to perform extremely well in all areas with an estimated annual corporate decline of less than 14%.

OPERATING AND CORPORATE NETBACKS

The components of the operating and corporate netback are summarized as follows:

	Three months ended March 31 2015	2014
($ per Boe)		
Oil and gas sales	**17.38**	32.53
Royalties	**(1.21)**	(3.42)
Operating expenses	**(8.84)**	(9.29)
Operating netback	**7.33**	19.82
General and administrative expense	**(1.32)**	(2.26)
Interest and bank charges	**(0.40)**	(0.04)
Finance and dividend income	**0.11**	0.34
Corporate netback	**5.72**	17.86
Operating netback ($ per Mcf)	**1.22**	3.30
Corporate netback ($ per Mcf)	**0.95**	2.98

Pine Cliff generated an operating netback of $7.33 per Boe for the three months ended March 31, 2015, as compared to $19.82 per Boe for the three months ended March 31, 2014. Overall, Pine Cliff generated a corporate netback of $5.72 per Boe for the three months ended March 31, 2015, as compared to $17.86 per Boe in the same period of 2014. The decrease in both the operating and corporate netback in the first quarter 2015 as compared to the same period of 2014 are mainly due to lower commodity prices partially offset by lower royalties and operating expenses per Boe.

OIL AND GAS SALES

	Three months ended March 31			
	2015		2014	
(000s, except per Boe amounts)	**$**	**$ per Boe**	$	$ per Boe
Natural gas [1]	**16,980**	**2.76**	16,840	5.17
Crude oil	**599**	**52.07**	457	91.01
NGLs	**1,222**	**25.85**	1,079	59.65
Total sales	**18,801**	**17.38**	18,376	32.53

[1] Per unit values are expressed in $ per Mcf.

Oil and gas sales for the three months ended March 31, 2015 increased by 2% as compared to the same period of 2014, reflecting increased sales volumes from acquisitions completed in the latter half of 2014. The increase in sales volumes was offset by an overall decrease in the commodity price environment and Pine Cliff's realized price in the three months ended March 31, 2015 was $17.38 per Boe, as compared to $32.53 per Boe in the three months ended March 31, 2014.

Commodity prices and foreign exchange rates

Pine Cliff's financial results are significantly influenced by fluctuations in commodity prices, including price differentials. The following table shows select market benchmark average prices and foreign exchange rates in the last eight quarters to assist in understanding the volatility in prices and foreign exchange rates that have impacted Pine Cliff's business.

	Q1-2015	Q4-2014	Q3-2014	Q2-2014	Q1-2014	Q4-2013	Q3-2013	Q2-2013
Natural gas								
NYMEX (US$/Mmbtu) [1]	**2.96**	3.96	4.07	4.56	4.90	3.63	3.60	4.09
AECO (C$/Mcf)	**2.60**	3.41	3.81	4.44	5.42	3.52	2.43	3.52
Crude oil								
WTI (US$/Bbl)	**48.63**	73.15	97.17	102.99	98.68	97.44	105.82	94.22
Edmonton light (C$/Bbl)	**51.78**	75.58	97.01	105.33	100.23	86.75	105.18	93.03
Foreign exchange								
US$/C$	**1.2411**	1.1357	1.0893	1.0905	1.1035	1.0498	1.0385	1.0234

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

In the first half of 2014, North American natural gas prices reached their highest average levels since 2008 as a result of a cold winter that established record setting demand resulting in depleted inventory levels in both Canada and the United States. Strong prices contributed to significant drilling activity resulting in supply growth leading to a supply-demand imbalance resulting in price deterioration for natural gas in the latter part of 2014 and continuing into 2015. In the first quarter of 2015 the benchmark AECO natural gas price in Canada decreased by 52% as compared to the first quarter of 2014, and average NYMEX gas price in the United States decreased by 40% in the same period. The AECO monthly strip for the next 12 months is currently trading in the $3.00 per Mcf range. Pine Cliff's realized natural gas price during the first quarter of 2015 was $2.76 per Mcf, a decrease of 47% over the first quarter of 2014 and a decrease of 35% over the fourth quarter of 2014.

Similarly, in the first three quarters of 2014, North American crude oil prices continued to be strong, averaging over US$100 per bbl in the second quarter, however the over-supplied nature of the oil market became apparent late in 2014 and this sentiment is continuing into 2015 with the continued production from the shale plays in the United States, slower than expected global demand growth and sustained production levels by OPEC. As a result, there is currently a crude oil supply-demand imbalance. The sell-off in global oil prices was a market reaction to restore the supply-demand balance, given that OPEC did not reduce production. Current oil prices are below marginal supply costs for new production from many areas, resulting in a significant reduction in 2015 budgeted capital spending for the global energy sector. Reduced drilling activity is expected to slow supply growth, however there is a lag between drilling activity levels and resultant oil production due to the life cycle of well completions and tie-ins. WTI oil prices averaged US$48.63 per Bbl in the first quarter of 2015 as compared to US$98.68 per Bbl in the first quarter of 2014. Canadian crude prices are based upon refiner postings at Edmonton, Alberta and are linked to WTI through transportation tariffs to common markets and the foreign exchange rate. In the three months ended March 31, 2015, the realized price of Pine Cliff's oil was $52.07 per Bbl, as a result of quality adjustments to the average posted Edmonton light crude oil price of $51.78 per Bbl.

Historically, the average price of NGLs has tracked the price of oil. However, changes in the supply and demand for certain NGLs such as ethane, propane and butane have impacted the relationship between the price of NGLs and the price of oil. In the three months ended March 31, 2015, the realized price of Pine Cliff's NGLs was $25.85 per Bbl, representing approximately 50% of the Edmonton light crude oil prices as compared to 60% in the three months ended March 31, 2014.

Pine Cliff does not currently utilize a hedging strategy and thereby has not eliminated any of the upside, or potential downside, of price fluctuations for its shareholders. The Company continues to monitor the fluctuating commodity prices closely and their impact on our results and strategies.

ROYALTIES

	Three months ended March 31			
	2015		2014	
(000s, except per Boe amounts)	**$**	**$ per Boe**	$	$ per Boe
Total	**1,314**	**1.21**	1,929	3.42
% of oil and gas sales	**7%**		10%	

Royalties for the three months ended March 31, 2015 were $1.21 per Boe, as compared to $3.42 per Boe for the three months ended March 31, 2014. As a percentage of oil and gas sales, royalties decreased quarter over quarter, averaging 7% in the first quarter of 2015 and 10% in the same period of 2014. Pine Cliff anticipates royalties to average approximately 10% for the remainder of 2015. Royalty rates, which are dependent on production volumes per well and commodity prices were lower in 2015 mostly as a result of lower commodity prices.

OPERATING EXPENSES

	Three months ended March 31			
	2015		2014	
(000s, except per Boe amounts)	**$**	**$ per Boe**	$	$ per Boe
Operating expenses	**9,564**	**8.84**	5,246	9.29
% of oil and gas sales	**51%**		29%	

Operating expenses on a per Boe basis for the three months ended March 31, 2015 decreased by 5% as compared to the same period of 2014. The result is due to the Shallow Gas Assets added in the fourth quarter of 2014 that have slightly lower operating costs per Boe.

Pine Cliff anticipates operating expenses to average approximately $9.15 per Boe in 2015. Pine Cliff remains committed to seeking ways to increase efficiencies in the field on its operated properties and is working with its partners on its non-operated properties to attempt to decrease the operating expenses per Boe in future periods. In addition, as a result of the downturn in the oil and gas sector because of the current commodity price environment, Pine Cliff has been working diligently with its suppliers to find additional cost savings and to date has been able to realize meaningful reductions in service costs.

GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended March 31			
	2015		2014	
(000s, except per Boe amounts)	**$**	**$ per Boe**	$	$ per Boe
Total G&A	**1,433**	**1.32**	1,277	2.26
Add back: overhead recoveries	**58**	**0.05**	-	-
Adjusted G&A	**1,491**	**1.37**	1,277	2.26
% of oil and gas sales	**8%**		7%	

General and administrative expenses ("G&A") per Boe, excluding overhead recoveries, decreased 39% per Boe in the three months ended March 31, 2015, as compared to the same period of 2014. On an absolute dollar basis, G&A has increased in 2015 mainly due to increased staffing requirements associated with the 2014 acquisitions. To keep G&A at a low level, Pine Cliff shares some common expenses with Bonterra Energy Corp. ("Bonterra"), a related party. As a result of the downturn in the commodity price environment in 2015, Pine Cliff has presently implemented a salary freeze for all staff and is working diligently to cut discretionary G&A.

SHARE-BASED PAYMENTS

	Three months ended March 31			
	2015		2014	
(000s, except per Boe amounts)	**$**	**$ per Boe**	$	$ per Boe
Total	**782**	**0.72**	697	1.23
% of oil and gas sales	**4%**		4%	

The Company has an equity settled stock-based compensation plan. Stock options are granted to certain officers, directors, employees and consultants, with the term and vesting period of the options granted being determined at the discretion of the Company's board of directors. An option's maximum term is five years.

In the three months ended March 31, 2015, Pine Cliff did not grant any stock options to purchase common shares. As at March 31, 2015, the Company had 14,509,300 stock options outstanding (December 31, 2014 – 15,694,800), representing 6.2% of common shares outstanding. In the three months ended March 31, 2015, Pine Cliff recorded share-based payment expense of $0.8 million (three months ended March 31, 2014 – $0.7 million) related to the stock options issued.

DEPLETION AND DEPRECIATION

	Three months ended March 31			
	2015		2014	
(000s, except per Boe amounts)	**$**	**$ per Boe**	$	$ per Boe
Depletion and depreciation:				
Oil and gas assets	**11,983**	**11.08**	5,019	8.89
Office furniture and equipment	**64**	**0.06**	48	0.08
Total	**12,047**	**11.14**	5,067	8.97
% of oil and gas sales	**64%**		28%	

Pine Cliff's depletion and depreciation expense increased 24% on a per Boe basis in the three months ended March 31, 2015, as compared to the same period of 2014, mainly as a result of a change in estimated outflows for the Company's decommissioning liabilities at December 31, 2014, resulting in a higher base for the depletion calculation. This was offset by a lower depletion rate on the Southern Assets and higher reserves at March 31, 2015.

FINANCE EXPENSES

	Three months ended March 31			
	2015		2014	
(000s, except per Boe amounts)	**$**	**$ per Boe**	$	$ per Boe
Unwinding of the discounted value of decommissioning liabilities	**886**	**0.82**	331	0.59
Interest and bank charges	**429**	**0.40**	21	0.04
Total	**1,315**	**1.22**	352	0.63
% of oil and gas sales	**7%**		2%	

In the three months ended March 31, 2015, Pine Cliff incurred finance expenses of $1.3 million, as compared to $0.4 million in the three months ended March 31, 2014. Finance expenses in 2015 primarily relate to the unwinding of the discounted value of the decommissioning liabilities, which has increased as a result of the significant decommissioning liabilities associated with the Southern Assets.

Interest expense in 2015 primarily relates to interest on Pine Cliff's revolving demand credit facility and bank charges incurred as a result of increasing Pine Cliff's borrowing base on the revolving demand credit facility of $70.0 million. Amounts drawn under the revolving demand credit facility are in the form of Canadian prime lending rate based loans, bankers acceptances, guaranteed notes or letters of credit. The revolving demand credit facility bears interest at the prime lending rate plus 0.75% per annum. Overall, Pine Cliff realized an effective interest rate of 3.3% for the three months ended March 31, 2015.

FINANCE AND DIVIDEND INCOME

	Three months ended March 31			
	2015		2014	
(000s, except per Boe amounts)	**$**	**$ per Boe**	$	$ per Boe
Finance and dividend income	**121**	**0.11**	187	0.34
% of oil and gas sales	**1%**		1%	

In the three months ended March 31, 2015 and 2014, Pine Cliff received $0.1 million and $0.2 million, respectively, in finance and dividend income. The majority of this relates to dividend income from Pine Cliff's investment in Bonterra. The investment in Bonterra common shares was acquired through the Geomark Transaction.

INCOME TAXES

	Three months ended March 31			
	2015		2014	
(000s, except per Boe amounts)	**$**	**$ per Boe**	$	$ per Boe
Deferred tax expense (recovery)	**(2,030)**	**(1.88)**	1,026	1.82
% of oil and gas sales	**11%**		6%	

During the first quarter of 2015, a deferred tax recovery of $2.0 million was recorded, as compared to a deferred tax expense of $1.0 million in the first quarter of 2014. The deferred tax recovery is primarily related to temporary differences arising from the book basis of Pine Cliff's assets and liabilities relative to the tax basis.

Pine Cliff has approximately $299.8 million in tax pools at March 31, 2015 (December 31, 2014 – $302.8 million) available for future use as deductions from taxable income. The significant increase in tax pools is a result of tax pools that were acquired in the Carrot Creek/Edson Asset Acquisition and Shallow Gas Assets Acquisition in the latter half of 2014.

EARNINGS

Quarter to quarter variance analysis:

($000s)	
Earnings for the three months ended March 31, 2014	**2,969**
Price variance	(8,558)
Volume variance	8,983
Royalties	615
Operating expenses	(4,318)
General and administrative	(156)
Share-based payments	(85)
Depletion and depreciation	(6,980)
Finance expenses	(963)
Finance and dividend income	(66)
Deferred tax expense (recovery)	3,056
Loss for the three months ended March 31, 2015	**(5,503)**

In the three months ended March 31, 2015, earnings decreased by $8.5 million to a loss of $5.5 million as compared to earnings of $3.0 million in the three months ended March 31, 2014. The decrease in earnings is due to a lower commodity price environment as well as higher depletion and depreciation expense and operating expenses in 2015. This was offset by a positive volume variance and a deferred tax recovery in the first quarter of 2015.

Other comprehensive earnings
Other comprehensive earnings relates to the increase and decrease in fair value of Pine Cliff's investment in Bonterra, Nighthawk Gold Corp. and another public corporation. At March 31, 2015, Pine Cliff's investments have a fair value of $7.4 million as compared to $8.8 million at December 31, 2014.

FUNDS FLOW FROM OPERATIONS

	Three months ended March 31	
	2015	2014
($000s, except per Boe amounts)		
Earnings (loss) for the period	**(5,503)**	2,969
Adjustments for:		
Share-based payments	**782**	697
Depletion and depreciation	**12,047**	5,067
Unwinding of the discount on decommissioning liabilities	**886**	331
Deferred tax expense (recovery)	**(2,030)**	1,025
Funds flow from operations	**6,182**	10,089
Funds flow from operations ($/Boe)	**5.72**	17.85

Funds flow from operations, which represents cash flow from operating activities before changes in non-cash working capital, was $6.2 million in the three months ended March 31, 2015, as compared to $10.1 million in the same period of 2014. The decrease in funds flow from operations is primarily due to a lower commodity price environment offset by an increase in activity of the Company with the acquisition of the Carrot Creek Assets and Southern Assets in the latter half of 2014.

SHARE CAPITAL

As of March 31, 2015, a total of 234,726,759 Pine Cliff shares were issued and outstanding. During the three months ended March 31, 2015, Pine Cliff issued 847,500 common shares as a result of stock option exercises.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT AND EXPLORATION AND EVALUATION ASSETS

	Three months ended March 31, 2015	Year ended December 31, 2014
($000s)		
Exploration and evaluation assets - minerals division	**4**	50
Oil and gas assets	**2,691**	10,765
Vehicles and administrative assets	**191**	272
Acquistions	**387**	144,543
Dispositions	**-**	(3,229)
Capitalized decomissioning liabilities	**2,115**	110,666
Total	**5,388**	263,067

In the three months ended March 31, 2015, Pine Cliff added $5.4 million in capital assets to its balance sheet as compared to $263.1 million in the year ended December 31, 2014. Included in these additions are $2.1 million of capitalized decommissioning liabilities for the three months ended March 31, 2015 (December 31, 2014 - $110.7 million) as a result of decommissioning liabilities recognized through revisions to the estimated discount rate and the outflows to settle the decommissioning liability in the future.

In the three months ended March 31, 2015, Pine Cliff's capital program mainly consisted of two wellbore recompletions in the Carrot Creek/Edson Assets along with well reactivations to a number of stranded shallow gas wells on the Southern Assets.

RELATED PARTY TRANSACTIONS

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

Management services agreement

Pine Cliff has a management services agreement with Bonterra, an oil and gas corporation that is publicly traded on the Toronto Stock Exchange with some common directors and management, to provide executive services, technical services, accounting services, oil and gas administration and office administration for Pine Cliff. Total fees for each of the three month periods ended March 31, 2015 and 2014 were $0.02 million, plus the reimbursement of certain administrative costs. The management services agreement may be cancelled by either party with 90 days notice. As at March 31, 2015, Pine Cliff owed Bonterra $0.1 million (December 31, 2014 – $0.2 million).

Investment in Bonterra

As at March 31, 2015, Pine Cliff owns 204,633 common shares in Bonterra (December 31, 2014 – 204,633) representing less than 1% of the outstanding shares of Bonterra at that date. The shares, as of March 31, 2015, have a fair value of approximately $6.9 million (December 31, 2014 – $8.5 million). For the three months ended March 31, 2015, Pine Cliff received dividend income of $0.1 million (three months ended March 31, 2014 - $0.2 million).

LIQUIDITY

Liquidity describes a company's ability to access cash. Growth companies operating in the upstream oil and gas business, such as Pine Cliff, require sufficient cash to fund exploration and development projects, to increase production and reserves and to acquire strategic oil and gas assets.

The following table highlights Pine Cliff's sources and uses of cash for the three month periods ended March 31, 2015 and 2014:

	Three months ended March 31	
	2015	2014
($000s)		
Funds flow from operations	**6,182**	10,089
Bank debt repayment	**(8,483)**	(200)
Share issue costs	**(8)**	-
Exercise of stock options	**716**	971
Increase (decrease) in non-cash working capital	**4,823**	(2,342)
Decrease (increase) in cash	**43**	(7,398)
Total capital expenditures, including acquisitions	**3,273**	1,120
Capital expenditures, including acquisitions:		
Oil and gas	**3,269**	1,117
Minerals	**4**	3

In the first three months of 2015, Pine Cliff funded its capital expenditures and acquisitions with funds flow from operations. The existing banking arrangements at March 31, 2015 are comprised of a revolving demand credit facility in the amount of $70.0 million of which $39.3 million is drawn. The current revolving period will end on May 31, 2015 and if the revolving demand credit facility is not renewed any amounts owing will become payable in full on demand. The revolving demand credit facility requires Pine Cliff to maintain a working capital ratio, computed as current assets less current liabilities, excluding the current portion of bank debt and inclusive of unused funds under the credit facility, of greater than 1:1. The Company was in compliance with its quantitative bank debt covenants during the three months ended March 31, 2015 and will take steps to ensure that it remains in compliance with its covenants in future periods and anticipates renewing the credit facility at the end of the revolving period.

Funds flow from operations and the unused portion of the credit facility will allow Pine Cliff to meet its short-term financial liabilities, as well as future capital requirements, at a reasonable cost. The Company believes it has sufficient funding and access to capital to meet its obligations as they come due and, if required, will consider additional short-term financing or issuing equity in order to meet its future liabilities.

Working capital is calculated as current assets minus current liabilities and represents the ability of a company to satisfy both maturing short-term debt and upcoming operational expenses. The capital intensive nature of the oil and gas business may result in working capital deficiencies from time to time. Pine Cliff manages its working capital ratio to ensure that it has sufficient unused funds under its credit facility and access to capital to accommodate such circumstances. As at March 31, 2015, the Company had a working capital deficit of $31.3 million (working capital deficit at December 31, 2014 of $33.5 million) mainly a result of the revolving demand credit facility being considered a current liability. Pine Cliff anticipates renewing the revolving demand credit facility on May 31, 2015 for one year on the same or similar terms and conditions.

COMMITMENTS AND CONTINGENCIES

In the normal course of business, Pine Cliff has entered into arrangements and incurred obligations that will impact the Company's future operations and liquidity. The maturity dates of the Company's commitments are as follows:

($000s)	Total	< 6 months	6 - 12 months	> 12 months
Trade and other payables	12,383	12,383	-	-
Office and equipment leases	61	36	19	6
Vehicle leases	333	55	55	223
Bank loan - principal	39,272	39,272	-	-
Bank loan - future interest	368	368	-	-
Total commitments and contingencies	52,417	52,114	74	229

OFF BALANCE SHEET TRANSACTIONS

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company faces both financial and non-financial risks inherent in the oil and gas business. Financial risks include: commodity price risk, foreign exchange risk, interest rate risk, and credit risk. Financial risks can be managed, at least to a degree, through the utilization of financial instruments. Certain non-financial risks can be mitigated through the use of insurance and/or other risk transfer mechanisms, good business practices and process controls, while others must simply be borne. All risks can have an impact upon the financial performance of the Company.

A comprehensive discussion of Pine Cliff's financial instruments and risk management is provided in the Company's MD&A for the year ended December 31, 2014.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgments, assumptions and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses for the period reported. The significant accounting policies used by the Company are disclosed in the notes to the consolidated financial statements. Management believes that the most critical accounting policies that may have an impact on the Company's financial results are those that specifically relate to the accounting for its oil and gas interests, including amounts recorded for depletion and the impairment test which are both based on estimates of proved and probable reserves, production rates, oil prices, future costs and other relevant assumptions. Actual results could differ materially from such estimates.

A comprehensive discussion of the judgments, assumptions and estimates made by management is provided in the Company's annual MD&A for the year ended December 31, 2014.

ACCOUNTING POLICY AND STANDARD CHANGES

The accounting policies and method of computation followed in the preparation of the Financial Statements are the same as those followed in the preparation of Pine Cliff's 2014 Annual Financial Statements.

Future accounting pronouncements

IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15")
In May 2014, the IASB published the new revenue standard, IFRS 15, which specifies how and when revenue should be recognized and requires more informative and relevant disclosures. The standard is required to be applied on first interim periods beginning on or after January 1, 2018, with early application permitted. The Company is currently assessing the impact the adoption of this standard will have on the Financial Statements.

IFRS 9 *Financial Instruments* ("**IFRS 9**")
In July 2014, the IASB has amended IFRS 9 which amends its classification and measurement of financial assets and introduces a new expected loss impairment model. This standard is effective for annual periods beginning on or after January 1, 2018, with early

adoption permitted and shall be applied retrospectively. The Company is currently assessing the impact the adoption of this standard will have on the Financial Statements.

SUBSEQUENT EVENTS

Subsequent to March 31, 2015, Pine Cliff issued 1,412,000 common shares as a result of stock option exercises completed at a weighted average exercise price of $0.80 per share.

Agreement to acquire additional Carrot Creek/Edson and Southern Alberta natural gas assets
On April 20, 2015, Pine Cliff announced entering into an agreement to acquire certain oil and natural gas assets in both of its core areas in the province of Alberta for cash consideration of $15.94 million (the "Transaction"), of which Pine Cliff paid a deposit of $1.6 million. The cash consideration will be financed with bank debt.

The Transaction will have an effective date of February 1, 2015 and is expected to close on or around May 30, 2015. The Transaction is conditional upon standard industry closing conditions and no assurances can be given that the Transaction will be completed as proposed or at all.

NON-IFRS MEASURES

This MD&A uses the terms "funds flow from operations", "operating netbacks", "corporate netbacks" and "net debt" which are not recognized under IFRS and may not be comparable to similar measures presented by other companies. The Company uses these measures to evaluate its performance, leverage and liquidity, as well as to assess potential acquisitions.

The Company considers funds flow from operations a key performance measure as it demonstrates the Company's ability to generate the funds necessary to repay debt and fund future growth through capital investment. Funds flow from operations and funds flow from operations per share should not be considered as an alternative to, or more meaningful than, cash flow from operating activities as per the statement of cash flows which is considered the most directly comparable measure under IFRS. Funds flow from operations is calculated as cash flow from operating activities before changes in non-cash working capital and changes in interest payable. Funds flow from operations per share is calculated using the same weighted average number of shares outstanding as in the case of the earnings per share calculation for a reporting period.

	Three months ended March 31	
	2015	2014
($000s)		
Cash flow from operating activities	**8,998**	10,039
Adjusted by:		
Increase (decrease) in non-cash working capital	**2,816**	(50)
Funds flow from operations	**6,182**	10,089

The Company considers operating netback to be a key indicator of profitability relative to current commodity prices. Operating netback and operating netback per Boe are calculated as oil and gas sales, less royalties and operating expenses on an absolute and a per Boe basis, respectively.

The Company considers corporate netback to be a key indicator of overall profitability. Corporate netback and corporate netback per Boe are calculated as operating netback, less G&A and interest expense plus finance and dividend income on an absolute and on an absolute and a per Boe basis, respectively.

The Company considers net debt to be a key indicator of liquidity. Net debt is calculated as the sum of bank debt and trade and other payables less trade and other receivables, cash, prepaid expenses and deposits and investments.

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 production levels; future capital expenditures, including the amount and nature thereof; future acquisition opportunities including Pine Cliff's ability to execute on those opportunities; closing date and completion of the previously announced acquisition in April 2015; oil and natural gas prices and demand; expansion and other development trends of the oil and *natural gas industry; business strategy and guidance; expansion and growth of our business and operations; amounts drawn on Pine Cliff's credit facility and repayment thereof; maintenance of existing customer, supplier and partner relationships; supply channels; accounting policies; 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: 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 there from. Except as required by law, Pine Cliff disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

The information provided in this report, including the interim condensed consolidated financial statements, is the responsibility of Pine Cliff's 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 judgments 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 audit committee has reviewed these interim condensed consolidated financial statements with management and has reported to the Board of Directors. The Board of Directors have approved the interim condensed consolidated financial statements as presented in this interim report.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Canadian dollars, 000s)
(unaudited)

	Note	**As at March 31, 2015**	As at December 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents		**153**	196
Trade and other receivables		**10,246**	14,582
Prepaid expenses and deposits		**2,608**	1,990
Investments	3	**7,369**	8,755
Total current assets		**20,376**	25,523
Exploration and evaluation assets	4	**9,130**	9,126
Property, plant and equipment	5	**341,960**	348,623
Restricted cash		**4**	4
Deferred taxes		**29,451**	27,421
Total assets		**400,921**	410,697
LIABILITIES			
Current liabilities			
Trade and other payables		**12,383**	11,280
Bank debt		**39,272**	47,755
Total current liabilities		**51,655**	59,035
Decommissioning liabilities	6	**167,514**	164,513
Total liabilities		**219,169**	223,548
SHAREHOLDERS' EQUITY			
Share capital	7	**192,363**	191,319
Contributed surplus		**2,710**	2,262
Accumulated other comprehensive loss		**(2,473)**	(1,087)
Deficit		**(10,848)**	(5,345)
Total shareholders' equity		**181,752**	187,149
Total liabilities and shareholders' equity		**400,921**	410,697

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

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
(Canadian dollars, 000s except per share data)
(unaudited)

	Note	Three months ended March 31, 2015	March 31, 2014
Oil and gas sales		**18,801**	18,376
Royalties		**(1,314)**	(1,929)
Finance and dividend income		**121**	187
REVENUE		**17,608**	16,634
EXPENSES			
Operating		**9,564**	5,246
General and administration		**1,433**	1,277
Depletion and depreciation		**12,047**	5,067
Share-based payments	7	**782**	697
Finance expenses		**1,315**	352
Total expenses		**25,141**	12,639
Earnings (loss) before income taxes		**(7,533)**	3,995
Deferred tax expense (recovery)		**(2,030)**	1,026
EARNINGS (LOSS) FOR THE PERIOD		**(5,503)**	2,969
Earnings (loss) per share ($)	7		
Basic		**(0.02)**	0.01
Diluted		**(0.02)**	0.01

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)
(Canadian dollars, 000s)
(unaudited)

	Three months ended March 31, 2015	March 31, 2014
Earnings (loss) for the period	**(5,503)**	2,969
OTHER COMPREHENSIVE LOSS		
Unrealized loss on investments	**(1,584)**	(38)
Deferred taxes on unrealized loss on investments	**198**	6
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(1,386)**	(32)
TOTAL COMPREHENSIVE EARNINGS (LOSS) FOR THE PERIOD	**(6,889)**	2,937

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Canadian dollars, 000s)
(unaudited)

	Note	Three months ended March 31, 2015	March 31, 2014
CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Earnings (loss) for the period		**(5,503)**	2,969
Items not affecting cash:			
Share-based payments		**782**	697
Depletion and depreciation		**12,047**	5,067
Finance expenses		**1,315**	352
Deferred tax expense (recovery)		**(2,030)**	1,026
Changes in non-cash working capital accounts		**2,816**	(50)
Interest paid		**(429)**	(22)
Cash and cash equivalents provided by operating activities		**8,998**	10,039
INVESTING ACTIVITIES			
Expenditures on property, plant and equipment	5	**(2,882)**	(1,117)
Expenditures on exploration and evaluation assets	4	**(4)**	(3)
Acquisitions	5	**(387)**	-
Changes in non-cash working capital accounts		**2,007**	(2,292)
Cash and cash equivalents used in investing activities		**(1,266)**	(3,412)
FINANCING ACTIVITIES			
Share issue costs	7	**(8)**	-
Exercise of stock options	7	**716**	971
Bank debt		**(8,483)**	(200)
Cash and cash equivalents provided by (used in) financing activities		**(7,775)**	771
Increase (decrease) in cash and cash equivalents		**(43)**	7,398
Cash and cash equivalents - beginning of period		**196**	1,305
CASH AND CASH EQUIVALENTS - END OF PERIOD		**153**	8,703

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Canadian dollars, 000s)
(unaudited)

	Note	Share capital	Contributed surplus [1]	Accumulated other comprehensive earnings (loss) [2]	Retained earnings (deficit)	Total equity
BALANCE AT JANUARY 1, 2014		**127,002**	**3,856**	**1,567**	**(3,403)**	**129,022**
Share issue costs, net of tax		(2)	-	-	-	(2)
Earnings for the period		-	-	-	2,969	2,969
Other comprehensive earnings for the period		-	-	(32)	-	(32)
Share-based payments	7	-	697	-	-	697
Exercise of options		2,033	(1,062)	-	-	971
BALANCE AT MARCH 31, 2014		**129,033**	**3,491**	**1,535**	**(434)**	**133,625**
Issuance of shares		60,065	-	-	-	60,065
Share issue costs, net of tax		(2,190)	-	-	-	(2,190)
Loss for the period		-	-	-	(4,911)	(4,911)
Other comprehensive loss for the period		-	-	(2,622)	-	(2,622)
Share-based payments	7	-	1,548	-	-	1,548
Exercise of options		4,411	(2,777)	-	-	1,634
BALANCE AT DECEMBER 31, 2014		**191,319**	**2,262**	**(1,087)**	**(5,345)**	**187,149**
Share issue costs, net of tax	7	(6)	-	-	-	(6)
Loss for the period		-	-	-	(5,503)	(5,503)
Other comprehensive loss for the period		-	-	(1,386)	-	(1,386)
Share-based payments	7	-	782	-	-	782
Exercise of options		1,050	(334)	-	-	716
BALANCE AT MARCH 31, 2015		**192,363**	**2,710**	**(2,473)**	**(10,848)**	**181,752**

[1] Contributed surplus is comprised of share-based payments.

[2] Accumulated other comprehensive earnings is comprised of unrealized gains and losses on available-for-sale investments.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at March 31, 2015 and December 31, 2014 and for the three month periods ended March 31, 2015 and 2014 (unaudited)
(all tabular amounts in Canadian dollars 000s, unless otherwise indicated)

1. NATURE OF BUSINESS

Pine Cliff Energy Ltd. ("Pine Cliff" or the "Company") is a public company listed on the TSX Venture Exchange and incorporated under the Business Corporations Act (Alberta). The address of the Company's registered office is Suite 850, 1015 4th Street SW, Calgary, Alberta, T2R 1J4.

Pine Cliff is engaged in the exploration, development and production of oil and natural gas in the Western Canadian Sedimentary Basin and conducts many of its activities jointly with others; these interim condensed consolidated financial statements (the "Financial Statements") reflect only the Company's proportionate interest in such activities. The Company had historically been involved in the exploration for precious metals through its subsidiaries.

2. BASIS OF PREPARATION AND CHANGES TO PINE CLIFF'S ACCOUNTING POLICIES

a) Basis of preparation
The Financial Statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting* ("IAS 34") using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Financial Statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2014 ("2014 Annual Financial Statements").

The Financial Statements were authorized for issue by the Company's board of directors on May 12, 2015.

b) Accounting policies and standard changes
The accounting policies and method of computation followed in the preparation of the Financial Statements are the same as those followed in the preparation of Pine Cliff's 2014 Annual Financial Statements.

Future accounting pronouncements

IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15")
In May 2014, the IASB published the new revenue standard, IFRS 15, which specifies how and when revenue should be recognized and requires more informative and relevant disclosures. The standard is required to be applied on first interim periods beginning on or after January 1, 2018, with early application permitted. The Company is currently assessing the impact the adoption of this standard will have on the Financial Statements.

IFRS 9 *Financial Instruments* ("**IFRS 9**")
In July 2014, the IASB has amended IFRS 9 which amends its classification and measurement of financial assets and introduces a new expected loss impairment model. This standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted and shall be applied retrospectively. The Company is currently assessing the impact the adoption of this standard will have on the Financial Statements.

3. TRANSACTIONS WITH RELATED PARTIES

Management services agreement
Pine Cliff has a management services agreement with Bonterra Energy Corp. ("Bonterra"), an oil and gas corporation that is publicly traded on the Toronto Stock Exchange with some common directors and management, to provide executive services, technical services, accounting services, oil and gas administration and office administration for Pine Cliff. Total fees for each of the three month periods ended March 31, 2015 and 2014 were $0.02 million, plus the reimbursement of certain administrative costs. The management services agreement may be cancelled by either party with 90 days notice. As at March 31, 2015, Pine Cliff owed Bonterra $0.1 million (December 31, 2014 – $0.2 million).

Investment in Bonterra
As at March 31, 2015, Pine Cliff owns 204,633 common shares in Bonterra (December 31, 2014 – 204,633) representing less than 1% of the outstanding shares of Bonterra at that date. The shares as of March 31, 2015 have a fair value of approximately $6.9 million (December 31, 2014 – $8.5 million). For the three months ended March 31, 2015, Pine Cliff received dividend income of $0.1 million (three months ended March 31, 2014 - $0.2 million).

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

4. EXPLORATION AND EVALUATION ASSETS

The following table reconciles Pine Cliff's exploration and evaluation assets:

Cost:	Oil and gas properties	Minerals properties	Total
Balance at December 31, 2013	5,436	1,979	7,415
Additions	-	50	50
Acquisitions	1,661	-	1,661
Balance at December 31, 2014	7,097	2,029	9,126
Additions	-	4	4
Balance at March 31, 2015	**7,097**	**2,033**	**9,130**

5. PROPERTY, PLANT AND EQUIPMENT

The following table reconciles Pine Cliff's property, plant and equipment assets:

Cost:	Oil and gas properties	Administrative assets	Total
Balance at December 31, 2013	141,236	538	141,774
Additions	10,765	272	11,037
Acquisitions	142,882	-	142,882
Decomissioning liabilities	110,666	-	110,666
Dispositions	(3,898)	-	(3,898)
Balance at December 31, 2014	401,651	810	402,461
Additions	2,691	191	2,882
Acquisitions	387	-	387
Decomissioning liabilities	2,115	-	2,115
Balance at March 31, 2015	**406,844**	**1,001**	**407,845**

Accumulated depletion and depreciation:	Oil and gas properties	Administrative assets	Total
Balance at December 31, 2013	(21,654)	(104)	(21,758)
Depletion and depreciation	(28,690)	(224)	(28,914)
Impairment	(3,835)	-	(3,835)
Dispositions	669	-	669
Balance at December 31, 2014	(53,510)	(328)	(53,838)
Depletion and depreciation	(11,983)	(64)	(12,047)
Balance at March 31, 2015	**(65,493)**	**(392)**	**(65,885)**

Carrying value at:	Oil and gas properties	Administrative assets	Total
December 31, 2014	348,141	482	348,623
March 31, 2015	**341,351**	**609**	**341,960**

6. DECOMMISSIONING LIABILITIES

The total future decommissioning provision was estimated by management based on the Company's working interest in its wells and facilities, estimated costs to remediate, reclaim and abandon the wells and facilities and estimated timing of the costs to be incurred in future periods.

At March 31, 2015, the estimated total undiscounted amount required to settle the decommissioning liabilities was $196.3 million (March 31, 2014 - $89.5 million). The provision has been calculated assuming a 1.6% inflation rate (March 31, 2014 – 1.6%). These obligations will be settled based on the useful lives of the underlying assets which extend up to 56 years into the future. This amount has been discounted using an average risk-free interest rate of 2.3% (March 31, 2014 – 2.9%).

Changes to decommissioning liabilities were as follows:

	March 31, 2015	December 31, 2014
Decommissioning provision, beginning of period	**164,513**	42,685
Provisions acquired through acquisitions	**-**	9,242
Revisions (change in estimate and discount rate)	**2,115**	110,664
Accretion expense during period	**886**	1,922
Decommissioning provision, end of period	**167,514**	164,513

7. SHARE CAPITAL

Authorized

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

Issued

Issued and outstanding share capital continuity:	Common shares (000s)	Share capital
Balance at January 1, 2014	200,193	127,002
Shares issued pursuant to public share offerings	29,300	60,065
Exercise of options	4,387	6,444
Share issue costs, net of tax	-	(2,192)
Balance at December 31, 2014	233,880	191,319
Exercise of options	847	1,050
Share issue costs, net of tax	-	(6)
Balance at March 31, 2015	**234,727**	**192,363**

Per share calculations

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding. In calculating the weighted average number of diluted shares outstanding for the three month period ended March 31, 2015, all options were excluded as there was a loss in the period then ended (no options were excluded for the period ended March 31, 2014).

	Three months ended March 31	
Earnings per share calculation:	**2015**	2014
Numerator		
Earnings (loss) for the period	**(5,503)**	2,969
Denominator (000s)		
Weighted-average common shares outstanding - basic	**234,446**	200,710
Effect of options outstanding	**-**	7,924
Weighted-average common shares outstanding - diluted	**234,446**	208,634
Earnings (loss) per share - basic ($)	**(0.02)**	0.01
Earnings (loss) per share - diluted ($)	**(0.02)**	0.01

Share-based payments

The Company provides an equity settled stock option plan (the "Option Plan") for its directors, employees and consultants. Under the Option Plan, the Company may grant options for up to 10% of outstanding common shares at March 31, 2015. The term and vesting period of the options granted are determined at the discretion of the board of directors. The exercise price of each option granted equals the market price of the Company's stock immediately preceding the date of grant and the option's maximum term is five years.

A summary of the status of the Company's stock option plan as at March 31, 2015 and changes during the period then ended is presented as follows:

Stock options issued and outstanding:	Options (000s)	Weighted-average exercise price ($ per share)
Outstanding, December 31, 2013	14,478	0.73
Granted	6,838	1.62
Exercised	(4,387)	0.59
Cancelled	(45)	1.07
Forfeited	(1,190)	0.76
Outstanding, December 31, 2014	15,694	1.15
Exercised	(847)	0.84
Forfeited	(338)	1.29
Outstanding, March 31, 2015	14,509	1.17
Exercisable, March 31, 2015	4,050	0.92

The following table summarizes information about stock options outstanding at March 31, 2015:

Exercise price:	Stock options outstanding (000s)	Weighted-average remaining term (years)	Stock options exercisable (000s)	Weighted-average remaining term (years)
$0.38 - $0.90	4,640	0.9	3,095	0.8
$0.91 - $1.49	4,539	1.4	936	0.1
$1.50 - $1.97	5,330	2.0	19	1.1
	14,509	1.5	4,050	0.7

The Company records share-based payment expense over the vesting period, which ranges between one to three years, based on the fair value of the options granted to employees, directors and consultants. In the three months ended March 31, 2015, the Company did not grant any stock options. In the three months ended March 31, 2015, the Company recorded share-based payment expenses of $0.8 million (March 31, 2014 - $0.7 million).

8. FINANCIAL INSTRUMENTS

Financial instruments and fair value measurement

Financial instruments of the Company consist of cash and cash equivalents, restricted cash, trade and other receivables, investments, trade and other payables and bank debt. The carrying values of the financial instruments presented in the Financial Statements approximate their respective fair values due to their short-term to maturity. Financial assets and liabilities are only offset if Pine Cliff has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

Risks associated with financial assets and liabilities

The Company is exposed to a number of risks associated with its financial assets and liabilities. These risks include commodity price risk, interest rate risk, equity price risk, foreign exchange risk, credit risk and liquidity risk. The Company has several practices and policies in place to help mitigate these risks.

A description of the nature and extent of risks arising from Pine Cliff's financial assets and liabilities can be found in the 2014 Annual Financial Statements. The Company's exposure to these risks has not changed significantly since December 31, 2014.

9. SUBSEQUENT EVENTS

Subsequent to March 31, 2015, Pine Cliff issued 1,412,000 common shares as a result of stock option exercises completed at a weighted average exercise price of $0.80 per share.

Agreement to acquire additional Carrot Creek/Edson and Southern Alberta natural gas assets

On April 20, 2015, Pine Cliff announced entering into an agreement to acquire certain oil and natural gas assets in both of its core areas in the province of Alberta for cash consideration of $15.94 million (the "Transaction"), of which Pine Cliff paid a deposit of $1.6 million. The cash consideration will be financed with bank debt.

The Transaction will have an effective date of February 1, 2015 and is expected to close on or around May 30, 2015. The Transaction is conditional upon standard industry closing conditions and no assurances can be given that the Transaction will be completed as proposed or at all.

BOARD OF DIRECTORS

Gary J. Drummond
George F. Fink
Philip B. Hodge
Randy M. Jarock
Carl R. Jonsson

OFFICERS

George F. Fink
Executive Chairman of the Board

Philip B. Hodge
President and Chief Executive Officer

Kristi L. Kunec
Chief Financial Officer and Secretary

Terry L. McNeill
Chief Operating Officer

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REGISTRAR AND TRANSFER AGENT

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Calgary, Alberta

AUDITORS

Deloitte LLP
Calgary, Alberta

BANKERS

Alberta Treasury Branches
Calgary, Alberta

STOCK EXCHANGE LISTING

TSX Venture Exchange
Trading Symbol: PNE

WEBSITE

www.pinecliffenergy.com

Pine Cliff Energy Ltd.