Pine Cliff Energy Ltd.

Long-term Value Focus

Q2-2015 Report

MESSAGE TO SHAREHOLDERS

The depressed commodity prices experienced in the first quarter of 2015 have continued to dominate our industry's headlines in the second quarter, with year to date WTI oil averaging US$53.29 per bbl and AECO natural gas prices averaging $2.69 per mcf, the lowest these prices have been since Q1, 2009 and Q3, 2013, respectively. Industry layoff announcements seemed to be made almost every week. Despite this backdrop of gloom, we are pleased to report to you that this past quarter Pine Cliff continued to build our platform of natural gas assets and strengthen our balance sheet. During the second quarter we:

- **Closed an asset acquisition at the lowest proved and probable reserve metric in the company's history of eight transactions.** We expanded our footprint in both our Southern core area and our Carrot Creek/Edson core area for $14.1 million, prior to adjustments, or $13,699 per flowing boe and $2.93 per proved and probable reserve boe;
- **Generated funds flow from operations of $5.6 million or $0.02 per share**. This resulted in us having $5.2 million of "free cash flow", after capital expenditures for the quarter of $0.4 million, excluding acquisitions; and
- **Lowered operating costs again to $8.44 per boe or $1.41 per mcfe.** Initiatives in the field and head office resulted in operating cost reductions of 6% in the second quarter of 2015 as compared to the second quarter of 2014, and field netbacks in the second quarter of 2015 averaged $7.08 per boe or $1.18 per mcfe.

Operations Update

Like many of the natural gas producers in Alberta, Pine Cliff's second quarter 2015 production was negatively impacted as a result of interruptible service curtailments on third party pipelines, deferring an average of 465 boe per day in the second quarter of 2015, mainly in the Southern core area. The majority of these curtailments have been lifted and Pine Cliff's natural gas assets continue to perform with production for the latter half of July averaging 12,800 boe per day (76,800 mcfe per day).

These production results are worth considering for a moment. Production in the first quarter of this year averaged 12,021 boe per day. If you remove the impact of the acquisition that we did in the second quarter and add back the curtailed production that is now back on production, our current production is almost totally flat, and we only spent $0.4 million on capital in the quarter. This production profile is one of the flattest in the entire industry and is a testament to the work of our field and engineering staff and to the quality, long life, low decline assets that we have accumulated. In a low commodity price environment like we are currently in, being able to maintain production with minimal capital is a large competitive advantage against many of our peers who are suffering quickly declining production as a result of reduced drilling programs.

Strategy

We continue to seek additional accretive acquisitions to enhance shareholder value. We are optimistic that the current environment will provide such opportunities, given that many companies with depressed equity prices and diminished cash flow are under pressure to divest of assets in an attempt to lower debt and to provide funds for capital expenditures. Our team will maintain the acquisition discipline and patience we have demonstrated to you, as our shareholders, since 2012 and our strategy of investing in predictable, long life, low decline, operated natural gas weighted assets will continue to guide us. We think the back half of 2015 will continue to a very busy one for us.

Thank you for your ongoing support, patience and confidence in our business plan.

Yours truly,

Phil Hodge
President and Chief Executive Officer
August 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 and six months ended June 30, 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 June 30		Six months ended June 30	
	2015	2014	**2015**	2014
($000s, unless otherwise indicated)				
FINANCIAL				
Oil and gas sales	**17,454**	17,136	**36,255**	35,512
Cash flow from operating activities	**4,182**	7,242	**13,178**	17,282
Funds flow from operations [1]	**5,555**	9,180	**11,737**	19,269
Basic per share ($/share)	**0.02**	0.05	**0.05**	0.10
Diluted per share ($/share)	**0.02**	0.04	**0.05**	0.09
Earnings (loss)	**(4,757)**	2,333	**(10,260)**	5,302
Basic per share ($/share)	**(0.02)**	0.01	**(0.04)**	0.03
Diluted per share ($/share)	**(0.02)**	0.01	**(0.04)**	0.03
Capital expenditures, excluding acquisitions	**447**	1,990	**3,333**	3,110
Acquisitions, after adjustments	**13,304**	-	**13,691**	-
Net debt [2]	**38,405**	(34,047)	**38,405**	(34,047)
Weighted-average common shares outstanding (000s)				
Basic	**236,022**	203,138	**235,239**	201,931
Diluted	**236,022**	210,167	**235,239**	209,733
OPERATIONS				
Production [3]				
Natural gas (Mcf/d)	**67,502**	36,877	**67,853**	36,499
Crude oil (Bbls/d)	**119**	38	**124**	47
Natural gas liquids (Bbls/d)	**445**	187	**485**	194
Total (Boe/d)	**11,814**	6,371	**11,918**	6,324
Realized commodity sales prices				
Natural gas ($/Mcf)	**2.62**	4.56	**2.78**	4.86
Crude oil ($/Bbl)	**54.10**	97.92	**53.05**	93.84
Natural gas liquids ($/Boe)	**30.97**	87.31	**28.21**	73.07
Combined ($/Boe)	**16.23**	29.55	**16.81**	31.02
Netback ($/Boe)				
Operating netback ($/Boe) [4]	**7.08**	17.45	**7.21**	18.62
Corporate netback ($/Boe) [5]	**5.19**	15.85	**5.46**	16.84

[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. At June 30, 2014 the Company did not have any debt and was in a net cash position.
[3] The results for the three and six months ended June 30, 2015 include the results of the May 2015 Core Area Asset Acquisition for the period of May 29 to June 30, 2015.
[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] 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.

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") is a review of the operations and current financial position for the three and six months ended June 30, 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 and six month periods ended June 30, 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"). Where amounts are expressed in Mcf equivalent, natural gas liquids and oil volumes are recorded in Bbl and are converted to a thousand cubic feet equivalent ("Mcfe" or daily equivalent of "Mcfe/d") using the same ratio. 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]	$1.00	180	0.00
Natural gas price - AECO ($/Mcf) [2]	$0.10	2,350	0.01
Interest rate on variable rate debt	1.0%	470	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 second quarter 2015 daily sales volumes annualized for twelve months.
[3] Based on the second quarter of 2015 basic weighted average shares outstanding of 236,022,493.

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.

The Company has been active in the acquisition and divestiture market and has executed eight key transactions since January 2012. These acquisitions have built Pine Cliff's asset base in its two core areas and increased annual production volumes steadily. In the current quarter, Pine Cliff completed one acquisition in May 2015 of oil and natural gas assets in the Carrot Creek/Edson Assets, as defined herein, core area and shallow natural gas assets in the Southern Assets, as defined herein, core area (the "May 2015 Core Area Asset Acquisition"), adding additional base production volumes of approximately 1,000 Boe/d.

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 June 30, 2015, Pine Cliff holds a package of high-quality, high working interest, 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, 45 gross (17.3 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, 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.

Please refer to the operations sections and other sections of the MD&A for detailed discussions on variation during the comparative quarters and to Pine Cliff's previously issued interim and annual MD&A for changes in prior quarters.

SELECTED QUARTERLY FINANCIAL INFORMATION

	2015		2014				2013	
($000s, unless otherwise indicated)	**Q2** [1]	Q1	Q4 [2]	Q3 [3]	Q2	Q1	Q4	Q3 [4]
Average sales volumes (boe/d)	**11,814**	12,021	12,095	6,810	6,371	6,276	6,443	5,784
Operating netback ($/boe) [5]	**7.08**	7.33	11.74	15.08	17.45	19.82	10.26	7.32
Oil and gas sales	**17,454**	18,801	25,469	17,469	17,136	18,376	12,621	9,719
Oil and gas sales, net of royalties	**16,692**	17,487	22,819	15,700	15,339	16,447	11,634	8,595
Total revenue	**16,784**	17,608	23,003	15,907	15,540	16,634	11,839	8,783
Cash flow from operating activities	**4,182**	8,998	13,969	6,390	7,242	10,039	6,631	2,579
Funds flow from operations [6]	**5,555**	6,182	11,615	8,104	9,180	10,089	5,564	3,014
Per share - basic ($/share)	**0.02**	0.03	0.05	0.04	0.05	0.05	0.03	0.02
Per share - diluted ($/share)	**0.02**	0.03	0.05	0.04	0.04	0.05	0.02	0.02
Earnings (loss)	**(4,757)**	(5,503)	(8,929)	918	2,333	2,969	3,772	(709)
Per share - basic ($/share)	**(0.02)**	(0.02)	(0.04)	0.00	0.01	0.01	0.01	(0.00)
Per share - diluted ($/share)	**(0.02)**	(0.02)	(0.04)	0.00	0.01	0.01	0.01	(0.00)

[1] The results for Q2-2015 include the results of the May 2015 Core Area Asset Acquisition for the period of May 29 to June 30, 2015.
[2] The results for Q4-2014 include the results of an acquisition of shallow natural gas assets in the Southern Assets core area that closed on October 1, 2014 for the period of October 1 to December 31, 2014.
[3] The results for Q3-2014 include the results of an acquisition of liquids rich natural gas assets in the Carrot Creek/Edson Assets core area that closed on August 7, 2014 for the period of August 7 to September 30, 2014.
[4] The results for Q3-2013 include the results of an acquisition of shallow natural gas assets in the Southern Assets core area that closed on July 24, 2013 for the period of July 24 to September 30, 2013 and the an acquisition of shallow natural gas assets in the Southern Assets core area that closed on August 30, 2013 for the period of August 30 to September 30, 2013.
[5] 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.
[6] 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.

Second quarter 2015 highlights
During the second quarter of 2015, Pine Cliff reports that it:

- Attained average daily sales volumes of 11,814 Boe/d as compared to 12,021 Boe/d in the first quarter of 2015. The decrease is mainly a result of interruptible service curtailments on third party pipelines, deferring approximately 465 Boe/d of production for the second quarter, mainly in the Southern Assets core area. These restrictions were partially offset by the May 29 to June 30 production from the May 2015 Core Area Asset Acquisition;
- Achieved quarterly funds flow from operations of $5.6 million, a decrease of 10% as compared to the first quarter of 2015 funds flow from operations of $6.2 million. This decrease is mainly a result of a lower commodity price environment;
- Realized a quarterly loss of $4.8 million, a 13% decrease as compared to the first quarter of 2015 loss of $5.5 million, mainly a result of adjustments to the deferred tax recovery due to changes in the Alberta provincial corporate income tax rate; and
- Closed the previously announced acquisition of certain oil and natural gas assets contiguous to its Carrot Creek/Edson Assets and its Southern Assets, for $14.1 million, prior to adjustments.

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	Six months ended June 30, 2015
Barrels of oil equivalent per day	11,800 - 12,300	11,918

Pine Cliff is projecting production volumes in 2015 to average between 11,800 Boe/d and 12,300 Boe/d, representing an increase of 53% over the 2014 average production (percent change based on the mid-point of the 2015 guidance). This guidance was upwardly revised as a result of the closing of the May 2015 Core Area Asset Acquisition, on May 29, 2015. Pine Cliff is on track to meet its production guidance for 2015.

Capital Expenditures

	2015 Guidance	Six months ended June 30, 2015
($000's)		
Total, excluding acquisitions	10,000	3,333

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 six months of 2015 were $3.3 million before acquisitions. 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.

Pine Cliff expects 2015 operating expenses to average approximately $9.00 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 June 30 **2015**	2014	Six months ended June 30 **2015**	2014
Natural gas (Mcf)	**6,142,692**	3,355,797	**12,281,448**	6,606,257
Crude oil (Bbls)	**10,841**	3,479	**22,354**	8,497
NGLs (Bbls)	**40,532**	17,055	**87,806**	35,152
Barrels of oil equivalent	**1,075,156**	579,834	**2,157,067**	1,144,692
Natural gas weighting	**95%**	96%	**95%**	96%

Average daily sales volumes by product	Three months ended June 30 **2015**	2014	Six months ended June 30 **2015**	2014
Natural gas (Mcf/d)	**67,502**	36,877	**67,853**	36,499
Crude oil (Bbls/d)	**119**	38	**124**	47
NGLs (Bbls/d)	**445**	187	**485**	194
Total (Boe/d)	**11,814**	6,371	**11,918**	6,324

Average daily sales volumes by property	Three months ended June 30 **2015**	2014	Six months ended June 30 **2015**	2014
(Boe/d)				
Southern Assets	**9,923**	5,260	**10,024**	5,283
Carrot Creek	**1,697**	944	**1,699**	818
Minor properties	**194**	167	**195**	223
Total	**11,814**	6,371	**11,918**	6,324

Pine Cliff's sales volumes increased 88% in the six months ended June 30, 2015, as compared to the same period of 2014, to 11,918 Boe/d (71,508 Mcfe/d). The significant increase was mainly due to two significant acquisitions which were completed in the latter half of 2014 as well as the May 2015 Core Area Asset Acquisition, along with smaller production adds from a modest 2014 and 2015 capital program. Had the May 2015 Core Area Asset Acquisition closed on April 1, 2015, as opposed to May 29, 2015, Pine Cliff's production for the second quarter of 2015 would have averaged approximately 12,480 Boe/d. Also contributing to Pine Cliff's base production and low decline rate, during the second quarter of 2015, Pine Cliff reactivated approximately 50 wells that had been shut in the Southern Assets core area. The wells are expected to contribute an additional 250 Boe/d of production but were restricted as a result of the third party pipeline restrictions in May and June, as discussed below. Base production continues to perform extremely well in all areas with an estimated annual corporate decline of less than 13%.

Pine Cliff's sales volumes in the second quarter of 2015, although increasing 85% over the same quarter of 2014, were negatively impacted as a result of interruptible service curtailments on third party pipelines, deferring an average of 465 Boe/d in the second quarter of 2015, mainly in the Southern Assets core area. The majority of these curtailments have been lifted subsequent to quarter end and Pine Cliff's long life, low decline, natural gas assets continue to perform with production for the latter half of July averaging 12,800 Boe/d (76,800 Mcfe/d).

OPERATING AND CORPORATE NETBACKS

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
($ per Boe)				
Oil and gas sales	**16.23**	29.55	**16.81**	31.02
Royalties	**(0.71)**	(3.08)	**(0.96)**	(3.25)
Operating expenses	**(8.44)**	(9.02)	**(8.64)**	(9.15)
Operating netback	**7.08**	17.45	**7.21**	18.62
General and administrative expense	**(1.68)**	(2.01)	**(1.50)**	(2.14)
Interest and bank charges	**(0.30)**	0.07	**(0.35)**	0.02
Finance and dividend income	**0.09**	0.34	**0.10**	0.34
Corporate netback	**5.19**	15.85	**5.46**	16.84
Operating netback ($ per Mcfe)	**1.18**	2.91	**1.20**	3.10
Corporate netback ($ per Mcfe)	**0.87**	2.64	**0.91**	2.81

Pine Cliff generated an operating netback of $7.08 and $7.21 per Boe for the three and six months ended June 30, 2015, respectively, as compared to $17.45 and $18.62 per Boe for the three and six months ended June 30, 2014. Overall, Pine Cliff generated a corporate netback of $5.19 and $5.46 per Boe for the three and six months ended June 30, 2015 as compared to $15.85 and $16.84 per boe for the same period of 2014. The decrease in both the operating and corporate netback in the second quarter of 2015 as compared to the same period of 2014 are mainly due to lower commodity prices partially offset by higher sales volumes and lower royalties and operating expenses per Boe.

OIL AND GAS SALES

	Three months ended June 30				Six months ended June 30			
	2015		2014		**2015**		2014	
(000s, except per Boe amounts)	**$**	**$ per Boe**	$	$ per Boe	**$**	**$ per Boe**	$	$ per Boe
Natural gas [1]	**15,613**	**2.62**	15,306	4.56	**32,592**	**2.78**	32,146	4.86
Crude oil	**586**	**54.10**	341	97.92	**1,186**	**53.05**	797	93.84
NGLs	**1,255**	**30.97**	1,489	87.31	**2,477**	**28.21**	2,569	73.07
Total sales	**17,454**	**16.23**	17,136	29.55	**36,255**	**16.81**	35,512	31.02

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

Oil and gas sales for the three and six months ended June 30, 2015 remained relatively consistent for both periods as compared to the same periods of 2014. Lower commodity prices in 2015 were offset by increased sales volumes from acquisitions completed subsequent to the second quarter of 2014. Pine Cliff's realized price in the three and six months ended June 30, 2015 was $16.23 and $16.81 per Boe, a decrease of 45% and 46%, respectively, as compared to the same periods of 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.

	Q2-2015	Q1-2015	Q4-2014	Q3-2014	Q2-2014	Q1-2014	Q4-2013	Q3-2013
Natural gas								
NYMEX (US$/Mmbtu) [1]	**2.67**	2.96	3.96	4.07	4.56	4.90	3.63	3.60
AECO (C$/Mcf)	**2.52**	2.60	3.41	3.81	4.44	5.42	3.52	2.43
Crude oil								
WTI (US$/Bbl)	**57.94**	48.63	73.15	97.17	102.99	98.68	97.44	105.82
Edmonton light (C$/Bbl)	**67.63**	51.78	75.58	97.01	105.33	100.23	86.75	105.18
Foreign exchange								
US$/C$	**1.2294**	1.2411	1.1357	1.0893	1.0905	1.1035	1.0498	1.0385

[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 second quarter of 2015 the benchmark AECO natural gas price in Canada decreased by 43% as compared to the second quarter of 2014, and average NYMEX gas price in the United States decreased by 41% in the same period. The AECO monthly strip for the next 12 months is currently trading in the $3.09 per Mcf range. Pine Cliff's realized natural gas price was $2.62 and $2.78 per Mcf for the three and six months ended June 30, 2015 respectively.

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. The over-supplied nature of the oil market became apparent late in 2014 with this sentiment is continuing into 2015 and is caused by the continued production from the shale plays in the United States, slower than expected global demand growth and sustained production levels by the Organization of the Petroleum Exporting Countries ("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 in June 2015. 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$57.94 per Bbl in the second quarter of 2015 as compared to US$102.99 per Bbl in the second quarter of 2014. Canadian crude prices are exchange traded and are based upon WTI in US dollars less a stream differential, adjusted for quality, less applicable transportation tolls from Edmonton, Alberta. In the three months ended June 30, 2015, the realized price of Pine Cliff's oil was $54.10 per Bbl, as a result of quality adjustments to the average posted Edmonton light crude oil price of $67.63 per Bbl.

Historically, the average price of NGLs has tracked the price of oil. However, in recent years, 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 six months ended June 30, 2015, the realized price of Pine Cliff's NGLs was $28.21 per Bbl, representing approximately 47% of the Edmonton light crude oil prices as compared to 71% in the six months ended June 30, 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 June 30				Six months ended June 30			
	2015		2014		**2015**		2014	
(000s, except per Boe amounts)	**$**	**$ per Boe**	$	$ per Boe	**$**	**$ per Boe**	$	$ per Boe
Total	**762**	**0.71**	1,797	3.10	**2,076**	**0.96**	3,726	3.26
% of oil and gas sales	**4%**		10%		**6%**		10%	

Royalties for the three and six months ended June 30, 2015 decreased 77% and 71%, respectively, to $0.71 and $0.96 per Boe, respectively, as compared to $3.10 and $3.26 for the three and six months ended June 30, 2014, respectively. As a percentage of oil and gas sales, royalties in the three and six months ended June 30, 2015 averaged 4% and 6%, respectively, as compared to 10% for both the three and six months ended June 30, 2014. Royalty rates, which are dependent on production volumes per well and commodity prices were lower in 2015 as a result of lower commodity prices as well as higher than anticipated royalty credits received on various properties.

OPERATING EXPENSES

	Three months ended June 30				Six months ended June 30			
	2015		2014		**2015**		2014	
(000s, except per Boe amounts)	**$**	**$ per Boe**	$	$ per Boe	**$**	**$ per Boe**	$	$ per Boe
Operating expenses	**9,075**	**8.44**	5,231	9.02	**18,639**	**8.64**	10,477	9.15
% of oil and gas sales	**52%**		31%		**51%**		30%	

Operating expenses per Boe for both the three and six months ended June 30, 2015 decreased by 6% per Boe, as compared to the same periods of 2014. The decrease is due in part to lower average operating expenses per Boe on the shallow natural gas assets acquired in the fourth quarter of 2014 and second quarter of 2015.

Pine Cliff anticipates operating expenses to average approximately $9.00 per Boe ($1.50 per Mcfe) 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 and will continue to work 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 June 30				Six months ended June 30			
	2015		2014		**2015**		2014	
(000s, except per Boe amounts)	**$**	**$ per Boe**	$	$ per Boe	**$**	**$ per Boe**	$	$ per Boe
Total G&A	**1,805**	**1.68**	1,169	2.02	**3,238**	**1.50**	2,446	2.14
Less: non-recurring transaction costs	**(145)**	**(0.13)**	-	-	**(145)**	**(0.07)**	-	-
Add back: overhead recoveries	**19**	**0.02**	-	-	**98**	**0.05**	-	-
Adjusted G&A	**1,679**	**1.57**	1,169	2.02	**3,191**	**1.48**	2,446	2.14
% of oil and gas sales	**10%**		7%		**9%**		7%	

General and administrative expenses ("G&A") per Boe, excluding overhead recoveries and transaction costs, decreased 22% and 31% per Boe in the three and six months ended June 30, 2015, respectively, as compared to the same periods of 2014. On an absolute dollar basis, G&A has increased in 2015 mainly due to increased staffing requirements associated with the 2014 and 2015 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.

In the three and six months ended June 30, 2015, Pine Cliff incurred $0.1 million in transaction costs related to acquisitions. The transaction costs are comprised of legal, accounting, consulting and regulatory expenses associated with the transactions.

SHARE-BASED PAYMENTS

	Three months ended June 30				Six months ended June 30			
	2015		2014		**2015**		2014	
(000s, except per Boe amounts)	**$**	**$ per Boe**	$	$ per Boe	**$**	**$ per Boe**	$	$ per Boe
Total	**870**	**0.81**	346	0.60	**1,652**	**0.77**	1,043	0.91
% of oil and gas sales	**5%**		2%		**5%**		3%	

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 six months ended June 30, 2015, Pine Cliff granted stock options to purchase 459,000 common shares at a weighted average exercise price of $1.47. As at June 30, 2015, the Company had 12,775,300 stock options outstanding (June 30, 2014 – 11,791,500), representing 5.4% of common shares outstanding. In the three and six months ended June 30, 2015, Pine cliff recorded share-based payment expense of $0.9 million and $1.7 million, respectively, related to the stock options issued.

DEPLETION AND DEPRECIATION

	Three months ended June 30				Six months ended June 30			
	2015		2014		**2015**		2014	
(000s, except per Boe amounts)	**$**	**$ per Boe**	$	$ per Boe	**$**	**$ per Boe**	$	$ per Boe
Depletion and depreciation:								
Oil and gas assets	**10,866**	**10.11**	5,266	9.08	**22,833**	**10.59**	10,285	8.98
Office furniture and equipment	**72**	**0.07**	54	0.09	**152**	**0.07**	102	0.09
Total	**10,938**	**10.18**	5,320	9.17	**22,985**	**10.66**	10,387	9.07
% of oil and gas sales	**63%**		31%		**63%**		29%	

Pine Cliff's depletion and depreciation expense increased 11% and 18% on a per Boe basis in the three and six months ended June 30, 2015, respectively, as compared to the same periods in 2014. The increase in depletion and depreciation expense per Boe in 2015 is mainly a result of a higher depletion rate on the Southern Assets which contributed approximately 84% of the total production for the three and six months ended June 30, 2015.

FINANCE EXPENSES

	Three months ended June 30				Six months ended June 30			
	2015		2014		**2015**		2014	
(000s, except per Boe amounts)	**$**	**$ per Boe**	$	$ per Boe	**$**	**$ per Boe**	$	$ per Boe
Unwinding of the discounted value of decommissioning liabilities	**916**	**0.85**	323	0.56	**1,802**	**0.84**	653	0.57
Interest and bank charges	**325**	**0.30**	(40)	(0.07)	**754**	**0.35**	(18)	(0.02)
Total	**1,241**	**1.15**	283	0.49	**2,556**	**1.19**	635	0.55
% of oil and gas sales	**7%**		2%		**7%**		2%	

In the three and six months ended June 30, 2015, Pine Cliff incurred finance expenses of $1.2 million and $2.6 million, respectively, as compared to $0.3 million and $0.6 million in the three and six months ended June 30, 2014, respectively. 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 decommissioning liabilities associated with acquisitions that closed in the latter half of 2014.

Interest expense in 2015 primarily relates to interest on Pine Cliff's revolving demand credit facility. 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 at 3.2% for the six months ended June 30, 2015 (2014 – 3.75%).

FINANCE AND DIVIDEND INCOME

	Three months ended June 30				Six months ended June 30			
	2015		2014		**2015**		2014	
(000s, except per Boe amounts)	**$**	**$ per Boe**	$	$ per Boe	**$**	**$ per Boe**	$	$ per Boe
Finance and dividend income	**92**	**0.09**	201	0.34	**213**	**0.10**	388	0.34
% of oil and gas sales	**1%**		1%		**1%**		1%	

In the three and six months ended June 30, 2015, Pine Cliff received $0.1 million and $0.2 million, respectively, in dividends from its investment in Bonterra (three and six months ended June 30, 2014 - $0.2 million and $0.4 million, respectively).

INCOME TAXES

	Three months ended June 30				Six months ended June 30			
	2015		2014		**2015**		2014	
(000s, except per Boe amounts)	**$**	**$ per Boe**	$	$ per Boe	**$**	**$ per Boe**	$	$ per Boe
Deferred tax expense (recovery)	**(2,388)**	**(2.22)**	858	1.48	**(4,418)**	**(2.05)**	1,884	1.65
% of oil and gas sales	**14%**		5%		**12%**		5%	

During the three and six months ended June 30, 2015 Pine Cliff recorded deferred tax recovery of $2.4 million and $4.4 million, respectively (three and six months ended June 30, 2014 – expense of $0.9 million and $1.9 million, respectively). 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. During the second quarter of 2015, the Alberta provincial government announced a 20% increase in Alberta corporate income tax rates from 10% to 12%, increasing Pine Cliff's future tax asset by approximately $1.0 million.

Pine Cliff has approximately $307.5 million in tax pools at June 30, 2015 (June 30, 2014 – $166.0 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 acquisitions in the latter half of 2014, as well as the May 2015 Core Area Asset Acquisition in the second quarter of 2015.

EARNINGS

Year to date to year to date variance analysis:

($000s)	
Earnings for the six months ended June 30, 2014	**5,302**
Price variance	(16,266)
Volume variance	17,009
Royalties	1,650
Operating expenses	(8,162)
General and administrative	(792)
Share-based payments	(609)
Depletion and depreciation	(12,598)
Finance expenses	(1,921)
Finance and dividend income	(175)
Deferred tax expense (recovery)	6,302
Loss for the six months ended June 30, 2015	**(10,260)**

In the six months ended June 30, 2015, earnings decreased by $15.6 million to a loss of $10.3 million as compared to earnings of $5.3 million in the six months ended June 30, 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, decrease in royalties, and a deferred tax recovery in the second quarter of 2015.

Other comprehensive earnings
Other comprehensive earnings relates to the decrease in fair value of Pine Cliff's investment in Bonterra, Nighthawk Gold Corp. and another public corporation. At June 30, 2015, Pine Cliff's investments have a fair value of $6.6 million as compared to $8.8 million at December 31, 2014.

FUNDS FLOW FROM OPERATIONS

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
($000s, except per Boe amounts)				
Earnings (loss) for the period	**(4,757)**	2,333	**(10,260)**	5,302
Adjustments for:				
Share-based payments	**870**	346	**1,652**	1,043
Unwinding of the discount on decommissioning liabilities	**916**	323	**1,802**	653
Gain on foreign exchange	**(24)**	-	**(24)**	-
Depletion and depreciation	**10,938**	5,320	**22,985**	10,387
Deferred tax expense (recovery)	**(2,388)**	858	**(4,418)**	1,884
Funds flow from operations	**5,555**	9,180	**11,737**	19,269
Funds flow from operations ($/Boe)	**5.17**	15.83	**5.44**	16.83
Funds flow from operations ($/Mcfe)	**0.86**	2.64	**0.91**	2.81

Funds flow from operations, which represents cash flow from operating activities before changes in non-cash working capital, was $5.6 million and $11.7 million in the three and six months ended June 30, 2015 respectively, as compared to $9.2 million and $19.3 million in the same periods of 2014. The decrease in funds flow from operations is primarily due to a lower commodity price environment offset by an increase in production volumes of the Company with the acquisitions in the latter half of 2014 and May 2015.

SHARE CAPITAL

As of June 30, 2015, a total of 236,919,759 Pine Cliff shares were issued and outstanding. During the six months ended June 30, 2015, Pine Cliff issued 3,040,500 common shares as a result of stock option exercises.

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

($000s)	**Six months ended June 30, 2015**	Year ended December 31, 2014
Exploration and evaluation assets - minerals division	**10**	50
Oil and gas assets	**3,085**	10,765
Vehicles and administrative assets	**238**	272
Acquistions	**15,579**	144,543
Dispositions	**-**	(3,229)
Capitalized decomissioning liabilities	**(5,661)**	110,666
Total	**13,251**	263,067

In the six months ended June 30, 2015, Pine Cliff added $13.3 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 were acquisitions of $15.6 million in certain oil and natural gas assets in the Carrot Creek/Edson area of Alberta and certain shallow natural gas assets in Southern Alberta in May 2015 for the six months ended June 30, 2015 (December 31, 2014 – $144.6 million). The additions to property, plant and equipment also included a reduction of $5.7 million for the six months ended June 30, 2015 (December 31, 2014 – an increase of $110.7 million) as a result of changes to the decommissioning liabilities recognized through revisions to the estimated discount rates and the outflows to settle the decommissioning liability in the future.

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 and six month periods June 30, 2015 and 2014 were $0.02 million and $0.03 million, respectively, plus the reimbursement of certain administrative costs. The management services agreement may be cancelled by either party with 90 days notice. As at June 30, 2015, Pine Cliff owed Bonterra $0.2 million (December 31, 2014 – $0.2 million).

Investment in Bonterra
As at June 30, 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 June 30, 2015, have a fair value of approximately $6.4 million (December 31, 2014 – $8.5 million). For the three and six months ended June 30, 2015, Pine Cliff received dividend income of $0.1 million and $0.2 million, respectively (three and six months ended June 30, 2014 - $0.2 million and $0.3 million, respectively).

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 and six month periods ended June 30, 2015 and 2014:

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
($000s)				
Funds flow from operations	**5,555**	9,180	**11,737**	19,269
Bank debt proceeds (repayment)	**8,235**	-	**(248)**	(200)
Share issue costs	**(2)**	-	**(8)**	-
Exercise of stock options	**1,879**	1,092	**2,595**	2,063
Increase (decrease) in non-cash working capital	**(1,816)**	(1,139)	**3,005**	(3,481)
Decrease (increase) in cash	**(100)**	(7,143)	**(57)**	(14,541)
Total capital expenditures, including acquisitions	**13,751**	1,990	**17,024**	3,110
Capital expenditures, including acquisitions:				
Oil and gas	**13,742**	1,966	**17,015**	3,083
Minerals	**9**	24	**9**	27

In the second quarter of 2015, Pine Cliff funded its capital expenditures from funds flow from operations and proceeds of bank debt. The existing banking arrangements at June 30, 2015 are comprised of a revolving demand credit facility in the amount of $70.0 million of which $47.5 million is drawn. The current revolving period ended on July 31, 2015. 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 and six month periods ended June 30, 2015 and will take steps to ensure that it remains in compliance with its covenants in future periods. On July 31, 2015, the Company entered into a new, syndicated revolving credit facility. Please refer to the disclosure under "Subsequent Events" included at the end of the MD&A for details.

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 for acquisitions, will consider additional short-term financing or issuing equity in order to meet such 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 June 30, 2015, the Company had a working capital deficit of $38.4 million (working capital deficit at December 31, 2014 of $33.5 million) mainly a result of the bank debt being considered a current liability.

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:

	Total	< 6 months	6 - 12 months	> 12 months
($000s)				
Trade and other payables	10,750	10,750	-	-
Office and equipment leases	45	35	1	9
Vehicle leases	333	55	55	223
Bank loan - principal	47,507	47,507	-	-
Bank loan - future interest	445	445	-	-
Total commitments and contingencies	59,080	58,792	56	232

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.

IFRS 11 Joint Arrangements **("IFRS 11")**
In May 2014 IFRS 11, Joint Arrangements, was clarified by adding new guidance on the accounting for the acquisition of an interest in joint operations that constitute a business. The IASB decided that acquirers of such interests shall apply all of the principles on business combinations accounting in IFRS 3, *Business Combinations*, and other IFRSs, that do not conflict with the guidance in IFRS 11 and disclose the information that is required in those IFRSs in relation to business combinations. The new IFRS 11 guidance is effective for annual periods beginning on or after January 1, 2016. The Company is currently assessing the impact the adoption of this standard will have on the financial statements.

SUBSEQUENT EVENTS

Bank Loan Syndication Agreement
On July 31, 2015, Pine Cliff entered into a syndicated revolving credit facility (the "Syndicated Facility") with three Canadian chartered banks. The Syndicated Facility consists of a $60 million extendible revolving term credit facility and a $10 million revolving operating facility that replaces the Company's $70 million revolving demand credit facility. The Syndicated Facility is a one year revolving facility with the initial revolving period ending on July 31, 2016. If the Syndicated Facility is not renewed it will convert to a 364-day term loan.

Amounts borrowed under the Syndicated Facility will bear interest at the Company's option of either the Canadian prime rate plus 1.0% to 2.5% or the bankers' acceptance rate plus 2.0% to 3.5%, depending, in each case, on the ratio of consolidated debt to earnings before interest, taxes, depreciation, and amortization. The proceeds of the Syndicated Facility may be used for general corporate purposes, including working capital and acquisitions.

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 June 30		Six months ended June 30	
	2015	2014	**2015**	2014
($000s)				
Cash flow from operating activities	**4,182**	7,243	**13,178**	17,282
Adjusted by:				
Increase (decrease) in non-cash working capital	**(1,373)**	(1,937)	**1,441**	(1,987)
Funds flow from operations	**5,555**	9,180	**11,737**	19,269

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

The Company considers corporate netback to be a key indicator of overall profitability. Corporate netback and corporate netback per Boe and per Mcfe 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 or per Mcfe 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; 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 June 30, 2015**	As at December 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents		**253**	196
Trade and other receivables		**10,241**	14,582
Prepaid expenses and deposits		**2,790**	1,990
Investments	4	**6,568**	8,755
Total current assets		**19,852**	25,523
Exploration and evaluation assets	5	**9,820**	9,126
Property, plant and equipment	6	**338,195**	348,623
Restricted cash		**4**	4
Deferred taxes		**32,140**	27,421
Total assets		**400,011**	410,697
LIABILITIES			
Current liabilities			
Trade and other payables		**10,750**	11,280
Bank debt		**47,507**	47,755
Total current liabilities		**58,257**	59,035
Decommissioning liabilities	7	**162,542**	164,513
Total liabilities		**220,799**	223,548
SHAREHOLDERS' EQUITY			
Share capital	8	**195,145**	191,319
Contributed surplus		**2,675**	2,262
Accumulated other comprehensive loss		**(3,003)**	(1,087)
Deficit		**(15,605)**	(5,345)
Total shareholders' equity		**179,212**	187,149
Total liabilities and shareholders' equity		**400,011**	410,697

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

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

	Note	Three months ended June 30		Six months ended June 30	
		2015	2014	**2015**	2014
Oil and gas sales		**17,454**	17,136	**36,255**	35,512
Royalties		**(762)**	(1,797)	**(2,076)**	(3,726)
Finance and dividend income	4	**92**	201	**213**	388
REVENUE		**16,784**	15,540	**34,392**	32,174
EXPENSES					
Operating		**9,075**	5,231	**18,639**	10,477
General and administration		**1,805**	1,169	**3,238**	2,446
Depletion and depreciation	6	**10,938**	5,320	**22,985**	10,387
Share-based payments	8	**870**	346	**1,652**	1,043
Finance expenses		**1,241**	283	**2,556**	635
Total expenses		**23,929**	12,349	**49,070**	24,988
Earnings (loss) before income taxes		**(7,145)**	3,191	**(14,678)**	7,186
Deferred tax expense (recovery)		**(2,388)**	858	**(4,418)**	1,884
EARNINGS (LOSS) FOR THE PERIOD		**(4,757)**	2,333	**(10,260)**	5,302
Earnings (loss) per share ($)	8				
Basic		**(0.02)**	0.01	**(0.04)**	0.03
Diluted		**(0.02)**	0.01	**(0.04)**	0.03

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

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Earnings (loss) for the period	**(4,757)**	2,333	**(10,260)**	5,302
OTHER COMPREHENSIVE EARNINGS (LOSS)				
Unrealized gain (loss) on investments	**(605)**	2,267	**(2,189)**	2,229
Deferred taxes on unrealized loss (gain) on investments	**75**	(306)	**273**	(300)
OTHER COMPREHENSIVE EARNINGS (LOSS) FOR THE PERIOD, NET OF TAX	**(530)**	1,961	**(1,916)**	1,929
TOTAL COMPREHENSIVE EARNINGS (LOSS) FOR THE PERIOD	**(5,287)**	4,294	**(12,176)**	7,231

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

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

	Note	Three months ended June 30 **2015**	2014	Six months ended June 30 **2015**	2014
CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN):					
OPERATING ACTIVITIES					
Earnings (loss) for the period		**(4,757)**	2,333	**(10,260)**	5,302
Items not affecting cash:					
Share-based payments		**870**	346	**1,652**	1,043
Depletion and depreciation		**10,938**	5,320	**22,985**	10,387
Finance expenses		**1,241**	283	**2,556**	635
Gain on foreign exchange		**(24)**	-	**(24)**	-
Deferred tax expense (recovery)		**(2,388)**	858	**(4,418)**	1,884
Changes in non-cash working capital accounts		**(1,373)**	(1,937)	**1,441**	(1,987)
Interest and bank charges paid		**(325)**	40	**(754)**	18
Cash and cash equivalents provided by operating activities		**4,182**	7,243	**13,178**	17,282
INVESTING ACTIVITIES					
Expenditures on property, plant and equipment	6	**(441)**	(1,966)	**(3,323)**	(3,083)
Expenditures on exploration and evaluation assets	5	**(6)**	(24)	**(10)**	(27)
Acquisitions, net of working capital acquired	3	**(13,304)**	-	**(13,691)**	-
Changes in non-cash working capital accounts		**(443)**	798	**1,564**	(1,494)
Cash and cash equivalents used in investing activities		**(14,194)**	(1,192)	**(15,460)**	(4,604)
FINANCING ACTIVITIES					
Share issue costs, net of tax	8	**(2)**	-	**(8)**	-
Exercise of stock options	8	**1,879**	1,092	**2,595**	2,063
Bank debt, net		**8,235**	-	**(248)**	(200)
Cash and cash equivalents provided by financing activities		**10,112**	1,092	**2,339**	1,863
Increase (decrease) in cash and cash equivalents		**100**	7,143	**57**	14,541
Cash and cash equivalents - beginning of period		**153**	8,703	**196**	1,305
CASH AND CASH EQUIVALENTS - END OF PERIOD		**253**	15,846	**253**	15,846

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**
Earnings for the period		-	-	-	5,302	5,302
Other comprehensive earnings for the period		-	-	1,929	-	1,929
Share-based payments	8	-	1,043	-	-	1,043
Exercise of options		4,729	(2,666)	-	-	2,063
BALANCE AT JUNE 30, 2014		**131,731**	**2,233**	**3,496**	**1,899**	**139,359**
Issuance of shares		60,065	-	-	-	60,065
Share issue costs, net of tax		(2,192)	-	-	-	(2,192)
Loss for the period		-	-	-	(7,244)	(7,244)
Other comprehensive loss for the period		-	-	(4,583)	-	(4,583)
Share-based payments	8	-	1,202	-	-	1,202
Exercise of options		1,715	(1,173)	-	-	542
BALANCE AT DECEMBER 31, 2014		**191,319**	**2,262**	**(1,087)**	**(5,345)**	**187,149**
Share issue costs, net of tax	8	(8)	-	-	-	(8)
Loss for the period		-	-	-	(10,260)	(10,260)
Other comprehensive loss for the period		-	-	(1,916)	-	(1,916)
Share-based payments	8	-	1,652	-	-	1,652
Exercise of options		3,834	(1,239)	-	-	2,595
BALANCE AT JUNE 30, 2015		**195,145**	**2,675**	**(3,003)**	**(15,605)**	**179,212**

[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 June 30, 2015 and December 31, 2014 and for the three and six month periods ended June 30, 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* 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 August 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.

***IFRS 11 Joint Arrangements* ("IFRS 11")**
In May 2014 IFRS 11, Joint Arrangements, was clarified by adding new guidance on the accounting for the acquisition of an interest in joint operations that constitute a business. The IASB decided that acquirers of such interests shall apply all of the principles on business combinations accounting in IFRS 3, *Business Combinations*, and other IFRSs, that do not conflict with the guidance in IFRS 11 and disclose the information that is required in those IFRSs in relation to business combinations. The new IFRS 11 guidance is effective for annual periods beginning on or after January 1, 2016. The Company is currently assessing the impact the adoption of this standard will have on the Financial Statements.

3. ACQUISITIONS

Acquisition of core area assets
On May 29, 2015, Pine Cliff completed the acquisition of certain oil and natural gas assets (the "Assets") in the Carrot Creek/Edson area and in the Southern Assets area in the Province of Alberta (the "Acquisition") for cash consideration of $14.1 million, prior to any adjustments.

The results of the Acquisition have been included in the financial statements since May 29, 2015. The Assets have contributed oil and gas sales, net of royalties, of $0.5 million and operating expenses of $0.4 million for the period from May 29, 2015 to June 30, 2015. If the Acquisition had occurred on January 1, 2015, the Company's total oil and gas sales, net of royalties, would have been approximately $36.2 million and operating expenses would have been approximately $19.0 million for the six months ended June 30, 2015, including the Assets. Pine Cliff does not believe it is practical to estimate the effect on future periods.

The Acquisition has been accounted for using the acquisition method and the purchase price was allocated to the assets acquired and the liabilities assumed as follows:

Net assets acquired:	
Property and equipment	14,493
Exploration and evaluation assets	684
Decommissioning liabilities	(1,888)
Total net assets acquired	13,289

Consideration:	
Cash	13,289
Total purchase price	13,289

Transaction costs of $0.1 million have been expensed in the three month period ended June 30, 2015 and are included in general and administrative expenses in the condensed consolidated statement of earnings (loss) and are part of operating cash flows in the condensed consolidated statement of cash flows. The purchase price allocation is preliminary and is subject to change based on the final statement of adjustments for the acquisition.

4. TRANSACTIONS WITH 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 and six month periods June 30, 2015 and 2014 were $0.02 million and $0.03 million, respectively, plus the reimbursement of certain administrative costs. The management services agreement may be cancelled by either party with 90 days notice. As at June 30, 2015, Pine Cliff owed Bonterra $0.2 million (December 31, 2014 – $0.2 million).

Investment in Bonterra

As at June 30, 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 June 30, 2015, have a fair value of approximately $6.4 million (December 31, 2014 – $8.5 million). For the three and six months ended June 30, 2015, Pine Cliff received dividend income of $0.1 million and $0.2 million, respectively (three and six months ended June 30, 2014 - $0.2 million and $0.3 million, respectively).

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.

5. 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	1	9	10
Acquisitions	684	-	684
Balance at June 30, 2015	**7,782**	**2,038**	**9,820**

6. 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	3,085	238	3,323
Acquisitions	14,895	-	14,895
Decomissioning liabilities	(5,661)	-	(5,661)
Balance at June 30, 2015	**413,970**	**1,048**	**415,018**

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	(22,833)	(152)	(22,985)
Balance at June 30, 2015	**(76,343)**	**(480)**	**(76,823)**

Carrying value at:	Oil and gas properties	Administrative assets	Total
December 31, 2014	348,141	482	348,623
June 30, 2015	**337,627**	**568**	**338,195**

7. 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 June 30, 2015, the estimated total undiscounted amount required to settle the decommissioning liabilities was $206.8 million (December 31, 2014 - $196.3 million). The provision has been calculated assuming a 1.7% inflation rate (December 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 2.7% (December 31, 2014 – 2.3%).

Changes to decommissioning liabilities were as follows:

	June 30, 2015	December 31, 2014
Decommissioning provision, beginning of period	**164,513**	42,685
Provisions acquired through acquisitions	**1,888**	9,242
Revisions (changes in estimates and discount rates)	**(5,661)**	110,664
Accretion expense during period	**1,802**	1,922
Decommissioning provision, end of period	**162,542**	164,513

8. 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	3,040	3,834
Share issue costs, net of tax	-	(8)
Balance at June 30, 2015	**236,920**	**195,145**

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 and six month periods ended June 30, 2015, all options were excluded as there was a loss in the periods then ended (three and six month periods ended June 30, 2014 - excluded 540,000 and 1,050,000 options, respectively, as their effect is anti-dilutive).

	Three months ended June 30		Six months ended June 30	
Earnings per share calculation:	**2015**	2014	**2015**	2014
Numerator				
Earnings (loss) for the period	**(4,757)**	2,333	**(10,260)**	5,302
Denominator (000s)				
Weighted-average common shares outstanding - basic	**236,022**	203,138	**235,239**	201,931
Effect of options outstanding	**-**	7,029	**-**	7,802
Weighted-average common shares outstanding - diluted	**236,022**	210,167	**235,239**	209,733
Earnings (loss) per share - basic ($)	**(0.02)**	0.01	**(0.04)**	0.03
Earnings (loss) per share - diluted ($)	**(0.02)**	0.01	**(0.04)**	0.03

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 June 30, 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 Option Plan as at June 30, 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
Granted	459	1.47
Exercised	(3,040)	0.85
Forfeited	(338)	1.29
Outstanding, June 30, 2015	12,775	1.23
Exercisable, June 30, 2015	2,290	0.64

The following table summarizes information about stock options outstanding at June 30, 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	3,410	0.8	1,830	0.8
$0.91 - $1.49	3,855	1.5	280	0.5
$1.50 - $1.97	5,510	1.8	180	0.3
	12,775	1.4	2,290	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 six months ended June 30, 2015, the Company granted 459,000 stock options with an estimated fair value of $0.2 million or $0.36 per option using the Black-Scholes option pricing model with the following key assumptions (weighted-average).

Assumptions:	Six months ended June 30, 2015
Exercise price ($)	1.47
Estimated volatility of underlying common shares (%)	64
Weighted average expected life (years)	2.5
Risk-free rate (%)	0.7
Forfeiture rate (%)	3.9
Expected dividend yield (%)	0.0

Estimated volatility is measured as the standard deviation of expected share price returns based on statistical analysis of historical daily share prices for a representative period.

9. 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 these 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.

10. SUBSEQUENT EVENTS

Bank Loan Syndication Agreement
On July 31, 2015, Pine Cliff entered into a syndicated revolving credit facility (the "Syndicated Facility") with three Canadian chartered banks. The Syndicated Facility consists of a \$60 million extendible revolving term credit facility and a \$10 million revolving operating facility that replaces the Company's \$70 million revolving demand credit facility. The Syndicated Facility is a one year revolving facility with the initial revolving period ending on July 31, 2016. If the Syndicated Facility is not renewed it will convert to a 364-day term loan.

Amounts borrowed under the Syndicated Facility will bear interest at the Company's option of either the Canadian prime rate plus 1.0% to 2.5% or the bankers' acceptance rate plus 2.0% to 3.5%, depending, in each case, on the ratio of consolidated debt to earnings before interest, taxes, depreciation, and amortization. The proceeds of the Syndicated Facility may be used for general corporate purposes, including working capital and acquisitions.

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

HEAD OFFICE

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REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
Calgary, Alberta

AUDITORS

Deloitte LLP
Calgary, Alberta

BANKERS

Toronto-Dominion Bank
Calgary, Alberta

Alberta Treasury Branches
Calgary, Alberta

National Bank of Canada
Calgary, Alberta

STOCK EXCHANGE LISTING

TSX Venture Exchange
Trading Symbol: PNE

WEBSITE

www.pinecliffenergy.com

Pine Cliff Energy Ltd.