Q3 For the nine Months ended September 30, 2011

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Pine Cliff Energy Ltd.

PINE CLIFF ENERGY REPORTS THIRD QUARTER 2011 FINANCIAL AND OPERATING RESULTS

Report to Shareholders

Pine Cliff Energy Ltd. (Pine Cliff or the Company) is pleased to report its operational and financial results for the three months and nine months ended September 30, 2011.

Senior management and the Board of Directors have implemented a strategic review process with the intent of redirecting Pine Cliff's corporate strategy. The key focus will be to substantially increase the Company's asset base in the Western Canadian Sedimentary Basin to provide new opportunities to increase shareholder value. There are various options being analyzed and the Company has made significant progress in regard to its review. The Board and management anticipate that the review will soon be completed and at that time detailed information will be provided to shareholders.

In the third quarter of 2010, Pine Cliff began to take steps to move toward this Canadian-based strategy with the disposition of its South American Operations which significantly reduced future operating and capital costs. The Company received shares in a public company from the disposition that were valued at $230,646 as at September 30, 2011. The Company now has modest positive cash flow from continuing operations as well as a positive working capital position of $487,693.

Pine Cliff's current production comes from non-operated properties in the Sundance area in northwest Alberta but the Company does not presently have a large enough land position to make it a significant core area. During the second quarter, four wells (0.6 net, 15 percent working interest in each well) were licensed in the area on Company interest lands and drilled by the operator in the third quarter of 2011. However, due to low natural gas prices resulting in marginal economics, the Company elected not to participate in any of these wells.

This prolonged and weak natural gas price environment has led to a significant number of junior exploration and production (E&P) companies trading with distressed valuations. With uncomfortable levels of debt and limited access to the credit markets for many of these E&Ps, Pine Cliff anticipates increased levels of corporate and asset divestitures in the marketplace. Management will continue to actively assess all available acquisitions and is well-positioned to be able to capitalize quickly on any identified opportunities. Future activities will be financed from present working capital, debt (of which the Company current has none) or by equity issues.

The Board of Directors and management recognize that progress in refocusing its strategy has been somewhat protracted. The Company wishes to thank its dedicated shareholders for its patience and support as Pine Cliff endeavors to reposition itself as a growth oriented, Canadian based junior E&P.

George F. Fink
President, Chief Executive Officer and Director

Management's Discussion and Analysis

The following report dated November 18, 2011 is a review of the operations and current financial position for the nine months ended September 30, 2011 for Pine Cliff Energy Ltd. (Pine Cliff or the Company) and should be read in conjunction with the unaudited interim condensed consolidated financial statements including the notes related thereto presented under International Financial Reporting Standards (IFRS), including the notes related thereto, and the audited financial statements presented under Canadian generally accepted accounting principles (Canadian GAAP) for the fiscal year ended December 31, 2010, together with the notes related thereto.

A reconciliation of the new and revised standards and interpretations are outlined in Note 11 of the September 30, 2011 unaudited interim condensed consolidated financial statements for the comparative periods.

Transition to IFRS from Canadian GAAP

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (CICA Handbook). In 2010, the CICA Handbook was revised to incorporate IFRS and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in the interim financial statements in accordance with International Accounting Standards (IAS) 34 – Interim Financial Reporting (IAS 34) after applying the requirements of International Financial Reporting Standard 1 – First-time Adoption of International Financial Reporting Standards (IFRS 1). In the Management's Discussion and Analysis (MD&A), the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS. The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS.

IFRS are premised on a conceptual framework similar to Canadian GAAP; however, significant differences exist in certain matters of recognition, measurement and disclosure. On adoption, the Company utilized certain first-time adoption exemptions available resulting in significant changes to the statement of financial position and statement of comprehensive income.

The accounting policies, methods of application and the use of judgments and estimates followed in the preparation of the condensed consolidated financial statements and the required and allowed exemptions from retrospective application of IFRS from the transition date of January 1, 2010 are the same as those followed in the preparation of Pine Cliff's March 31, 2011 unaudited interim condensed consolidated financial statements. Note 14 of our March 31, 2011 unaudited interim condensed consolidated financial statements provides detailed reconciliations between Canadian GAAP and IFRS of shareholders' equity as at January 1, 2010 and December 31, 2010 and of net income for the year ended December 31, 2010. Note 11 of the September 30, 2011 unaudited interim condensed consolidated financial statements provides detailed reconciliations between Canadian GAAP and IFRS of shareholders' equity as at September 30, 2010 and of comprehensive income for the three and nine months ended September 30, 2010. These reconciliations provide explanations of each major difference.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A include statements which contain words such as "anticipate", "could", "should", "expect", "seek", "may", "intend", "likely", "will", "believe" and similar expressions, statements relating to matters that are not historical facts, and such statements of our beliefs, intentions and expectations about development, results and events which will or may occur in the future, constitute "forward-looking information" within the meaning of applicable Canadian securities legislation and are based on certain assumptions and analysis made by us derived from our experience and perceptions.

Forward-looking information in this MD&A includes, but is not limited to: expected cash provided by continuing operations; future capital expenditures, including the amount and nature thereof; oil and natural gas prices and demand; expansion and other development trends of the oil and natural gas industry; business strategy and outlook; expansion and growth of our business and operations; and maintenance of existing customer, supplier and partner relationships; supply channels; accounting policies; credit risks; and other such matters.

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

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

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

Financial and Operational Highlights

As at and for the periods ended	Three months		Nine months	
	Sept.30, 2011	Sept. 30, 2010 Restated (1)	**Sept. 30, 2011**	Sept. 30, 2010 Restated (1)
TOTAL OPERATIONS ($)				
Revenue Oil and Gas sales	**220,398**	323,641	**702,145**	1,082,829
Cash Flow (Deficiency) from Operations	**120,109**	(547)	**336,936**	179,893
Per share Basic and Diluted	**0.00**	(0.00)	**0.01**	0.00
Net (Loss) earnings	**(74,182)**	616,139	**(160,358)**	249,863
Per share Basic and Diluted	**(0.00)**	0.01	**(0.00)**	0.01
Capital Expenditures	**13,223**	63,106	**22,320**	1,242,017
Total Assets			**2,503,803**	3,095,983
Working Capital			**487,693**	394,482
Shareholders' Equity			**2,304,841**	3,466,507
CONTINUING OPERATIONS ($) (2)				
Cash Flow from Operations	**120,109**	243,335	**336,936**	573,998
Per share Basic and Diluted	**0.00**	0.01	**0.01**	0.01
Net Loss	**(74,182)**	(121,705)	**(160,358)**	(183,101)
Per share Basic and Diluted	**(0.00)**	(0.00)	**(0.00)**	(0.00)
Capital Expenditures	**13,223**	40,549	**22,320**	1,138,678
TOTAL OPERATIONS				
Crude Oil and NGLs – Barrels per day	**1**	1	**1**	2
– Average price ($ per barrel)	**80.45**	66.90	**81.87**	78.05
Natural Gas – MCF per day	**594**	908	**622**	912
– average price ($ per MCF)	**3.91**	3.79	**4.02**	4.14
Total Barrels of Oil Equivalent Per Day (BOE) (3)	**100**	153	**105**	154

(1) The comparative highlights have been restated with the adoption of International Financial Reporting Standards.
(2) Continuing operations excludes the results of operations from the South American assets which have been designated as discontinued operations. The South American assets were sold on September 24, 2010.
(3) Barrels of oil equivalent (BOE) are calculated using a conversion ratio of 6 MCF to 1 barrel of oil. The conversion is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead and as such may be misleading if used in isolation.

Quarterly Financial and Operational Highlights

	IFRS						
	2011			2010 (1)			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
TOTAL OPERATIONS ($)							
Revenue Oil and Gas	**220,398**	236,229	245,518	279,741	323,641	548,391	210,797
Cash Flow (Deficiency) from Operations	**120,109**	68,707	148,120	38,856	(547)	229,181	(48,741)
Per Share Basic and Diluted	**0.00**	0.00	0.00	0.00	(0.00)	0.00	(0.00)
Net Earnings (Loss)	**(74,182)**	(53,732)	(32,444)	(917,079)	616,139	(177,782)	(188,494)
Per Share Basic and Diluted	**(0.00)**	(0.00)	(0.00)	(0.02)	0.01	(0.00)	(0.00)
Capital Expenditures	**13,223**	2,942	6,155	81,622	63,106	165,734	1,013,177
Total Assets	**2,503,803**	2,622,350	2,896,325	2,929,782	3,095,983	2,910,378	3,767,607
Working Capital (Deficiency)	**487,693**	510,444	482,299	309,805	394,482	(387,016)	(426,596)
Shareholders' Equity	**2,304,841**	2,549,057	2,574,353	2,549,850	3,466,507	2,796,462	2,963,254
CONTINUING OPERATIONS ($) (2)							
Cash Flow from Operations	**120,109**	68,707	148,120	38,856	243,335	311,063	19,600
Per Share Basic and Diluted	**0.00**	0.00	0.00	0.00	0.01	0.01	0.00
Net Loss	**(74,182)**	(53,732)	(32,444)	(917,079)	(121,705)	(39,367)	(22,029)
Per Share Basic and Diluted	**(0.00)**	(0.00)	(0.00)	(0.02)	(0.00)	(0.00)	(0.00)
Capital Expenditures	**13,223**	2,942	6,155	81,622	40,549	108,879	989,250
TOTAL OPERATIONS							
Crude Oil and NGLs (Barrels Per Day)	**1**	1	1	1	1	4	3
Natural Gas (MCF Per Day)	**594**	614	659	768	908	1,387	435

(1) The comparative highlights have been restated with the adoption of International Financial Reporting Standards.
(2) Continuing operations excludes the results of operations from the South American assets which have been designated as discontinued operations. The South American assets were sold on September 24, 2010.

	Canadian GAAP			
	2009			
	Q4	Q3	Q2	Q1
TOTAL OPERATIONS ($)				
Revenue Oil and Gas	119,726	93,177	111,773	193,725
Cash Deficiency from Operations	(125,061)	(37,247)	(241,924)	(209,166)
Per Share Basic and Diluted	(0.00)	(0.00)	(0.01)	(0.00)
Net Loss	(1,734,926)	(263,808)	(325,010)	(498,532)
Per Share Basic and Diluted	(0.03)	(0.01)	(0.01)	(0.01)
Capital Expenditures	266,470	600,732	9,581	119,786
Total Assets	3,475,877	4,900,934	4,558,217	4,966,907
Working Capital	491,064	991,619	1,738,974	1,903,038
Shareholders' Equity	2,363,915	4,089,767	4,341,385	4,644,004
CONTINUING OPERATIONS ($)(1)				
Cash Flow (Deficiency) from Operations	(15,506)	91,448	(23,450)	41,850
Per Share Basic and Diluted	(0.00)	0.00	(0.00)	0.00
Net Loss	(107,735)	(94,553)	(64,813)	(185,035)
Per Share Basic and Diluted	(0.00)	(0.00)	(0.01)	(0.00)
Capital Expenditures	296,571	573,041	69	1,447
TOTAL OPERATIONS				
Crude Oil and NGLs (Barrels Per Day)	1	1	2	1
Natural Gas (MCF Per Day)	264	295	312	392

(1) Continuing operations excludes the results of operations from the South American assets which have been designated as discontinued operations. The South American assets were sold on September 24, 2010.

Continuing Operations

Production

	Three months ended			Nine months ended	
	Sept. 30, 2011	June 30, 2011	Sept. 30, 2010	**Sept. 30, 2011**	Sept. 30, 2010
Crude oil and NGLs (Barrels per day)	**1**	1	1	**1**	2
Natural gas (MCF per day)	**594**	614	908	**622**	912
Total BOE per day(1)	**100**	103	153	**105**	154

(1) Barrels of oil equivalent (BOE) are calculated using a conversion ratio of 6 MCF to 1 barrel of oil. The conversion is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead and as such may be misleading if used in isolation.

Production was lower in the first nine months of 2011 versus the comparable period in 2010 due to flush production in 2010 from four wells (0.6 net, 15 percent working interest in each well) that were placed on production between February and April of 2010. Production was lower in Q3 2011 compared to Q2 2011 primarily due to natural production declines.

During the second quarter of 2011, four wells (0.6 net, 15 percent working interest in each well) were licensed on Company interest lands and subsequently drilled in the Sundance area. The Company has elected not to participate in any of these wells due to marginal economics resulting from current low natural gas prices.

Oil and Gas Sales, Net of Royalties

	Three months ended			Nine months ended	
($)	**Sept. 30, 2011**	June 30, 2011	Sept. 30, 2010	**Sept. 30, 2011**	Sept. 30, 2010
Revenue – oil and gas sales	**220,398**	236,229	323,641	**702,145**	1,082,829
Less:					
Crown royalties	**4,740**	5,532	9,406	**19,142**	56,179
Gross overriding royalties	**4,960**	640	5,698	**11,564**	22,496
Total royalties	**9,700**	6,172	15,104	**30,706**	78,675
Oil and gas sales, net of royalties	**210,698**	230,057	308,537	**671,439**	1,004,154
Average Realized Prices ($):					
Crude oil and NGLs (per barrel)	**80.45**	81.55	66.90	**81.87**	78.05
Natural gas (per MCF)	**3.91**	4.12	3.79	**4.02**	4.14
Royalties – percentage of revenue	**4.4**	2.6	4.7	**4.4**	7.3
Royalties $ per BOE	**1.06**	0.66	1.08	**1.08**	1.87

Revenue from petroleum and natural gas sales decreased by 35 percent in the first nine months of 2011 compared to the first nine months of 2010 due to lower production volumes as there was flush production from the four gross (0.6 net) wells brought on production in the first half of 2010 and lower commodity prices for natural gas. The decrease in Q3 2011 revenue compared to Q2 2011 was primarily due to natural production declines and lower prices for natural gas. The Company did not enter into any risk management contracts in either 2011 or 2010 and does not anticipate entering into any contracts for the remainder of 2011.

Crown and overriding royalties paid by the Company in the first nine months of 2011 were lower than the comparable period for 2010 primarily due to lower production volumes which attract lower crown royalty rates, lower commodity prices for natural gas and the implementation of phase two of the Alberta Government Competitiveness Review program in May 2010. The decrease in crown royalties in Q3 2011 compared to Q2 2011 was due to lower production volumes and lower commodity prices for Natural gas. The increase in gross overriding royalties (GORR) for Q3 2011 over Q2 2011 was primarily due to GORR adjustments with regard to allowable deductions not previously taken and that were recorded in the second quarter of 2011.

Production Costs

	Three months ended			Nine months ended	
($)	**Sept. 30, 2011**	June 30, 2011	Sept. 30, 2010	**Sept. 30, 2011**	Sept. 30, 2010
Production costs	**66,893**	67,308	84,827	**202,377**	276,943
Per BOE	**7.28**	7.18	6.05	**7.01**	6.83

Production costs were lower in the first nine months of 2011 versus the comparable period in 2010 due to lower production volumes. Production costs per BOE are higher for the first nine months of 2011 versus the first nine months of 2010 due to lower fixed production costs over production volumes. The change in total production costs and production costs per BOE in Q3 2011 compared to Q2 2011 was due to the same reasons.

Office and Administrative (G&A)

	Three months ended			Nine months ended	
($)	**Sept. 30, 2011**	June 30, 2011	Sept. 30, 2010	**Sept. 30, 2011**	Sept. 30, 2010
Office and administration expense	**61,075**	60,695	100,497	**171,274**	207,352

Office and administrative expenses decreased for the first nine months of 2011 compared to the first nine months of 2010 because of a decrease in legal fees related to the disposal of the South American operations and a decrease in management fees. The G&A expenditures quarter over quarter were relatively unchanged.

Pine Cliff does not have any employees at the present time and has engaged Bonterra Energy Corp. (Bonterra), a related party (see Related Party section), to provide executive, administrative and technical services. Pine Cliff also engages the services of consultants on a contract or temporary basis if required.

Share-Based Payments

	Three months ended			Nine months ended	
($)	**Sept. 30, 2011**	June 30, 2011	Sept. 30, 2010	**Sept. 30, 2011**	Sept. 30, 2010
Share-based payments	**-**	-	-	**-**	4,514

The Company has an equity settled stock-based compensation plan. The Company records a share-based payment expense over the vesting period based on the fair value of options granted to employees of the management company (see Related Party Transactions), directors and service providers in respect of the Company. No options were issued in 2011 or 2010.

Depletion and depreciation

	Three months ended			Nine months ended	
($)	**Sept. 30, 2011**	June 30, 2011	Sept. 30, 2010	**Sept. 30, 2011**	Sept. 30, 2010
Depletion and depreciation	**144,066**	145,760	237,770	**443,350**	690,130

Capital costs for oil and gas properties that result in additional reserves are depleted using the unit-of-production basis by field over their total proved reserve life. For production facility and equipment expenditures such as well equipment, the Company depreciates these assets on a straight-line basis over ten years.

Depletion and depreciation expense in the first nine months of 2011 was lower versus the comparable period in 2010 due to increased depletion incurred in 2010 from the flush production from four wells (0.6 net) that were placed on production between February and April of 2010. Depletion and depreciation expense decreased in Q3 2011 compared to Q2 2011 due to lower production volumes.

Income Taxes

The Company has adopted the liability method of accounting for income taxes under which the deferred tax provision is based on the temporary differences between the carrying values and tax values of assets and liabilities using income tax rates expected to apply in the year in which the temporary differences will reverse. The Company has no current income tax expense as it has sufficient tax pools to ensure that no current income taxes are payable.

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

	Rate of Utilization (%)	Amount ($)
Undepreciated capital costs	25	275,830
Canadian oil and gas expenditures	10	442,044
Canadian development expenditures	30	1,209,191
Canadian exploration expenditures	100	392,110
Share issue costs	20	2,716
Non-capital loss carryforward *	100	3,384,924
Capital loss carryforward	100	829,012
		6,553,827

* $700,214 expires 2026, $1,114,518 expires 2027, $675,721 expires in 2028, $447,500 expires in 2029, $283,173 expires in 2030 and $163,798 expires in 2031.

Net Loss

	Three months ended			Nine months ended	
($)	**Sept. 30, 2011**	June 30, 2011	Sept. 30, 2010	**Sept. 30, 2011**	Sept. 30, 2010
Net Loss	**(74,182)**	(53,732)	(121,705)	**(160,358)**	(183,101)
Net Loss per share	**(0.00)**	(0.00)	(0.00)	**(0.00)**	(0.00)

The decrease in net loss in the first nine months of 2011 compared to the same period in 2010 was predominantly due to a reduction in depletion and depreciation expense, production costs, royalties and G&A, partially offset by a decrease in oil and gas revenue. Net loss increased in Q3 2011 over Q2 2011 due to decreased production volumes and commodity prices for natural gas.

Other Comprehensive Loss

Other comprehensive loss relates entirely to the decrease in fair value of Pine Cliff's investment which was received in the first quarter of 2011 as part of the disposal of the South American Operations (see discontinued operations). During the first nine months of 2011, the market value of the investment decreased by $97,581.

Cash Flow from Operations

	Three months ended			Nine months ended	
($)	**Sept. 30, 2011**	June 30, 2011	Sept. 30, 2010	**Sept. 30, 2011**	Sept. 30, 2010
Cash flow from operations	**120,109**	68,707	243,335	**336,936**	573,998
Cash flow from operations per share	**0.00**	0.00	0.01	**0.01**	0.01

Cash flow decreased in the first nine months of 2011 compared to the first nine months of 2010 due to a reduction in oil and gas revenues which was partially offset by lower royalties and production costs. The increase in cash flow in Q3 2011 compared to Q2 2011 is primarily due to an increase in non-cash working capital, which was partially offset by a decrease in oil and gas revenue.

Related Party Transactions

Pine Cliff has a management agreement with Bonterra (a company with common directors and management with Pine Cliff), to have Bonterra provide executive services (CEO and President, CFO and COO), technical services, accounting services, oil and gas administration and office administration. The management fee consists of a monthly fee of $5,000 (2010 - $7,500) plus minimal administrative costs. As at September 30, 2011, amounts owing to Bonterra were $1,223 (December 31, 2010 - $464). The agreement with Bonterra can be cancelled by either party by providing 90 days notice.

Liquidity and Capital Resources

As of September 30, 2011, Pine Cliff had positive working capital of $487,693 (December 31, 2010 - $309,805).

During the second quarter of 2011, four wells (0.60 net) were licensed on Company interest lands and subsequently drilled in the Sundance area by the operator. These wells did not meet Pine Cliff's economic threshold, as these wells have a long payout with a low rate of return. The Company has therefore elected not to participate in any of these wells.

With current low natural gas prices, management believes there may be other opportunities for either corporate or property acquisitions. The Company is examining such opportunities as well as the future development of its existing land base.

From the disposition of the South American Operations, the Company received shares in a public company, which as of September 30, 2011 were valued at $230,646 (December 31, 2010 - $328,227).

With this disposition, the Company has positive cash flow from continuing operations as well as a positive working capital position. Future activities will be financed from its present working capital, potential bank debt (currently no debt) or by equity issues.

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. Equity transactions during the past years are as follows:

	September 30, 2011		December 31, 2010	
Issued – common shares	**Number**	**Amount ($)**	Number	Amount ($)
Balance, January 1	**46,145,695**	**14,819,372**	45,295,695	14,593,560
Options exercised	**-**	**-**	850,000	127,500
Transfer of contributed surplus to share capital		**-**		98,312
Balance, end of period	**46,145,695**	**14,819,372**	46,145,695	14,819,372

A summary of the status of the Company's equity settled stock option plan as of September 30, 2011 and December 31, 2010, and changes during the nine month and twelve month periods ended on those dates is presented as follows:

	September 30, 2011		December 31, 2010	
	Number of options	**Weighted average exercise price $**	Number of options	Weighted average exercise price $
Balance, January 1	**40,000**	**0.15**	3,126,000	0.63
Options exercised	**-**	**-**	(850,000)	0.15
Options cancelled	**-**	**-**	(2,236,000)	0.79
Balance, end of period	**40,000**	**0.15**	40,000	0.15

The following table summarizes information regarding stock options outstanding at September 30, 2011:

Options Outstanding				Options Exercisable	
Range of exercise prices	Number outstanding at June 30, 2011	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable at September 30, 2011	Weighted-average exercise price
$ 0.15	40,000	0.25 years	$ 0.15	40,000	$ 0.15

The Company records a compensation expense over the vesting period based on the fair value of options granted to employees, directors and consultants. All the options are vested as of September 30, 2011.

Operating Results From Discontinued Operations

The following represents the results of operations from the South American assets which have been designated as discontinued operations.

	Three months ended		Nine months ended	
($)	**Sept. 30, 2011**	Sept. 30, 2010	**Sept. 30, 2011**	Sept. 30, 2010
Expenses				
Office and administrative	-	53,936	-	251,400
Foreign exchange gain	-	(2,271)		(4,410)
Unwinding of the discounted value of decommissioning liabilities	-	390	-	1,175
Recovery of impairment on oil and gas assets	-	(809,250)	-	(728,468)
	-	(757,195)	-	(480,303)
Net earnings From Discontinued Operations Before Taxes	-	757,195	-	480,303
Taxes	-	19,351	-	47,339
Net earnings and comprehensive income from discontinued operations	-	737,844	-	432,964

Impairment and Disposal of South American Operations

On September 24, 2010 the Company disposed of its South American subsidiary, whose assets and liabilities related primarily to the Canadon Ramirez Concession and Laguna de Piedra Concession (South American Properties). The proceeds of disposition were $450,000 consisting of $1,000 of cash, a note receivable for $449,000 and a contingent receivable not used to calculate the impairment reversal on the disposal of oil and gas assets (see Contingent Receivable). During Q1 2011, the purchaser settled the note by issuing shares in the purchaser's publicly traded corporation. As at September 30, 2011, these shares were valued at $230,646 (December 31, 2010 - $328,227 (value of the note receivable)). At the time of disposition, the Company had a net book value of $23,121 for the South American properties after prior period write-downs of $7,746,705. The company also had decommissioning liabilities of $38,838 and a working capital deficiency of $342,969 that was transferred to the purchaser, related to the South American property resulting in a recovery of impairment on oil and gas assets of $809,250.

For the nine month period ended September 30, 2010, the Company recorded an impairment provision of $34,626 on the exploration costs related to the Canadon Ramirez Concession and an impairment provision of $46,156 on the Laguna de Piedra Concession prior to the disposal of the South American properties.

Contingent Receivable

Upon disposal of the South American properties, the Company received a contingent consideration of $200,000 (payable in cash or shares from the purchaser corporation) if by September 24, 2012 the purchaser or an affiliate to the purchaser is successful in obtaining a drilling permit followed by the drilling of a well on the Laguna de Piedra concession block in the Rio Negro Province of Argentina or the local permitting authority in the province grants a concession to substitute for the Laguna de Piedra concession and the purchaser or affiliate entity drills a well on the substitute concession. The purchaser has announced they plan to drill on the concession in the first half of 2012. However, collection of this receivable is not determinable at this time and therefore has not been recorded by the Company.

Sensitivity Analysis

Given the current status of the Company, changes of U.S. $1.00 per barrel in the price of crude oil, $0.10 per MCF in the price of natural gas, or a $0.01 change in the Cdn/U.S. exchange rate would have no significant impact on the cash flow or cash flow per share amounts for the Company.

Financial Reporting Update

Recent Accounting Pronouncements
Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet assessed the impact, if any, that the new amended standards will have on its financial statements or whether to early adopt any of the new requirements.

IFRS 9 "Financial Instruments"

The result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.

IFRS 10 “Consolidated financial Statements”

Replaces Standing Interpretations Committee 12, “Consolidation - Special Purpose Entities” and the consolidation requirements of IAS 27 “Consolidated and Separate Financial Statements”. The new standard replaces the existing risk and rewards based approaches and establish control as the determining factor when determining whether an interest in another entity should be included in the consolidated financial statements.

IFRS 11 “Joint Arrangements”

Replaces IAS 31 “Interests in Joint Ventures” along with amending IAS 28 “Investment in Associates”. The new standard focuses on the rights and obligations of an arrangement, rather than its legal form. The standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted.

IFRS 12 “Disclosure of Interests in Other Entities”

Provides comprehensive disclosure requirements on interests in other entities, including joint arrangements, associates, and special purpose vehicles. The new disclosure requires information that will assist financial statement users in evaluating the nature, risks and financial effects of an entity’s interest in subsidiaries and joint arrangements.

IFRS 13 "Fair Value Measurement"

Provides a common definition of fair value within IFRS. The new standard provides measurement and disclosure guidance and applies when IFRS requires or permits the item to be measured at fair value, with limited exceptions. This standard does not determine when an item is measured at fair value and as such does not require new fair value measurements.

Additionally, as of January 1, 2013, Pine Cliff will be required to adopt amendments to IAS 1 “Presentation of Financial Statements” which will require companies to group together items within other comprehensive income that may be reclassified to the net earnings section of the comprehensive income statement. Pine Cliff does not expect a material impact as a result of the amendment.

Additional information

Additional information relating to the Company may be found on www.sedar.com and by visiting its website at **www.pinecliffenergy.com**.

Management's Responsibility for Financial Statements

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful 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 financial statements with management and has reported to the Board of Directors. The Board of Directors has approved the financial statements as presented in this interim report.

These financial statements have not been audited or reviewed by the Company's external auditors.

PINE CLIFF ENERGY LTD.
Condensed Consolidated Statements of Financial Position

As at (unaudited) ($)	Note	September 30, 2011	December 31, 2010
Assets			
Current			
Cash		**150,574**	108,039
Accounts receivable		**212,578**	155,945
Prepaid expenses		**19,866**	26,402
Note receivable	**3**	**-**	328,227
Investment	**3**	**230,646**	-
		613,664	618,613
Property and Equipment	**4**	**1,890,139**	2,311,169
		2,503,803	2,929,782
Liabilities			
Current			
Accounts payable and accrued liabilities		**125,971**	308,808
Decommissioning liabilities		**72,991**	71,124
		198,962	379,932
Shareholders' Equity			
Share capital	**7**	**14,819,372**	14,819,372
Contributed surplus		**766,244**	766,244
Accumulated other comprehensive loss		**(84,651)**	-
Deficit		**(13,196,124)**	(13,035,766)
Total Shareholders' Equity		**2,304,841**	2,549,850
Non-Controlling Interest	**6**	**-**	-
Total Equity		**2,304,841**	2,549,850
		2,503,803	2,929,782

See the accompanying notes to these condensed consolidated financial statements

PINE CLIFF ENERGY LTD.
Condensed Consolidated Statements of Comprehensive Income (Loss)

For the periods ended September 30 (unaudited)		Three Months		Nine Months	
			2010		2010
($)	Note	**2011**	(Note 11)	**2011**	(Note 11)
Revenue					
Oil and gas sales, net of royalties	**8**	**210,698**	308,537	**671,439**	1,004,154
Expenses					
Production costs		**66,893**	84,827	**202,377**	276,943
Office and administration	**9**	**61,075**	100,497	**171,274**	207,352
Depletion and depreciation		**144,066**	237,770	**443,350**	690,130
Unwinding of the discounted value of decommissioning liabilities		**622**	692	**1,867**	1,860
Share-based payments		**-**	-	**-**	4,514
Loss on disposal of property and equipment		**-**	6,456	**-**	6,456
		272,656	430,242	**818,868**	1,187,255
Loss before income taxes		**(61,958)**	(121,705)	**(147,429)**	(183,101)
Deferred income taxes	**5**	**12,224**	-	**12,929**	-
Net loss from continuing operations for the period		**(74,182)**	(121,705)	**(160,358)**	(183,101)
Net earnings from discontinued operations, net of tax	**3**	**-**	737,844	**-**	432,964
Net earnings (loss) for the period		**(74,182)**	616,139	**(160,358)**	249,863
Other comprehensive loss					
Unrealized loss on investment		**(92,258)**	-	**(97,580)**	-
Deferred taxes on unrealized loss on investment		**12,224**	-	**12,929**	-
		(80,034)	-	**(84,651)**	-
Total Comprehensive income (loss)		**(154,216)**	616,139	**(245,009)**	249,863
Net earnings (loss) for the period attributable to:					
Common shareholders of the Company		**(74,182)**	670,045	**(160,358)**	(328,465)
Non-controlling interest		**-**	(53,906)	**-**	(78,602)
Comprehensive income (loss) for the period attributable to:					
Common shareholders of the Company		**(154,216)**	670,045	**(245,009)**	(328,465)
Non-controlling interest		-	(53,906)	-	(78,602)
Net loss per share from continuing operations					
Basic and diluted	7	**(0.00)**	(0.00)	**(0.00)**	(0.00)
Net earnings (loss) per share					
Basic and diluted	7	**(0.00)**	0.01	**(0.00)**	0.01
Comprehensive income (loss) per share					
Basic and diluted	7	**(0.00)**	0.01	**(0.00)**	0.01

See accompanying notes to these condensed consolidated financial statements.

PINE CLIFF ENERGY LTD.
Condensed Consolidated Statements of Cash Flow

For the periods ended September 30 (unaudited)	Three Months		Nine Months	
($)	**2011**	2010	**2011**	2010
Operating Activities				
Loss before income taxes	**(61,958)**	(121,705)	**(147,429)**	(183,101)
Items not affecting cash				
Depletion and depreciation	**144,066**	237,770	**443,350**	690,130
Unwinding of the discounted value of decommissioning liabilities	**622**	692	**1,867**	1,860
Share-based payments	**-**	-	**-**	4,514
Loss on disposal of property and equipment	**-**	-	**-**	6,456
Change in non-cash working capital				
Accounts receivable	**(1,751)**	55,638	**64,199**	(27,636)
Prepaid expenses	**4,083**	1,333	**6,536**	(4,405)
Accounts payable and accrued liabilities	**35,047**	63,151	**(31,587)**	86,180
Cash provided by continuing operations	**120,109**	243,335	**336,936**	573,998
Cash used in discontinued operations	**-**	(243,882)	**-**	(394,105)
Cash provided by (used in) Operating Activities	**120,109**	(547)	**336,936**	179,893
Financing Activities				
Share option proceeds	**-**	-	**-**	127,500
Cash provided by Financing Activities	**-**	-	**-**	127,500
Investing Activities				
Property, plant and equipment expenditures	**(13,223)**	(40,549)	**(22,320)**	(1,138,678)
Change in non-cash working capital				
Accounts receivable	**(132,384)**	14,523	**(120,831)**	(3,893)
Accounts payable and accrued liabilities	**-**	(98,981)	**(151,250)**	(634,139)
Cash used in continuing operations	**(145,607)**	(125,007)	**(294,401)**	(1,776,710)
Cash provided by discontinued operations	**-**	201,235	**-**	186,118
Cash provided by (used in) Investing Activities	**(145,607)**	76,228	**(294,401)**	(1,590,592)
Net cash (Outflow) Inflow	**(25,498)**	75,681	**42,535**	(1,283,199)
Cash, beginning of period	**176,072**	(25,327)	**108,039**	1,333,553
Cash end of period	**150,574**	50,354	**150,574**	50,354
Cash taxes paid by discontinued operations	**-**	6,775	**-**	55,169

See accompanying notes to these condensed consolidated financial statements

PINE CLIFF ENERGY LTD.
Condensed Consolidated Statements of Changes in Equity

For the periods ended (unaudited)
($ except for number of common shares outstanding)

	Number of common shares (Note 7)	Share capital (Note 7)	Contributed surplus	Accumulated other comprehensive income	Deficit	Total shareholders` equity	Non-controlling interest	Total equity
January 1, 2010	**45,295,695**	**14,593,560**	**859,620**	**-**	**(12,447,152)**	**3,006,028**	**(648,583)**	**2,357,445**
Share-based payments			4,514			4,514		4,514
Exercise of options	850,000	127,500				127,500	-	127,500
Transfer to share capital on exercise of options		98,312	(98,312)			-	-	-
Comprehensive income (loss) (1)				-	328,465	328,465	(78,602)	249,863
September 30, 2010	**46,145,695**	**14,819,372**	**765,822**	**-**	**(12,118,687)**	**3,466,507**	**(727,185)**	**2,739,322**
Share-based payments			422			422	-	422
Acquisition of non-controlling interest (Note 6)						-	727,185	727,185
Comprehensive loss (1)				-	(917,079)	(917,079)	-	(917,079)
December 31, 2010	**46,145,695**	**14,819,372**	**766,244**	**-**	**(13,035,766)**	**2,549,850**	**-**	**2,549,850**
Comprehensive loss (1)				(84,651)	(160,358)	(245,009)	-	(245,009)
September 30, 2011	**46,145,695**	**14,819,372**	**766,244**	**(84,651)**	**(13,196,124)**	**2,304,841**	**-**	**2,304,841**

(1) Total comprehensive income (loss) is equal to the amount under total equity.

See accompanying notes to these condensed consolidated financial statements.

PINE CLIFF ENERGY LTD.
Notes to the Condensed Consolidated Financial Statements

As at September 30, 2011 and December 31, 2010 and for the three and nine month periods ended September 30, 2011 and 2010 (unaudited)

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 901, 1015 4th Street SW, Calgary, Alberta, T2R 1J4.

Pine Cliff's continuing operations is in the development and production of oil and natural gas in the Western Canadian Sedimentary Basin.

2. BASIS OF PREPARATION

a) Statement of Compliance

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (CICA Handbook). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (IFRS) and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim financial statements in accordance with International Accounting Standards 34 – Interim Financial Reporting (IAS 34) after applying the requirements of International Financial Reporting Standard (IFRS) 1 – First-time Adoption of International Financial Reporting Standards (IFRS 1). In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

The accounting policies, methods of application and the use of judgments and estimates followed in the preparation of the condensed consolidated financial statements and the required and allowed exemptions from retrospective application of IFRS from the transition date of January 1, 2010 are the same as those followed in the preparation of Pine Cliff's March 31, 2011 unaudited interim condensed consolidated financial statements and should be read in conjunction with the March 31, 2011 unaudited interim condensed consolidated financial statements and audited financial statements presented under Canadian GAAP for the fiscal year ended December 31, 2010 together with the notes related thereto.

The September 30, 2010 comparative reconciliations to IFRS from the previously published Canadian GAAP consolidated financial statements are summarized in Note 11.

b) Recent Accounting Pronouncements

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Additionally, as of January 1, 2013, Pine Cliff will be required to adopt amendments to IAS 1 “Presentation of Financial Statements” which will require companies to group together items within other comprehensive income that may be reclassified to the net earnings section of the comprehensive income statement. Pine Cliff does not expect a material impact as a result of the amendment.

3. DISCONTINUED OPERATIONS

On September 24, 2010, Pine Cliff sold its South American subsidiary CanAmericas (Argentina) Energy Ltd. to an unrelated party.

The assets and liabilities of the South American Operations have been presented as discontinued operations in the condensed consolidated statement of financial position, since June 1, 2010, the date the South American Operations met the criteria for discontinued operations. Operating results related to these assets and liabilities have been included in net loss from discontinued operations in the condensed consolidated statement of comprehensive loss.

Statements of Comprehensive Loss

($)	Three Months ended **September 30, 2011**	September 30, 2010	Nine Months ended **September 30, 2011**	September 30, 2010
Expenses				
Office and administrative	-	53,936	-	251,400
Foreign exchange gain	-	(2,271)	-	(4,410)
Unwinding of the discounted value of decommissioning liabilities	-	390	-	1,175
Recovery of impairment on oil and gas assets	-	(809,250)	-	(728,468)
	-	(757,195)	-	(480,303)
Net earnings From Discontinued Operations Before Taxes	-	757,195	-	480,303
Taxes	-	19,351	-	47,339
Net earnings and comprehensive income from discontinued operations	-	737,844	-	432,964

Impairment and Disposal of Oil and Gas Assets

On September 24, 2010 the Company disposed of its South American subsidiary, whose assets and liabilities related primarily to the Canadon Ramirez Concession and Laguna de Piedra Concession (South American Properties). The proceeds of disposition were $450,000 consisting of $1,000 of cash, a note receivable for $449,000 and a contingent receivable not used to calculate the impairment reversal on the disposal of oil and gas assets. During the first quarter of 2011, the purchaser settled the note by issuing shares in the purchaser's publicly traded corporation. As at September 30, 2011, these shares were valued at $230,646 (December 31, 2010 - $328,227 (value of the note receivable)). At the time of disposition, the Company had a net book value of $23,121 for the South American properties after prior period write-downs of $7,746,705. It also had decommissioning liabilities of $38,838 and a working capital deficiency of $342,969 that was transferred to the purchaser related to the South American property resulting in a recovery of impairment on oil and gas assets of $809,250.

For the nine month period ended September 30, 2010, the Company recorded an impairment provision of $34,626 on the exploration costs related to the Canadon Ramirez Concession and an impairment provision of $46,156 on the Laguna de Piedra Concession prior to the disposal of the South American properties.

Contingent Receivable

Upon disposal of the South American properties, the Company received contingent consideration of $200,000 (payable in cash or shares in the purchaser corporation) if by September 24, 2012 the purchaser or an affiliate to the purchaser is successful in obtaining a drilling permit followed by the drilling of a well on the Laguna de Piedra concession block in the Rio Negro Province of Argentina or the local permitting authority in the province grants a concession to substitute for the Laguna de Piedra concession and the purchaser or affiliate entity drills a well on the substitute concession. The purchaser has announced they plan to drill on the concession in the first half of 2012. However, collection of this receivable is not determinable at this time and therefore has not been recorded by the Company.

Taxes

The Company accrued a $47,399 current tax expense related to Argentina capital tax for the nine month period ended September 30, 2010. A one percent Argentina capital tax is payable in respect of the exploration costs for the Canadon Ramirez and the Laguna de Piedra Concessions. This liability was transferred to the purchaser on the disposal of its South American subsidiary.

4. PROPERTY AND EQUIPMENT

Cost $	**Oil and gas properties**	**Production facilities**	**Furniture, fixtures and other equipment**	**Total property and equipment**
Balance at January 1, 2010	**2,943,509**	**389,630**	**45,957**	**3,379,096**
Additions	1,020,976	216,176	-	1,237,152
Disposals	-	-	(45,957)	(45,957)
Balance at December 31, 2010	**3,964,485**	**605,806**	**-**	**4,570,291**
Additions	6,147	16,173	-	22,320
Balance at September 30, 2011	**3,970,632**	**621,979**	**-**	**4,592,611**

Accumulated Depletion and depreciation $	**Oil and gas properties**	**Production facilities**	**Furniture, fixtures and other equipment**	**Total property and equipment**
Balance at January 1, 2010	**1,229,337**	**160,393**	**33,038**	**1,422,768**
Depletion for the year	808,812	60,580	6,462	875,854
Disposals	-	-	(39,500)	(39,500)
Balance at December 31, 2010	**2,038,149**	**220,973**	**-**	**2,259,122**
Depletion for the period	396,704	46,646	-	443,350
Balance at September 30, 2011	**2,434,853**	**267,619**	**-**	**2,702,472**
Net book values as at: $				
January 1, 2010	1,714,172	229,237	12,919	1,956,328
December 31, 2010	1,926,336	384,833	-	2,311,169
September 30, 2011	**1,535,779**	**354,360**	**-**	**1,890,139**

5. INCOME TAXES

The Company has recorded a full valuation allowance for its deferred income tax assets as it has been determined that it is unlikely that they will be recovered.

$	**September 30, 2011**	December 31, 2010
Deferred tax assets (liabilities):		
Note receivable	**-**	15,097
Investment	**12,929**	-
Property and equipment	**107,259**	108,581
Decommissioning liabilities	**18,248**	17,781
Share issue costs	**679**	3,916
Non-capital loss carry-forward	**846,231**	805,272
Capital loss carry-forward	**103,627**	75,252
Valuation allowance	**(1,088,973)**	(1,025,899)
	-	-

The Company has the following tax pools, which may be used to reduce taxable income in future years, limited to the applicable rates of utilization:

	Rate of utilization (%)	Amount ($)
Undepreciated capital costs	25	275,830
Canadian oil and gas property expenditures	10	442,044
Canadian development expenditures	30	1,209,191
Canadian exploration expenditures	100	392,110
Share issue costs	20	2,716
Non-capital loss carryforward [1]	100	3,384,924
Capital loss carryforward	100	829,012
		6,535,827

[1] $700,214 expires 2026, $1,114,518 expires 2027, $675,721 expires 2028, $447,500 expires in 2029, $283,173 expires in 2030 and $163,798 expires in 2031.

6. NON-CONTROLLING INTEREST (NCI)

The Company incorporated the subsidiary company CanAmericas Energy Ltd. (CanAmericas) to explore and develop oil and gas properties primarily in South America. CanAmericas was owned 93 percent by the Company and seven percent by a foreign private corporation (NCI). CanAmericas was initially financed by investments of U.S. $1,400,000 for 5,600,000 common shares from the Company and U.S. $100,000 for 400,000 common shares from NCI.

On November 23, 2010, NCI sold its interest in CanAmericas to Pine Cliff for $10. NCI at the acquisition date had a deficit balance of $727,185, which resulted in a loss on acquisition of a non-controlling interest of $727,195.

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

	September 30, 2011		December 31, 2010	
Common shares	**Number**	**Amount ($)**	Number	Amount ($)
Balance, January 1	**46,145,695**	**14,819,372**	45,295,695	14,593,560
Options exercised	**-**	**-**	850,000	127,500
Transfer of contributed surplus to share capital		**-**		98,312
Balance, end of period	**46,145,695**	**14,819,372**	46,145,695	14,819,372

The weighted average number common shares used to calculate basic and diluted net loss per share for the periods ended September 30 are as follows:

	Three Months		Nine Months	
	2011	2010	**2011**	2010
Basic shares outstanding [1]	**46,145,695**	46,145,695	**46,145,695**	46,049,783
Dilutive effect of share options	**2,500**	21,050	**12,461**	20,249
Diluted shares outstanding	**46,148,195**	46,166,745	**46,158,156**	46,091,006

[1] Basic shares outstanding are used to calculate basic and diluted loss and comprehensive loss per share when the Company is in a loss position.

The Company provides an equity settled stock option plan for its directors, employees and consultants. Under the plan, the Company may grant options for up to 4,527,569 (December 31, 2010 – 4,527,569) common shares. The exercise price of each option granted equals the market price of the Company's stock on 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 of September 30, 2011 and December 31, 2010, and changes during the nine month and twelve month periods ended on those dates is presented below:

	September 30, 2011		December 31, 2010	
	Number of options	**Weighted average exercise price $**	Number of options	Weighted average exercise price $
Balance, January 1	**40,000**	**0.15**	3,126,000	0.63
Options exercised	**-**	**-**	(850,000)	0.15
Options cancelled	**-**	**-**	(2,236,000)	0.79
Balance, end of period	**40,000**	**0.15**	40,000	0.15

The following table summarizes information about stock options outstanding at September 30, 2011:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number outstanding at June 30, 2011	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable at September 30, 2011	Weighted-average exercise price
$ 0.15	40,000	0.25 years	$ 0.15	40,000	$ 0.15

The Company did not issue any stock options in 2011 or 2010.

8. OIL AND GAS SALES, NET OF ROYALTIES

	Three Months		Nine Months	
$	**September 30, 2011**	September 30, 2010	**September 30, 2011**	September 30, 2010
Oil and gas sales	**220,398**	323,641	**702,145**	1,082,829
Less:				
Crown royalties	**4,740**	9,406	**19,142**	56,179
Gross overriding royalties	**4,960**	5,698	**11,564**	22,496
Oil and gas sales, net of royalties	**210,698**	308,537	**671,439**	1,004,154

9. TRANSACTIONS WITH RELATED PARTY

Pine Cliff has a management agreement with Bonterra Energy Corp. (Bonterra), an oil and gas corporation that is publicly traded on the Toronto Stock Exchange with 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 the period were $45,000 (2010 - $67,500) plus minimal administrative costs. The management services agreement may be cancelled by either party with 90 days notice. As of September 30, 2011, Pine Cliff owed Bonterra $1,223 (December 31, 2010 - $464).

Compensation of Key Management Personnel

	Nine Months	
$	**September 30, 2011**	September 30, 2010
Director fees	**29,252**	23,665

Key management personnel are those persons, including all directors, having authority and responsibility for planning, directing and controlling the activities of the Company. Compensation represents director fees paid by Pine Cliff. Other key management personnel are not paid directly by Pine Cliff as their services are included in the management fees paid to Bonterra.

These 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.

10. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Factors

The Company undertakes transactions in a range of financial instruments including:

- Cash
- Accounts receivable
- Investment
- Accounts payable and accrued liabilities

The Company's activities result in exposure to a number of financial risks including market risk (commodity price risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. Financial risk management is carried out by senior management under the direction of the Board of Directors.

Currently the Company does not enter into risk management contracts to sell its oil and gas commodities. Commodities are sold at market prices at the date of sale.

Capital Risk Management

The Company's objectives when managing capital, which the Company defines to include shareholders' equity and working capital balances, are to safeguard the Company's ability to continue as a going concern, to continue providing returns to its shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may issue debt or equity.

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

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

a) Financial assets, financial liabilities

The carrying amounts, fair values and face values of the Company's financial assets and liabilities are shown below:

Continuing Operations

	As at September 30, 2011			As at December 31, 2010		
($ 000s)	**Carrying Value**	**Fair Value**	**Face Value**	Carrying Value	Fair Value	Face Value
Financial assets						
Cash	**151**	**151**	**151**	108	108	108
Accounts receivable	**213**	**213**	**213**	156	156	156
Investment	**231**	**231**	**na**	-	-	na
Note receivable	**-**	**-**	**-**	328	328	449
Financial liabilities						
Accounts payable and accrued liabilities	**126**	**126**	**126**	309	309	309

Financial instruments, consisting of accounts receivable and accounts payable and accrued liabilities included in the statement of financial position, are carried at amortized cost. Cash and investment are carried at fair value. All of the fair value items are transacted in active markets. Pine Cliff classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Pine Cliff's cash and investment have been assessed on the fair value hierarchy described above and are considered Level 1.

b) Risks and mitigations

Market risk is the risk that the fair value or future cash flow of the Company's financial instruments will fluctuate because of changes in market prices. Components of market risk to which Pine Cliff is exposed are discussed below.

Commodity Price Risk

The Company's principal operation is the exploration and development of oil and natural gas properties in western Canada. Fluctuations in prices of these commodities may directly impact the Company's performance and ability to continue its operations.

The Company's management currently does not use risk management contracts to set price parameters for its production.

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that Pine Cliff uses. The principal exposure to the Company is on its cash balances which have a variable interest rate which gives rise to a cash flow interest rate risk.

Pine Cliff's cash consists of Canadian dollar investment chequing accounts on which it earns an insignificant amount of interest. Since these funds need to be accessible for the development of the Company's capital projects, management does not reduce its exposure to interest rate risk through entering into term contracts of various lengths.

Equity price risk

Equity price risk refers to the risk that the fair value of the investment will fluctuate due to changes in equity markets. Equity price rate risk arises from the realizable value of the equity bearing financial assets that the company holds which are subject to variable equity prices which on disposition gives rise to a cash flow equity price risk. The Company will assume full risk in respect of equity price fluctuations.

Foreign Exchange Risk

The Company has disposed of its foreign operations. The Company's domestic or continuing operations currently sells all of its Canadian production in Canadian currency. The Company has a Canadian dollar denominated cash balance and as such, Pine Cliff does not have exchange rate risk.

Credit Risk

Credit risk is the risk that a contracting party will not complete its obligations under a financial instrument and cause the Company to incur a financial loss. Pine Cliff is exposed to credit risk on all financial assets included on the balance sheet. To help mitigate this risk, the Company maintains the majority of its cash balances with a major Canadian chartered bank.

Substantially all of the continuing operations' accounts receivable balance at September 30, 2011 ($212,578) and December 31, 2010 ($155,945) relates to product sales with Canadian oil and gas companies and crown royalty credits with the province of Alberta, all of which have generally been received within 30 to 60 days.

Pine Cliff assesses its financial assets quarterly to determine if there has been any impairment. No impairment provision was required on the Company's financial assets. Pine Cliff does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The maximum exposure to credit risk is represented by the carrying amount on the statement of financial position. There are no material financial assets that Pine Cliff considers past due.

Liquidity Risk

Liquidity risk includes the risk that, as a result of Pine Cliff's operational liquidity requirements, the Company:

- will not have sufficient funds to settle a transaction on the due date,
- will not have sufficient funds to continue with its financing of its major exploration projects,
- will be forced to sell assets at a value which is less than what they are worth, or
- may be unable to settle or recover financial assets.

To help reduce these liquidity risks, the Company:

- may arrange short-term financing at a reasonable interest rate with its CEO and director.
- may negotiate a bank loan,
- may do an equity issue.

11. EXPLANATION OF TRANSITION TO IFRS

As stated in Note 2, these financial statements are prepared in accordance with IFRS. For all accounting periods prior to this, the Company prepared its financial statements under Canadian GAAP. An explanation of how the transition from previous GAAP to IFRS has affected the Company's consolidated statement of financial position and consolidated comprehensive income is set out in this note.

The accounting policies as disclosed in Pine Cliff's March 31, 2011 unaudited interim condensed consolidated financial statements have been applied consistently in preparing the financial statements for all periods presented.

The following tables provide reconciliations of Canadian GAAP to IFRS for the periods ended and as at September 30, 2010. Reconciliations for the statement of financial position as at January 1, 2010 (the Company's transition date) and December 31, 2010 and the reconciliation of the statement of comprehensive income for the year ended December 31, 2010 are disclosed in Pine Cliff's March 31, 2011 unaudited interim condensed consolidated financial statements.

11.1 Reconciliation of the consolidated statement of financial position

		As at September 30, 2010		
$	Notes	Canadian GAAP	IFRS Adjustments	**IFRS**
Assets				
Current				
Cash		50,354	-	50,354
Accounts receivable		161,429	-	161,429
Prepaid expenses		20,750	-	20,750
Note Receivable		449,000	-	449,000
		681,533	-	681,533
Property and equipment	(a)	2,413,575	875	2,4114,450
		3,095,108	875	3,095,983
Liabilities				
Current				
Accounts payable and accrued liabilities		287,051	-	287,051
		287,051	-	287,051
Decommissioning liabilities	(a)	64,630	4,980	69,610
		351,681	4,980	356,661
Shareholders' Equity				
Share capital		14,819,372	-	14,819,372
Contributed surplus		765,822	-	765,822
Accumulated other comprehensive income		-	-	-
Deficit	(c)	(12,841,767)	723,080	(12,118,687)
Total Shareholders' Equity		2,743,427	723,080	3,466,507
Non-Controlling Interests	**(b)**	-	(727,185)	(727,185)
Total Equity		2,743,427	(4,105)	2,739.322
		3,095,108	875	3,095,983

11.1 Reconciliation of the Consolidated Statement of Financial Position (Continued)

IFRS has many similarities with Canadian GAAP as it is based on a similar conceptual framework. However, there are important differences with regard to recognition, measurement and disclosure. Adoption of IFRS resulted in changes to Pine Cliff's consolidated statement of financial position and consolidated statement of comprehensive income (loss) as explained as follows:

a) Decommissioning Liabilities

The discounted value of the decommissioning liabilities has increased due to a change in the discount rate used to calculate the present value of future oil and gas well reclamation and abandonments. Under Canadian GAAP, a risk adjusted discount rate was used. Under IFRS, a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation has been used. In accordance with IFRS 1, the Company has elected to recognize the $4,980 increase in the decommissioning obligation from continuing operations along with an increase to related property and equipment assets and an increase in deficit as at September 30, 2010.

b) Non-Controlling Interest (NCI)

Under Canadian GAAP, when the NCI is not obligated to fund its share of losses, the Company does not attribute losses to the NCI once the interest has been reduced to nil. Under IFRS, the Company is required to allocate comprehensive losses to the NCI based on their effective interest, even if this results in a non-controlling deficit balance. The impact of the change was to decrease deficit and increase non-controlling deficit by $727,185.

Under IFRS, the Company includes the NCI as a component of equity in the statement of financial position. Under Canadian GAAP, the NCI would be presented in the statement of financial position as neither a liability nor an equity component.

c) Retained Earnings

The following tables reconcile the cumulative effect on the above transitional adjustments with regard to retained earnings as at September 30 2010.

($)	
Property and equipment (see 11.1 (a))	875
Decommissioning liabilities (see 11.1 (a))	(4,980)
NCI (see 11.1 (b))	727,185
Net effect – increase in retained earnings	723,080

11.2 Reconciliation of the Consolidated Statement of Comprehensive Income

$	Notes	Three months ended September 30, 2010 Canadian GAAP	IFRS Adjustments	IFRS	Nine months ended September 30, 2010 Canadian GAAP	IFRS Adjustments	IFRS
Revenues							
Oil and gas sales, net of royalties		308,537	-	308,537	1,004,154	-	1,004,154
Expenses							
Production costs		84,827	-	84,827	276,943	-	276,943
Office and administration		100,497	-	100,497	207,352	-	207,352
Depletion and depreciation	(b)	238,458	(688)	237,770	691,964	(1,834)	691,130
Unwinding of the discounted value of decommissioning liabilities	(c)	-	692	692	-	1,860	1,860
Share-based payments		-	-	-	4,514	-	4,514
Loss on disposal of property and equipment		6,456	-	6,456	6,456		6,456
		430,238	(4)	430,242	1,187,229	26	1,187,255
Loss before taxes		(121,701)	(4)	(121,705)	(183,075)	(26)	(183,101)
Taxes							
Deferred		-	-	-	-	-	-
Net loss from continuing operations for the period		(121,701)	(4)	(121,705)	(183,075)	(26)	(183,101)
Net earnings from discontinued operations, net of tax	(d)	735,564	2,280	737,844	430,573	2,391	432,964
Net earnings and comprehensive income for the period		613,863	2,276	616,139	247,498	2,365	249,863
Net earnings (loss) and comprehensive income (loss) for the period attributable to:							
Common shareholders of the Company		613,863	56,182	670,045	247,498	80,967	328,465
Non-controlling interest	(a)	-	(53,906)	(53,906)		(78,602)	(78,602)
Net loss and comprehensive loss per share from continuing operations							
Basic and diluted		(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Net earnings and comprehensive income per share							
Basic and diluted		0.01	0.00	0.01	0.01	0.00	0.01

11.2 Reconciliation of the Consolidated Statement of Comprehensive Income (Loss) (Continued)

The nature of the adjustments is explained as follows:

a) Loss on Acquisition of Non-Controlling Interest (NCI)

Under Canadian GAAP, no losses would be attributed to the NCI once the NCI was reduced to nil. When the Company purchased the non-controlling interest for $10 this amount was recorded to office and administration. Under IFRS, the Company retroactively started to record the NCI's share of losses from inception for the periods ended September 30, 2010 of $78,602. When the Company purchased the NCI it recorded a loss on acquisition of $727,195, which consisted of the NCI's accumulated losses plus the purchase price.

b) Depletion and Depreciation

$	Three months ended September 30, 2010	Nine months ended September 30, 2010
Reclassification of the unwinding of the discounted value of decommissioning liabilities previously grouped with depletion and depreciation under Canadian GAAP	(779)	(2,103)
Increase (decrease) in depletion and depreciation due to the decommissioning liabilities transition adjustment (see 11.1 (a))	91	269
	(688)	(1,834)

c) Unwinding of the Discounted Value of Decommissioning Liabilities

$	Three months ended September 30, 2010	Nine months ended September 30, 2010
Reclassification of the unwinding of the discounted value of decommissioning liabilities previously grouped with depletion and depreciation under Canadian GAAP. (See 11.2(b))	779	2,103
Decrease in the unwinding of the discounted value of decommissioning liabilities due to the transition adjustment (see 11.1 (a))	(87)	(243)
	692	1,860

d) Net Earnings from Discontinued Operations, Net of Tax

$	Three months ended September 30, 2010	Nine months ended September 30, 2010
Decrease in the unwinding of the discounted value of decommissioning liabilities due to the transition adjustment (see 11.1 (a))	58	169
Increase in net earnings on the disposal of discontinued operations due to the increase of decommissioning liabilities (see 11.1(a))	2,222	2,222
	2,280	2,391