

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Canadian dollars, 000s)  
(unaudited)

	Note	As at September 30, 2015	As at December 31, 2014
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		425	200
Trade and other receivables		11,796	14,582
Prepaid expenses and deposits		3,497	1,990
Investments	4	4,056	8,755
<b>Total current assets</b>		<b>19,774</b>	25,527
Exploration and evaluation assets	5	9,845	9,126
Property, plant and equipment	6	335,859	348,623
Deferred taxes		35,871	27,421
<b>Total assets</b>		<b>401,349</b>	410,697
<b>LIABILITIES</b>			
Current liabilities			
Trade and other payables		11,436	11,280
Bank debt	7	-	47,755
<b>Total current liabilities</b>		<b>11,436</b>	59,035
Bank debt	7	43,546	-
Decommissioning liabilities	8	179,151	164,513
<b>Total liabilities</b>		<b>234,133</b>	223,548
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	195,145	191,319
Contributed surplus		3,574	2,262
Accumulated other comprehensive loss		(5,201)	(1,087)
Deficit		(26,302)	(5,345)
<b>Total shareholders' equity</b>		<b>167,216</b>	187,149
<b>Total liabilities and shareholders' equity</b>		<b>401,349</b>	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 September 30		Nine months ended September 30	
		2015	2014	2015	2014
Oil and gas sales		21,000	17,469	57,255	52,981
Royalties		(1,575)	(1,769)	(3,651)	(5,495)
Finance and dividend income	4	92	207	305	595
<b>REVENUE</b>		<b>19,517</b>	<b>15,907</b>	<b>53,909</b>	<b>48,081</b>
<b>EXPENSES</b>					
Operating		10,304	6,254	28,943	16,731
General and administration		1,242	1,417	4,480	3,863
Depletion and depreciation	6	12,130	6,035	35,115	16,422
Impairment of property, plant and equipment	6	7,586	-	7,586	-
Share-based payments	9	899	456	2,551	1,499
Finance expenses		1,493	454	4,049	1,089
Total expenses		33,654	14,616	82,724	39,604
Earnings (loss) before income taxes		(14,137)	1,291	(28,815)	8,477
Deferred tax expense (recovery)		(3,440)	373	(7,858)	2,257
<b>EARNINGS (LOSS) FOR THE PERIOD</b>		<b>(10,697)</b>	<b>918</b>	<b>(20,957)</b>	<b>6,220</b>
<b>Earnings (loss) per share (\$)</b>					
	9				
Basic		(0.05)	0.00	(0.09)	0.03
Diluted		(0.05)	0.00	(0.09)	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 September 30		Nine months ended September 30	
	2015	2014	2015	2014
Earnings (loss) for the period	(10,697)	918	(20,957)	6,220
<b>OTHER COMPREHENSIVE EARNINGS (LOSS)</b>				
Unrealized gain (loss) on investments	(2,511)	(1,674)	(4,700)	555
Deferred taxes on unrealized loss (gain) on investments	313	230	586	(70)
<b>OTHER COMPREHENSIVE EARNINGS (LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>(2,198)</b>	<b>(1,444)</b>	<b>(4,114)</b>	<b>485</b>
<b>TOTAL COMPREHENSIVE EARNINGS (LOSS) FOR THE PERIOD</b>	<b>(12,895)</b>	<b>(526)</b>	<b>(25,071)</b>	<b>6,705</b>

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 September 30 2015	2014	Nine months ended September 30 2015	2014
<b>CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN):</b>					
<b>OPERATING ACTIVITIES</b>					
Earnings (loss) for the period		(10,697)	918	(20,957)	6,220
Items not affecting cash:					
Share-based payments		899	456	2,551	1,499
Depletion and depreciation		12,130	6,035	35,115	16,422
Finance expenses		1,493	454	4,049	1,089
Deferred tax expense (recovery)		(3,440)	373	(7,858)	2,257
Impairment of property, plant and equipment	6	7,586	-	7,586	-
Changes in non-cash working capital accounts		(890)	(1,714)	527	(3,701)
Interest and bank charges paid		(464)	(132)	(1,218)	(114)
Cash and cash equivalents provided by operating activities		6,617	6,390	19,795	23,672
<b>INVESTING ACTIVITIES</b>					
Expenditures on property, plant and equipment	6	(726)	(5,269)	(4,049)	(8,352)
Disposition of property, plant, and equipment	6	-	2,929	-	2,929
Expenditures on exploration and evaluation	5	(1,325)	(22)	(1,335)	(49)
Acquisitions, net of working capital acquired	3	166	(32,116)	(13,525)	(32,116)
Changes in non-cash working capital accounts		(603)	(10,089)	961	(11,583)
Cash and cash equivalents used in investing activities		(2,488)	(44,567)	(17,948)	(49,171)
<b>FINANCING ACTIVITIES</b>					
Issuance of common shares, net of share issue costs	9	-	57,166	-	57,166
Share issue costs	9	-	-	(8)	-
Exercise of stock options	9	-	309	2,595	2,372
Bank debt, net	7	(3,961)	3,282	(4,209)	3,082
Changes in non-cash working capital accounts		-	128	-	128
Cash and cash equivalents provided by (used in) financing activities		(3,961)	60,885	(1,622)	62,748
Increase in cash and cash equivalents		168	22,708	225	37,249
Cash and cash equivalents - beginning of period		257	15,846	200	1,305
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>		<b>425</b>	<b>38,554</b>	<b>425</b>	<b>38,554</b>

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 <sup>1</sup>	Accumulated other comprehensive earnings (loss) <sup>2</sup>	Retained earnings (deficit)	Total equity
<b>BALANCE AT JANUARY 1, 2014</b>		<b>127,002</b>	<b>3,856</b>	<b>1,567</b>	<b>(3,403)</b>	<b>129,022</b>
Issuance of shares		60,065	-	-	-	60,065
Share issue costs, net of tax		(2,175)	-	-	-	(2,175)
Earnings for the period		-	-	-	6,220	6,220
Other comprehensive earnings for the period		-	-	485	-	485
Share-based payments	9	-	1,499	-	-	1,499
Exercise of options		5,812	(3,440)	-	-	2,372
<b>BALANCE AT SEPTEMBER 30, 2014</b>		<b>190,704</b>	<b>1,915</b>	<b>2,052</b>	<b>2,817</b>	<b>197,488</b>
Share issue costs, net of tax		(17)	-	-	-	(17)
Loss for the period		-	-	-	(8,162)	(8,162)
Other comprehensive loss for the period		-	-	(3,139)	-	(3,139)
Share-based payments	9	-	746	-	-	746
Exercise of options		632	(399)	-	-	233
<b>BALANCE AT DECEMBER 31, 2014</b>		<b>191,319</b>	<b>2,262</b>	<b>(1,087)</b>	<b>(5,345)</b>	<b>187,149</b>
Share issue costs, net of tax	9	(8)	-	-	-	(8)
Loss for the period		-	-	-	(20,957)	(20,957)
Other comprehensive loss for the period		-	-	(4,114)	-	(4,114)
Share-based payments	9	-	2,551	-	-	2,551
Exercise of options		3,834	(1,239)	-	-	2,595
<b>BALANCE AT SEPTEMBER 30, 2015</b>		<b>195,145</b>	<b>3,574</b>	<b>(5,201)</b>	<b>(26,302)</b>	<b>167,216</b>

<sup>1</sup> Contributed surplus is comprised of share-based payments.

<sup>2</sup> 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 September 30, 2015 and December 31, 2014 and for the three and nine month periods ended September 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 November 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 "May 2015 Acquisition") for cash consideration of \$14.1 million, prior to any adjustments.

The results of the May 2015 Acquisition have been included in the financial statements since May 29, 2015. The Assets have contributed oil and gas sales, net of royalties, of \$2.1 million and operating expenses of \$0.9 million for the period from May 29, 2015 to September 30, 2015. If the May 2015 Acquisition had occurred on January 1, 2015, the Company's total oil and gas sales, net of royalties, would have been approximately \$55.6 million and operating expenses would have been approximately \$29.4 million for the nine months ended September 30, 2015, including the Assets. Pine Cliff does not believe it is practical to estimate the effect on future periods.

The May 2015 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)
<b>Total net assets acquired</b>	<b>13,289</b>
Consideration:	
Cash	13,289
<b>Total purchase price</b>	<b>13,289</b>

Transaction costs of \$0.2 million were expensed in the nine month period ended September 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 May 2015 Acquisition.

### 4. TRANSACTIONS WITH RELATED PARTIES

#### Management services agreement

Pine Cliff has a management services agreement with Bonterra Energy Corp. ("Bonterra"), an oil and gas company 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 nine month periods September 30, 2015 and 2014 were \$0.02 million and \$0.05 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 September 30, 2015, Pine Cliff owed Bonterra \$0.1 million (December 31, 2014 - \$0.2 million).

#### Investment in Bonterra

As at September 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 September 30, 2015, have a fair value of approximately \$4.0 million (December 31, 2014 - \$8.5 million). For the three and nine months ended September 30, 2015, Pine Cliff received dividend income of \$0.1 million and \$0.3 million, respectively (three and nine months ended September 30, 2014 - \$0.2 million and \$0.5 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	1,301	34	1,335
Transfer to property, plant and equipment	(1,300)	-	(1,300)
Acquisitions	684	-	684
<b>Balance at September 30, 2015</b>	<b>7,782</b>	<b>2,063</b>	<b>9,845</b>

### 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
Decommissioning liabilities	110,666	-	110,666
Dispositions	(3,898)	-	(3,898)
Balance at December 31, 2014	401,651	810	402,461
Additions	3,675	374	4,049
Transfer from exploration and evaluation	1,300	-	1,300
Acquisitions	14,772	-	14,772
Decommissioning liabilities	9,816	-	9,816
<b>Balance at September 30, 2015</b>	<b>431,214</b>	<b>1,184</b>	<b>432,398</b>

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	(34,877)	(238)	(35,115)
Impairment	(7,586)	-	(7,586)
<b>Balance at September 30, 2015</b>	<b>(95,973)</b>	<b>(566)</b>	<b>(96,539)</b>

Carrying value at:	Oil and gas properties	Administrative assets	Total
December 31, 2014	348,141	482	348,623
<b>September 30, 2015</b>	<b>335,241</b>	<b>618</b>	<b>335,859</b>

**Impairment Assessment**

In accordance with IFRS, an impairment test is performed on a cash generating unit (“CGU”) if the Company identifies an indicator of impairment. At September 30, 2015, the Company determined that indicators of impairment existed due to a decline in the current and forward commodity prices, therefore an impairment test was performed for all of the Company’s CGUs.

An impairment is recognized if the carrying value of a CGU exceeds the recoverable amount for that CGU. The Company determines the recoverable amount by using fair value less costs to sell, based on discounted future cash flows of proved plus probable reserves using forecast prices and costs, discounted at a rate of 10%. In determining the appropriate discount rate, Pine Cliff referenced recent market transactions completed on assets similar to those in its CGUs.

The following table outlines forecast benchmark prices and exchange rates used in the Company’s impairment test as at September 30, 2015. The forecast commodity prices are based on those used by the Company’s external reserve evaluators at September 30, 2015 and are a key assumption in assessing the recoverable amount.

Year	WTI Oil (US\$/bbl) <sup>1</sup>	Foreign Exchange Rate <sup>1</sup>	Edmonton Light Crude Oil	
			(Cdn\$/bbl) <sup>1</sup>	AECO Gas (Cdn\$/mmbtu) <sup>1</sup>
2015 (3 months)	50.00	0.7600	60.80	2.90
2016	55.00	0.7600	67.40	3.35
2017	61.20	0.7800	73.40	3.65
2018	65.00	0.7800	78.10	3.85
2019	69.00	0.8000	80.90	4.00
2020-2025	82.62	0.8000	97.58	4.78
Thereafter	+ 2.0%/yr	0.8000	+ 2.0%/yr	+ 2.0%/yr

<sup>1</sup>Source: McDaniel & Associates Consultants Ltd. price forecasts, effective October 1, 2015.

The external reserve evaluators also assess many other financial assumptions regarding royalty rates, operating costs and future development capital, along with several other non-financial assumptions with a direct bearing on reserve volumes. Management considered these assumptions for the impairment test at September 30, 2015, however, it should be noted that all estimates are subject to uncertainty.

At September 30, 2015, the Company determined that the carrying amount of the Carrot Creek/Edson CGU exceeded its fair value. The full amount of the impairment was attributed to property, plant, and equipment and, as a result, an impairment loss of \$7.6 million was recorded. The impairment in 2015 was largely a result of a decline in the current and forward commodity prices.

**7. BANK DEBT**

On July 31, 2015, Pine Cliff entered into a \$70 million syndicated credit facility with a syndicate of three Canadian Chartered Banks (the “Syndicated Facility”). The Syndicated Facility consists of a \$60.0 million revolving syndicated credit facility and a \$10.0 million revolving operating facility that replaced the Company’s \$70 million non-syndicated, revolving demand credit facility (the “Demand Facility”). Security for the Syndicated Facility consists of floating demand debentures totaling \$150,000,000 and a general security agreement with first ranking over all current and acquired properties. Amounts drawn under the Syndicated Facility at September 30, 2015 were \$43.6 million (December 31, 2014 - \$47.8 million under the Demand Facility). Amounts borrowed under the Syndicated Facility bear interest at the Company’s option of either 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 EBITDA, which is calculated as earnings (loss) excluding depreciation, depletion and accretion, share based payments, interest, taxes and other non-cash items.

The Syndicated Facility is a one year revolving facility with the initial revolving period ending on July 31, 2016 and is reviewed semi-annually. If the Syndicated Facility is not renewed it will convert to a 364-day term loan. The Syndicated Facility has no fixed terms of repayment. Fees related to the Syndicated Facility totaled \$0.2 million of which \$0.2 million has been deferred over the term of the debt and \$0.04 million was expensed for the nine months ended September 30, 2015.

Pine Cliff has a \$0.6 million letter of credit issued against its Syndicated Facility. The Company was in compliance with its bank covenants during the three and nine month periods ended September 30, 2015.

## 8. 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 September 30, 2015, the estimated total undiscounted amount required to settle the decommissioning liabilities was \$207.4 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 2.4% (December 31, 2014 - 2.3%).

Changes to decommissioning liabilities were as follows:

	September 30, 2015	December 31, 2014
Decommissioning provision, beginning of period	164,513	42,685
Provisions acquired through acquisitions	1,952	9,242
Increase in liabilities relating to development activities	39	-
Revisions (changes in estimates and discount rates)	9,816	110,664
Accretion expense during period	2,831	1,922
<b>Decommissioning provision, end of period</b>	<b>179,151</b>	<b>164,513</b>

## 9. 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	200,192	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	233,879	191,319
Exercise of options	3,041	3,834
Share issue costs, net of tax	-	(8)
<b>Balance at September 30, 2015</b>	<b>236,920</b>	<b>195,145</b>

### 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 nine month periods ended September 30, 2015, all options were excluded as there was a loss in the periods then ended (three and nine month periods ended September 30, 2014 - excluded 282,000 and 871,500 options, respectively, as their effect is anti-dilutive).

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Earnings per share calculation:	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
<b>Numerator</b>				
Earnings (loss) for the period	(10,697)	918	(20,957)	6,220
<b>Denominator (000s)</b>				
Weighted-average common shares outstanding - basic	236,920	203,677	235,805	202,519
Effect of options outstanding	-	7,446	-	7,844
Weighted-average common shares outstanding - diluted	236,920	211,123	235,805	210,363
Earnings (loss) per share - basic (\$)	(0.05)	0.00	(0.09)	0.03
Earnings (loss) per share - diluted (\$)	(0.05)	0.00	(0.09)	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 September 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 September 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	14,479	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	15,695	1.15
Granted	459	1.47
Exercised	(3,041)	0.85
Forfeited	(338)	1.29
Outstanding, September 30, 2015	12,775	1.23
Exercisable, September 30, 2015	2,598	0.72

The following table summarizes information about stock options outstanding at September 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	0.6	1,830	0.6
\$0.91 - \$1.49	3,855	1.3	477	0.7
\$1.50 - \$1.97	5,510	1.5	291	0.2
	12,775	1.2	2,598	0.6

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 nine months ended September 30, 2015, the Company granted 459,000 stock options with an estimated fair value of \$0.2 million or \$0.57 per option using the Black-Scholes option pricing model with the following key assumptions (weighted-average):

Assumptions:	Nine months ended September 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.

## 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

### Agreement to acquire certain Central Alberta oil and natural gas assets

On November 9, 2015, Pine Cliff announced entering into a purchase and sale agreement (the "Agreement") to acquire certain natural gas and oil assets in Central Alberta for cash consideration of \$185.0 million, prior to any adjustments (the "Acquisition"), of which Pine Cliff paid a deposit of \$18.5 million on November 9, 2015.

The Acquisition will have an effective date of July 1, 2015 and is presently expected to close on or around December 11, 2015. Although the Agreement is binding between the parties, completion of the Acquisition is subject to numerous standard conditions, including title review, rights of first refusals and regulatory approvals. No assurances can be given that the Acquisition will be completed as proposed or at all.

### Public share offering

On November 9, 2015, Pine Cliff announced that it had entered into an agreement with a syndicate of underwriters who have agreed to purchase, on a bought deal basis, 55.6 million subscription receipts ("Subscription Receipts") at a price of \$1.08 per Subscription Receipt for aggregate gross proceeds of \$60 million. Pine Cliff has granted the underwriters an option to purchase an additional 8.3 million Subscription Receipts (the "Over Allotment Option") on the same terms and conditions, exercisable for a period of 30 days following the closing of the Subscription Receipts. Additionally, the Company announced a private placement of common shares to board of directors members, management, employees, and certain consultants, at the same price as the Subscription Receipts, for aggregate gross proceeds of up to \$3.0 million (the private placement, together with the Subscription Receipts and the Over Allotment Option, the "Offering"). The proceeds of the Offering will be used to fund a portion of the Acquisition.

### Issue of stock options

Subsequent to September 30, 2015, Pine Cliff granted 200,000 stock options to an employee with an exercise price of \$1.30, based on the market price immediately preceding the date of grant. The options vest on October 21, 2016 and expire on October 21, 2017.

**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  
Cheryne A. Lowe  
Interim Chief Financial Officer  
Terry L. McNeill  
Chief Operating Officer

**HEAD OFFICE**

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Fax: (403) 265-7488

**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](http://www.pinecliffenergy.com)

