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

	Note	**As at March 31, 2019**	As at December 31, 2018
ASSETS			
Current assets			
Cash		**6,930**	3,563
Trade and other receivables	4	**14,966**	13,536
Prepaid expenses and deposits		**4,401**	3,854
Total current assets		**26,297**	20,953
Exploration and evaluation	6	**22,625**	22,620
Property, plant and equipment	7	**319,799**	310,642
Total assets		**368,721**	354,215
LIABILITIES			
Current liabilities			
Trade and other payables	4	**17,117**	16,772
Lease liabilities	8	**840**	-
Decommissioning provision	12	**2,466**	2,466
Total current liabilities		**20,423**	19,238
Lease liabilities	8	**2,675**	-
Due to related party	10	**6,000**	6,000
Subordinated promissory notes	11	**54,358**	54,280
Decommissioning provision	12	**230,471**	213,723
Total liabilities		**313,927**	293,241
SHAREHOLDERS' EQUITY			
Share capital	13	**268,743**	268,743
Warrants		**288**	288
Contributed surplus		**12,860**	12,515
Deficit		**(227,097)**	(220,572)
Total shareholders' equity		**54,794**	60,974
Total liabilities and shareholders' equity		**368,721**	354,215

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Canadian dollars, 000s except per share data)
(unaudited)

		Three months ended March 31,	
	Note	**2019**	2018
REVENUE			
Oil and gas sales	14	**32,063**	29,711
Royalty expense		**(1,719)**	(2,646)
Oil and gas sales, net of royalties		**30,344**	27,065
Dividend income		**-**	35
Total revenue		**30,344**	27,100
EXPENSES			
Operating		**17,654**	16,912
Transportation		**3,096**	2,889
Depletion and depreciation	7	**11,389**	10,876
Share-based payments	13	**345**	624
Finance	15	**2,784**	2,128
General and administrative		**1,601**	1,364
Realized loss on sale of investments		**-**	2,687
Total expenses		**36,869**	37,480
Loss before income taxes		**(6,525)**	(10,380)
Deferred income tax expense		**-**	(5,200)
LOSS FOR THE PERIOD		**(6,525)**	(15,580)
OTHER COMPREHENSIVE LOSS			
Unrealized loss on investments		**-**	(2,081)
Amounts reclassified from comprehensive loss		**-**	2,081
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		**-**	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(6,525)**	(15,580)
Loss per share ($)			
Basic and diluted	13	**(0.02)**	(0.05)

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

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

	Note	Three months ended March 31, 2019	2018
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Loss for the period		**(6,525)**	(15,580)
Items not affecting cash:			
Depletion and depreciation	7	**11,389**	10,876
Share-based payments	13	**345**	624
Finance expenses	15	**2,784**	2,128
Loss on sale of investments		**-**	2,687
Deferred income tax expense		**-**	5,200
Interest and bank charges	15	**(1,170)**	(798)
Decommissioning obligations settled	12	**(633)**	(836)
Changes in non-cash working capital accounts	15	**1,735**	2,678
Cash provided by operating activities		**7,925**	6,979
INVESTING ACTIVITIES			
Property, plant and equipment	7	**(990)**	(3,171)
Exploration and evaluation	6	**(5)**	(6)
Acquisitions	7	**(2)**	288
Dispositions		**-**	83
Sale of investments		**-**	2,274
Changes in non-cash working capital accounts	15	**(3,367)**	(2,503)
Cash used in investing activities		**(4,364)**	(3,035)
FINANCING ACTIVITIES			
Bank debt	9	**-**	(4,829)
Payments on lease obligations		**(194)**	-
Cash used in financing activities		**(194)**	(4,829)
Increase (decrease) in cash		**3,367**	(885)
Cash - beginning of period		**3,563**	1,075
CASH - END OF PERIOD		**6,930**	190

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

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

	Note	Share capital	Contributed surplus[1]	Accumulated other comprehensive loss[2]	Warrants	Deficit	Total Equity
BALANCE AT JANUARY 1, 2018		**268,743**	**9,326**	**(2,081)**	**958**	**(147,853)**	**129,093**
Loss for the period		-	-	-	-	(15,580)	(15,580)
Realized loss on sale of investments		-		2,081	-	-	2,081
Share-based payments	13	-	624	-	-	-	624
BALANCE AT MARCH 31, 2018		**268,743**	**9,950**	**-**	**958**	**(163,433)**	**116,218**
Loss for the period		-	-	-	-	(57,139)	(57,139)
Issuance of warrants		-	-	-	288	-	288
Expiry of warrants		-	958	-	(958)	-	-
Share-based payments	13	-	1,607	-	-	-	1,607
BALANCE AT DECEMBER 31, 2018		**268,743**	**12,515**	**-**	**288**	**(220,572)**	**60,974**
Loss for the period		-	-	-	-	(6,525)	(6,525)
Share-based payments	13	-	345	-	-	-	345
BALANCE AT MARCH 31, 2019		**268,743**	**12,860**	**-**	**288**	**(227,097)**	**54,794**

[1]Contributed surplus is comprised of share-based payments.
[2]Accumulated other comprehensive loss is comprised of realized and unrealized losses on available-for-sale investments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at March 31, 2019 and December 31, 2018 and for the three months ended March 31, 2019 and 2018.
(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 Toronto Stock Exchange ("**TSX**") 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. Common shares of the Company ("**Common Shares**") are listed for trading on the Toronto Stock Exchange ("**TSX**") under the symbol "**PNE**".

Pine Cliff is engaged in the acquisition, 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 unaudited condensed consolidated financial statements (the "**Financial Statements**") reflect only the Company's proportionate interest in such activities.

2. BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with IAS 34 – Interim Financial Reporting using International Financial Reporting Standards ("**IFRS**").

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 audited consolidated financial statements for the year ended December 31, 2018 ("**Annual Financial Statements**").

The accounting policies, basis of measurement, critical accounting judgments and significant estimates to prepare the Annual Financial Statements as at and for the year ended December 31, 2018 have been applied in the preparation of these Financial Statements, except as described in Note 3.

The Financial Statements were authorized for issue by the Company's board of directors on May 8, 2019.

3. ADOPTED ACCOUNTING PRONOUNCEMENTS

IFRS 16 *Leases* ("**IFRS 16**")

Effective January 1, 2019 the Company adopted IFRS 16. IFRS 16 introduces a lease accounting model for lessees that requires a right-of-use asset and lease liability to be recognized on the balance sheet for contracts that are, or contain, a lease.

Pine Cliff adopted IFRS 16 using the modified retrospective approach, whereby the cumulative effect of initially applying the standard was recognized as a $3.6 million increase to right-of-use assets (included in property, plant and equipment) with a corresponding increase to lease obligations. The initial right-of-use assets recognized were measured at amounts equal to the lease obligations. The weighted average incremental borrowing rate that will be used to determine the lease obligation at adoption is 4.7%. The right of use assets and lease obligations are mainly from the Company's head office lease in Calgary and vehicles for the field operations staff.

The adoption of IFRS 16 included the following elections:

- Pine Cliff elected to not apply lease accounting to leases for which the term ends within 12 months of the date of initial application.
- Pine Cliff elected to retain the classification of previous leases under IAS 17.
- Pine Cliff elected to use hindsight in determining lease term.

As at December 31, 2018, Pine Cliff disclosed future lease obligations $4.0 million, which would have resulted in a lease obligation of $3.6 million when discounted at the weighted average incremental borrowing rate at adoption of IFRS 16 of 4.7%.

IFRS 3 *Business Combinations* ("IFRS 3")

Effective January 1, 2019 the Company early adopted IFRS 3. IFRS 3 will be applied prospectively to acquisitions that occur on or after January 1, 2019. The amendments introduce an optional concentration test, narrow the definitions of a business and outputs, and clarify that an acquired set of activities and assets must include an input and a substantive process that together significantly contribute to the ability to create outputs. These amendments do not result in changes to the Company's accounting policies for applying the acquisition method.

4. FINANCIAL INSTRUMENTS

Financial instruments and fair value measurement

Financial instruments of the Company consist of cash, trade and other receivables, trade and other payables, due to related party, subordinated promissory notes, and bank debt. The carrying values of cash, trade and other receivables and trade and other payables approximate their respective fair values due to the short time before maturing. The carrying values of due to related party, subordinated promissory notes, and bank debt approximate their respective fair values due to their interest rates reflecting current market conditions.

Assets and liabilities that are measured at fair value are classified into levels, reflecting the method used to make the measurements. Level 1 fair value measurements are based on quoted prices that 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. Pine Cliff has no level 2 or level 3 financial instruments. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

The following table sets out the Company's classification, carrying value and fair value of financial assets and liabilities as at March 31, 2019 and December 31, 2018:

	March 31, 2019		December 31, 2018	
Description	**Carrying value**	**Fair value**	Carrying value	Fair value
Cash	**6,930**	**6,930**	3,563	3,563
Trade and other receivables	**14,966**	**14,966**	13,536	13,536
Trade and other payables	**(17,117)**	**(17,117)**	(16,772)	(16,772)
Due to related party	**(6,000)**	**(6,000)**	(6,000)	(6,000)
Subordinated promissory notes	**(54,358)**	**(54,358)**	(54,280)	(54,280)

5. RISK MANAGEMENT

The Company is exposed to both financial and non-financial risks inherent in the oil and gas business. Financial risks include: commodity prices, interest rates, equity price, foreign exchange, credit availability and liquidity. Financial risks can be managed, at least to a degree, through the utilization of financial instruments. Certain non-financial risks can be mitigated through the use of insurance and/or other risk transfer mechanisms, good business practices and process controls, while others must simply be borne. All risks can have an impact upon the financial performance of the Company. The Company's exposure to market risk, credit risk and liquidity risk are consistent with those disclosed in the Annual Financial Statements.

Physical Sales Contracts

At March 31, 2019, the Company had the following physical natural gas sales contracts in place:

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Fixed Sale Price ($CAD/GJ)	Fixed Sale Price ($CAD/Mcf)[1]
April 1, 2019 to October 31, 2019	AECO	5,000	$1.20	$1.26
April 1, 2019 to October 31, 2019	AECO	5,000	$1.29	$1.35
April 1, 2019 to October 31, 2019	DAWN[2]	4,000	$3.40	$3.57
April 1, 2019 to October 31, 2019	DAWN[2]	4,000	$3.44	$3.61
April 1, 2019 to October 31, 2019	AECO	2,500	$1.33	$1.40

[1] Price has been converted from $/GJ to $/Mcf by multiplying by 1.05.
[2] Dawn Hub into Dawn Township, Ontario.

Financial Derivative Contracts

Pine Cliff had no financial derivative contracts in place during the three months ended March 31, 2019 or subsequent to.

6. EXPLORATION AND EVALUATION

Exploration and evaluation assets:	Oil and gas properties	Mineral properties	Total
Balance at December 31, 2017	26,313	3,074	29,387
Additions	193	46	239
Transfer to property, plant, and equipment	(7,006)	-	(7,006)
Balance at December 31, 2018	**19,500**	**3,120**	**22,620**
Additions	5	-	5
Balance at March 31, 2019	**19,505**	**3,120**	**22,625**

7. PROPERTY, PLANT AND EQUIPMENT

Cost:	($000s)
Balance at December 31, 2017	**558,482**
Additions	10,426
Transfer from exploration and evaluation	7,006
Acquisitions	307
Dispositions	(369)
Decommissioning provision	12,990
Balance at December 31, 2018	**588,842**
Additions	990
Lease obligations	3,709
Acquisitions	2
Decommissioning provision	15,845
Balance at March 31, 2019	**609,388**

Accumulated depletion and depreciation:	($000s)
Balance at December 31, 2017	**(234,524)**
Depletion and depreciation	(43,760)
Disposition	84
Balance at December 31, 2018	**(278,200)**
Depletion and depreciation	(11,389)
Balance at March 31, 2019	**(289,589)**

Carrying value at:	($000s)
December 31, 2018	310,642
March 31, 2019	**319,799**

8. LEASE LIABILITIES

Pine Cliff had the following future commitments associated with its lease liabilities:

	($000s)
2019	698
2020	1,011
2021	927
2022	731
2023	564
Total lease payments as at March 31, 2019	**3,931**
Amounts representing interest	(416)
Present value of lease payments	**3,515**
Current portion of lease obligations	(840)
Non-current portion of lease obligations	**2,675**

For the three months ended March 31, 2019, interest expense of $0.04 million and a total cash outflow of $0.2 million was recognized relating to lease obligations.

9. BANK DEBT

As at March 31, 2019, the Company had an $11.0 million syndicated credit facility (the "**Credit Facility**") with three Canadian Financial Institutions (the "**Syndicate**") (December 31, 2018 - $11.0 million Credit Facility). The Credit Facility of $11.0 million consists of a $6.0 million revolving syndicated credit facility and a $5.0 million revolving operating facility. Security consists of floating demand debentures totaling $150.0 million and a general security agreement with first ranking over all current and acquired properties. Amounts drawn under the Credit Facility at March 31, 2019, were $nil (December 31, 2018 - $nil). Borrowings under the Credit Facility bear interest at the Canadian prime rate plus 1.5% to 4.0% or the bankers' acceptance rates plus 2.5% to 5.0%, depending, in each case, on the rolling 12 month ratio of consolidated debt to EBITDA, plus applicable standby fees. EBITDA is calculated as earnings (loss) excluding depreciation, depletion, impairment and accretion, share based payments, interest, taxes and other non-cash items. The Credit Facility matures July 28, 2019, and if it is not renewed it will convert to a one day term loan due on July 29, 2019. The Credit Facility is reviewed semi-annually on November 30th and May 31st. As at March 31, 2019, the Company had $1.8 million in letters of credit issued against its Credit Facility (December 31, 2018 - $2.9 million).

Letter of Credit Facility

As at March 31, 2019, the Company had a $2.6 million letter of credit facility ("**LC Facility**") with a Canadian bank which is supported by a performance guarantee from Export Development Canada. The LC Facility is for issuing letters of credit to counterparties and is available on a demand basis. Letters of credit issued under the LC Facility incur an issuance fee of 4% per annum. The Credit Facility and LC Facility does not contain any financial covenants but Pine Cliff is subject to non-financial covenants under its Credit Facility. Compliance with these covenants is monitored on a regular basis and as at March 31, 2019, Pine Cliff was in compliance with all covenants. As at March 31, 2019, the Company had $1.1 million in letters of credit issued against its LC Facility (December 31, 2018 - $nil).

10. DUE TO RELATED PARTY

As at March 31, 2019, Pine Cliff had a $6.0 million promissory note outstanding to the Company's Chairman of the Board maturing on September 30, 2020 ("**2020 Related Party Note**") that bears interest at 0.25% less than the monthly average effective interest rate paid on the Credit Facility and is payable monthly. The 2020 Related Party Note is secured by a $6.0 million floating charge debenture over all of the Company's assets and is subordinated to any and all claims in favor of the Credit Facility and the holder of the $30 Million 2020 Notes and $19 Million 2022 Notes, as defined herein. Interest paid on the 2020 Related Party Note for the three months ended March 31, 2019 was $0.1 million (March 31, 2018 - $0.04 million).

11. SUBORDINATED PROMISSORY NOTES

Subordinated promissory notes due September 30, 2020:	
Issued – July 29, 2016	6,000
Subordinated promissory notes due September 30, 2020, as at March 31, 2019 and December 31, 2018	**6,000**
Subordinated promissory notes due September 30, 2020:	
Subordinated promissory notes due September 30, 2020, as at December 31, 2017	29,307
Accretion expense	237
Subordinated promissory notes due September 30, 2020, as at December 31, 2018	29,544
Accretion expense	62
Subordinated promissory notes due September 30, 2020, as at March 31, 2019	**29,606**
Subordinated promissory notes due July 31, 2022 as at December 31, 2017	-
Subordinated promissory notes due July 31, 2022, issued July 13, 2018	18,706
Accretion expense	30
Subordinated promissory notes due July 31, 2022, as at December 31, 2018	18,736
Accretion expense	16
Subordinated promissory notes due September 30, 2020, as at March 31, 2019	**18,752**
Total subordinated promissory notes, as at December 31, 2018	54,280
Total subordinated promissory notes, as at March 31, 2019	**54,358**

$6 Million Subordinated Promissory Notes due September 30, 2020

On July 29, 2016, the Company issued $6.0 million in promissory notes maturing on July 29, 2018. In July 2018, these notes were amended to mature on September 30, 2020 ("**$6 Million 2020 Notes**"). The $6 Million 2020 Notes bear interest at 0.25% less than the monthly average effective interest rate paid on the Credit Facility, payable monthly. The $6 Million 2020 Notes were issued to a shareholder and a relative of that shareholder, owning directly or by discretion and control, greater than 10% of the Common Shares. The $6 Million 2020 Notes are secured by a $6.0 million of floating charge debenture over all of the Company's assets and are subordinated to any and all claims in favor of the Credit Facility and the $30 Million 2020 Note and $19 Million 2022 Note holders.

$30 Million Subordinated Promissory Notes due September 30, 2020

On August 10, 2016, the Company issued 30,000 units ("**2020 Units**" or "**2020 Unit**") at a price of $1,000 per 2020 Unit for aggregate proceeds of $30.0 million. Each 2020 Unit is comprised of: (i) one promissory note with a par value of $1,000 per note and bearing interest at 6.75% per annum ("**$30 Million 2020 Note"** or "**$30 Million 2020 Notes**"), which are payable semi-annually; and (ii) 150 Common Share purchase warrants ("**2018 Warrants**"). The $30 Million 2020 Notes mature on September 30, 2020 and all or a portion of the principal amount outstanding can be repaid earlier without penalty. The $30 Million 2020 Notes are secured by a $30.0 million floating charge debenture over all of the Company's assets and is subordinated to any and all claims in favor of the Credit Facility. A total of 4.5 million 2018 Warrants were issued, entitling the holder to purchase one Common Share for each 2018 Warrant at a price of $1.38. The 2018 Warrants all expired on August 10, 2018.

The $30 Million 2020 Notes were determined to be a hybrid instrument with an embedded derivative. The fair value of the debt component of the $30 Million 2020 Notes were determined on issuance to be 7.8%, using the effective interest rate method, by discounting future payments of interest and principal with the residual value allocated to Warrants. The value of the debt will accrete up to the principal balance at maturity.

$19 Million Subordinated Promissory Notes due July 31, 2022

On July 13, 2018, the Company issued 19,000 units ("**2022 Units**" or "**2022 Unit**") at a price of $1,000 per 2022 Unit for aggregate proceeds of $19.0 million. Each 2022 Unit is comprised of: (i) one promissory note with a par value of $1,000 per note and bearing interest at 7.05% per annum ("**$19 Million 2022 Note** " or "**$19 Million 2022 Notes"**), which are payable semi-annually; and (ii) 150 Common Share purchase warrants ("**2021 Warrants**"). The $19 Million 2022 Notes mature on July 31, 2022 and all or a portion of the principal amount outstanding can be repaid without penalty after three years. A total of 2.85 million 2021 Warrants were issued, entitling the holder to purchase one Common Share of Pine Cliff for each 2021 Warrant at a price of $0.51, until July 13, 2021.

The $19 Million 2022 Notes were determined to be a hybrid instrument with an embedded derivative. The fair value of the debt component of the $19 Million 2022 Notes were determined on issuance to be 7.6%, using the effective interest rate method, by discounting future payments of interest and principal with the residual value allocated to Warrants. The value of the debt will accrete up to the principal balance at maturity.

12. DECOMMISSIONING PROVISION

The total current and long-term decommissioning provision of $232.9 million was estimated by management based on the Company's working interest and estimated costs to remediate, reclaim and abandon its wells, pipelines, and facilities and estimated timing of the costs to be incurred in future periods.

At March 31, 2019, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was $264.1 million (December 31, 2018 - $264.4 million). The discounted and inflated amount required to settle the decommissioning liabilities of $232.9 million has been calculated assuming a 1.91% inflation rate (December 31, 2018 – 1.88%) and discounted using an average risk-free interest rate of 2.57% (December 31, 2018 – 2.88%). These obligations are currently expected to be settled based on the useful lives of the underlying assets, some of which extend beyond 35 years into the future.

	($000s)
Decommissioning provision, January 1, 2018	200,540
Increase relating to development activities	82
Decommissioning expenditures	(2,730)
Revisions (changes in estimates, inflation rate, and discount rates)	12,908
Accretion	5,389
Decommissioning provision, December 31, 2018	**216,189**
Provisions related to acquisitions	117
Decommissioning expenditures	(633)
Revisions (changes in estimates, inflation rate, and discount rates)	15,728
Accretion	1,536
Decommissioning provision, March 31, 2019	**232,937**
Less current portion of decommissioning provision	**(2,466)**
Non-current portion of decommissioning provision	**230,471**

13. 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 ($000s)
Balance, January 1, 2017	307,076	268,743
Balance, December 31, 2018 and March 31, 2019	**307,076**	**268,743**

Stock Options

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 stock options up to 10% of outstanding Common Shares on the grant date. The term and vesting period of the options granted are determined at the discretion of the Company's 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.

Stock options issued and outstanding:	Options (000s)	Weighted-average exercise price ($ per share)
Outstanding, January 1, 2018	**21,316**	**1.06**
Granted	7,698	0.33
Expired	(6,598)	1.23
Forfeited	(1,387)	0.82
Outstanding, December 31, 2018	**21,029**	**0.75**
Granted	18	0.25
Expired	(285)	0.90
Forfeited	(216)	0.46
Outstanding, March 31, 2019	**20,546**	**0.75**
Exercisable, March 31, 2019	**6,408**	**1.02**

Exercise price:	Stock options outstanding (000s)	Weighted-average remaining term (years)	Stock options exercisable (000s)	Weighted-average remaining term (years)
$0.25 - $0.55	7,349	2.1	15	0.7
$0.56 - $0.86	5,373	1.1	1,748	0.1
$0.87 - $1.16	7,824	1.1	4,645	0.7
	20,546	**1.5**	**6,408**	**0.5**

The Company records share-based payment expense over the vesting period, based on the fair value of the options granted to employees, directors and consultants. One third of the stock options granted vest annually on the first, second, and third anniversaries of the grant date and expire one year after each respective vesting date. During the three months ended March 31, 2019, the Company granted 18,000 stock options (March 31, 2018 - nil) with a fair value of $0.09 (March 31, 2018 - $nil) per option using the Black-Scholes option pricing model using the following key assumptions:

	Three months ended March 31,	
Assumptions (weighted average):	**2019**	2018
Exercise price ($)	**0.25**	-
Estimated volatility of underlying common shares (%)	**50.9**	-
Expected life (years)	**3.0**	-
Risk-free rate (%)	**1.9**	-
Forfeiture rate (%)	**3.9**	-
Expected dividend yield (%)	**-**	-

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.

Per Share Calculations

The average market value of the Common Shares for the purposes of calculating the dilutive effect of stock options and warrants 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 months ended March 31, 2019 and 2018, all stock options and warrants were excluded as they were not dilutive.

	Three months ended March 31,	
Loss per share calculation:	**2019**	2018
Numerator		
Loss for the period	**(6,525)**	(15,580)
Denominator (000s)		
Weighted-average Common Shares outstanding – basic and diluted	**307,076**	307,076
Loss per share – basic and diluted ($)	**(0.02)**	(0.05)

14. OIL AND GAS SALES

The Company's oil and gas sales revenue is determined pursuant to the terms of the marketing agreements. The revenue for natural gas, NGL and crude oil is based on the commodity price in the month of production, adjusted for quality, location, allowable deductions, if any, or other factors. Oil and gas sales revenues are based on marketed indices that are determined on a monthly or daily basis.

	Three months ended March 31,	
($000s)	**2019**	2018
Natural gas	**26,644**	23,939
NGL	**3,322**	4,526
Crude oil	**2,097**	1,246
Total oil and gas sales	**32,063**	29,711

15. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31,	
	2019	2018
Changes in non-cash working capital:		
Trade and other receivables	**(1,430)**	(572)
Prepaid expenses and deposits	**(547)**	(579)
Trade and other payables and accrued liabilities	**345**	1,326
	(1,632)	175
Change related to:		
Operating activities	**1,735**	2,678
Investing activities	**(3,367)**	(2,503)
	(1,632)	175

	Three months ended March 31,	
Finance expenses:	**2019**	2018
Interest expense and bank charges	**1,170**	798
Non cash:		
Accretion on decommissioning provision	**1,536**	1,273
Accretion on subordinated promissory notes	**78**	57
Total finance expenses	**2,784**	2,128

Cash interest paid in the three months ended March 31, 2019, was $2.0 million (March 31, 2018 - $1.3 million).

16. COMMITMENTS

As at March 31, 2019, the Company has the following commitments and other contractual obligations:

($000s)	2019	2020	2021	2022	2023	Thereafter
Subordinated promissory notes[1]	-	36,000	-	19,000	-	-
Trade and other payables	17,117	-	-	-	-	-
Due to related party	-	6,000	-	-	-	-
Future interest	3,171	3,506	1,340	1,005	-	-
Transportation[2]	7,049	7,436	6,390	5,519	3,168	12,145
Total commitments and contingencies	**27,337**	**52,942**	**7,730**	**25,524**	**3,168**	**12,145**

[1] Principal amount.
[2] Firm transportation agreements.

17. SUBSEQUENT EVENTS

Agreement to acquire certain Central Alberta oil and natural gas assets

On April 17, 2019, Pine Cliff announced that it entered into a purchase and sale agreement (the "**Agreement**") to acquire certain natural gas and oil assets in Central Alberta for net cash consideration of $8.6 million, after estimated closing adjustments (the "**Acquisition**"). Pine Cliff paid a deposit of $1.0 million on April 17, 2019.

The Acquisition will have an effective date of October 1, 2018 and is presently expected to close on or around May 31, 2019. Although the Agreement is binding between the parties, completion of the Acquisition is subject to numerous standard conditions, including rights of first refusals and regulatory approvals. No assurances can be given that the Acquisition will be completed as proposed or at all.

Flow-Through Financing

On April 17, 2019, Pine Cliff announced that it intends to issue, by way of non-brokered private placement, up to 13,333,333 flow-through shares (the "**Flow-Through Shares**") on a flow-through basis in respect of Canadian development expenses ("**CDE**") at a price of $0.30 per Flow-Through Share, resulting in gross proceeds of up to $4.0 million (the "**Flow-Through Private Placement**"). Pine Cliff shall, pursuant to the provisions of the Income Tax Act (Canada), incur eligible CDE after the closing date of the Flow-Through Private Placement and prior to March 31, 2020 in the aggregate amount of not less than the gross proceeds of the Flow-Through Private Placement. The net proceeds of the Flow-Through Private Placement are expected to be used to incur eligible CDE. The completion of the Flow-Through Private Placement is subject to certain conditions including the closing of the Acquisition and customary regulatory approvals, including the approval of the Toronto Stock Exchange.

Common Share Financing

On April 17, 2019, Pine Cliff announced that it intends to issue, by way of a non-brokered private placement up to 12,000,000 Common Shares (the "**Common Share Private Placement**"), at a price of $0.25 per Common Share, for gross proceeds of up to $3.0 million. The net proceeds of the Common Share Private Placement are expected to be used to partially finance the Acquisition. The completion of the Common Share Private Placement is subject to certain conditions including the closing of the Acquisition and customary regulatory approvals, including the approval of the Toronto Stock Exchange.

BOARD OF DIRECTORS

Gary J. Drummond
George F. Fink - Chairman
Philip B. Hodge
Randy M. Jarock
William S. Rice

OFFICERS

Philip B. Hodge
President and Chief Executive Officer

Terry L. McNeill
Chief Operating Officer

Cheryne A. Lowe
Chief Financial Officer and Corporate Secretary

Heather A. Isidoro
Vice President, Business Development

Christopher S. Lee
Vice President, Geology

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AUDITORS

Deloitte LLP

BANKERS

Toronto-Dominion Bank
Canadian Western Bank
Business Development Bank of Canada

STOCK EXCHANGE LISTING

TSX Exchange
Trading Symbol: PNE

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