



News Release

Pine Cliff Energy Ltd. Announces First Quarter 2019 Results

CALGARY, Alberta (Newsfile Corp. – May 8, 2019) - Pine Cliff Energy Ltd. (“**Pine Cliff**” or the “**Company**”) (TSX: PNE) is pleased to announce the filing of its first quarter financial and operating results. Included in the filings were Pine Cliff’s unaudited interim condensed consolidated financial statements and related management’s discussion and analysis for the three months ended March 31, 2019 (the “**Q1-Report**”). Selected highlights are shown below and should be read in conjunction with the Q1-Report.

First Quarter 2019 Highlights

In the first quarter of 2019, Pine Cliff generated its highest adjusted funds flow and revenue since the second quarter of 2017. Additionally, Pine Cliff brought its first oil well on production and subsequent to March 31, 2019, announced a strategic acquisition and financing that will significantly increase growth opportunities in the Pekisko oil pool where the Company’s first well was drilled. Highlights from the first quarter of 2019 are as follows:

- generated \$32.1 million of oil and gas sales for the three months ended March 31, 2019, 8% higher than the \$29.7 million generated for the three months ended March 31, 2018;
- generated \$6.8 million of adjusted funds flow (\$0.02 per basic share) for the three months ended March 31, 2019, 33% higher than the \$5.1 million (\$0.02 per basic share) generated for the three months ended March 31, 2018;
- successfully brought Pine Cliff’s first 100% operated oil drill on production in January, 2019. This well generated production of approximately 375 Boe/d (weighted approximately 60% liquids) from January 14, 2019 to March 31, 2019;
- net debt was decreased by 9% or \$5.0 million from \$56.8 million as at December 31, 2018 to \$51.8 million as at March 31, 2019. This is Pine Cliff’s lowest net debt position since Q3-2015; and
- realized \$2.84 per Mcf gas price for the three months ended March 31, 2019, 9% higher than the AECO 5A benchmark of \$2.61 per Mcf.

2019 Strategic Acquisition

On April 17, 2019, Pine Cliff announced that it had entered into an agreement to acquire oil and natural gas assets in the Company’s core Ghost Pine area of Central Alberta for net cash consideration of approximately \$8.6 million, after estimated closing adjustments (the “**Acquisition**”). The Company’s initial assessment is that this acquisition will, at current forward strip pricing, increase its economic Pekisko oil location inventory from six to 27 net locations and add approximately 1,575 Boe/d of production weighted 75% natural gas, 16% NGLs and 9% oil, essentially eliminating the Company’s annual production decline for 2019, which is less than 10%. The Acquisition is expected to close on or around May 31, 2019 and the Company currently intends to drill its second Pekisko oil location in the second half of 2019.

Concurrent with the acquisition, Pine Cliff announced a \$4.0 million flow-through common share financing and a private placement of common shares for proceeds up to \$3.0 million (the “**Private Placements**”). One of Pine Cliff’s current shareholders, the Alberta Investment Management Corporation, has indicated that it intends to increase its shareholdings in Pine Cliff by approximately 15,000,000 common shares on behalf of certain of its clients through these financings. For additional details on the acquisition and financings, please refer to the April 17, 2019 news release on our website and the Q1-Report.

The Acquisition, although binding between the parties, is subject to various standard conditions, including rights of first refusal and regulatory approvals. No assurances can be given that the Acquisition will be completed as proposed or at all. The completion of the Private Placements are subject to certain conditions including the closing of the Acquisition and customary regulatory approvals, including the approval of the Toronto Stock Exchange.

Financial and Operating Results

	Three months ended March 31,	
	2019	2018
(\$000s, unless otherwise indicated)		
Oil and gas sales (before royalty expense)	32,063	29,711
Cash flow from operating activities	7,925	6,979
Adjusted funds flow ¹	6,823	5,137
Per share – Basic and Diluted (\$/share) ¹	0.02	0.02
Loss	(6,525)	(15,580)
Per share – Basic and Diluted (\$/share)	(0.02)	(0.05)
Capital expenditures	995	3,177
Net Debt ¹	51,820	52,414
Production (Boe/d)	18,741	20,008
Weighted-average common shares outstanding (000s)		
Basic and diluted	307,076	307,076
Combined sales price (\$/Boe)	19.01	16.50
Operating netback (\$/Boe) ¹	5.68	4.04
Corporate netback (\$/Boe) ¹	4.04	2.86
Operating netback (\$ per Mcfe) ¹	0.95	0.67
Corporate netback (\$ per Mcfe) ¹	0.67	0.48

¹This is a non-GAAP measure, see NON-GAAP Measures for additional information.

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NON-GAAP Measures

This press release uses the terms “adjusted funds flow”, “operating netbacks”, “corporate netbacks” and “net debt” which are not recognized under International Financial Reporting Standards (“IFRS”) and may not be comparable to similar measures presented by other companies. These measures should not be considered as an alternative to, or more meaningful than, IFRS measures including earnings (loss), cash flow from operating activities, or total liabilities. The Company uses these measures to evaluate its performance, leverage and liquidity. Adjusted funds flow is a non-Generally Accepted Accounting Principles (“non-GAAP”) measure that represents the total cash flow from operating activities, before adjusting for changes in non-cash working capital, and decommissioning obligations settled. Net debt is a non-GAAP measure calculated as the sum of bank debt, subordinated promissory notes at the principal amount, amounts due to related party and trade and other payables less trade and other receivables, cash and prepaid expenses and deposits. Operating netback is a non-GAAP measure calculated as the Company’s total revenue, less operating and transportation expenses, divided by the Boe production of the Company. Corporate netback is a non-GAAP measure calculated as the Company’s operating netback, less general and administrative expenses, interest and bank charges plus dividend income, divided by the Boe production of the Company. Please refer to the Q1-Report for additional details regarding non-GAAP measures and their calculation.

Cautionary Statements

Certain statements contained in this news release 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 developments, 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 news release includes, but is not limited to: expected production levels, expected operating cost, royalty and general & administrative expense levels; future capital expenditures, including the amount and nature thereof; future acquisition opportunities including Pine Cliff’s ability to execute on those opportunities; future drilling opportunities and Pine Cliff’s ability to generate reserves and production from the undrilled locations; oil and natural gas prices and demand; expansion and other development trends of the oil and natural gas industry; business strategy and guidance; expansion and growth of our business and operations; maintenance of existing customer, supplier and partner relationships; supply channels; accounting policies; risks; Pine Cliff’s ability to generate cash flow from operating activities and adjusted funds flow; operational, economic and financial impacts of the Acquisition on Pine Cliff, ability to reduce operating costs on the Acquisition, the potential growth opportunities on the Acquisition, future consolidation opportunities around the Acquisition, including the timing and nature thereof, future capital spending, anticipated use of the net proceeds of the Private Placements, the anticipated closing date of the Acquisition; and the Private Placements, the terms of the Private Placements, the participation by insiders in the Private Placement, the expected increase in the shareholding position of the Alberta Investment Management Corporation, Pine Cliff’s ability to satisfy conditions to completion of the Private Placements, the manner in which the purchase price of the Acquisition will be financed by Pine Cliff, working capital changes, maintenance capital on the Acquisition, success of the drilling opportunities on the Acquisition and the timing and nature thereof, other anticipated benefits to Pine Cliff of the Acquisition, current and future production, the closing date of the Acquisition; information regarding Pine Cliff on a *pro forma* basis assuming completion of the Acquisition and other such matters. The foregoing statements assume all the conditions to completion of the Acquisition will be satisfied, regulatory approvals will be received, that there will be no changes to the assets and liabilities of Pine Cliff following the Acquisition and that the anticipated benefits of and rationale for the Acquisition will be achieved. There is no assurance that all of the conditions to the Acquisition will be met and therefore there is a risk that the Acquisition will not be completed in the form described above or at all. In the event the Acquisition does not close as presently anticipated, Pine Cliff will not realize the anticipated benefits of the Acquisition. As such, many factors could cause the performance or achievement of Pine Cliff to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. The completion of the Private Placements are subject to certain conditions including the closing of the Acquisition and customary regulatory approvals, including the approval of the Toronto Stock Exchange. Because of the risks, uncertainties and assumptions contained herein, readers should not place undue reliance on these forward-looking statements.

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

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

Natural gas liquids and oil volumes are recorded in barrels of oil (“**Bbl**”) and are converted to a thousand cubic feet equivalent (“**Mcf**”) using a ratio of one (1) Bbl to six (6) thousand cubic feet. Natural gas volumes recorded in thousand cubic feet (“**Mcf**”) are converted to barrels of oil equivalent (“**Boe**”) using the ratio of six (6) thousand cubic feet to one (1)

Bbl. This conversion ratio is based on energy equivalence primarily at the burner tip and does not represent a value equivalency at the wellhead. The terms Boe or Mcfe may be misleading, particularly if used in isolation.

Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of oil, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

The forward-looking information contained in this news release is expressly qualified by this cautionary statement.

The TSX does not accept responsibility for the accuracy of this release.