

PRESIDENT'S MESSAGE TO SHAREHOLDERS

I hope all of Pine Cliff's shareholders and families are healthy. I also hope that you are pleased with our Q1 2021 financials as it was another good quarter for Pine Cliff. In the first quarter of 2021, we generated the highest total revenue and adjusted funds flow since the second quarter of 2017, 14 quarters ago.

Highlights from Pine Cliff's first quarter ended March 31, 2021 include:

- generated \$35.5 million from commodity sales for the three months ended March 31, 2021, 40% higher than the \$25.4 million generated for the three months ended March 31, 2020;
- generated \$10.0 million of adjusted funds flow (\$0.03 per basic share) for the three months ended March 31, 2021, 867% higher than the \$1.2 million generated for the three months ended March 31, 2020;
- net debt decreased by 16% or \$9.9 million from \$63.0 million on December 31, 2020, to \$53.1 million as of March 31, 2021 and is Pine Cliff's lowest net debt level since the first quarter of 2019; and
- produced an average of 18,307 Boe/d (90% natural gas) in the three months ended March 31, 2021, 4% less than the same period in 2020.

Outlook

The \$10.0 million of adjusted funds flow generated in the first quarter of 2021 is higher than the adjusted funds flow generated in each of Pine Cliff's two most recently completed fiscal years. Our funds flow of \$18.0 million in the past six months is more than the combined funds flow in the previous 11 quarters. These recent results reflect a fundamental shift in commodity pricing, and most importantly for Pine Cliff, natural gas pricing. On January 1, 2021, the forward AECO 5A price for calendar 2021 was \$2.47 per Mcf and this morning, the forward AECO 5A price for the remainder of 2021 was \$3.00 per Mcf. Every \$0.10 per Mcf increase in Pine Cliff's realized natural gas price equates to an additional \$3.2 million of annual adjusted funds flow.

As I wrote last quarter, we believe a fundamental alteration in the natural gas supply and demand dynamic in North America started in 2020. We believe this shift will continue to bolster natural gas prices for the foreseeable future. The record setting February cold weather experienced in North America only accelerated and highlighted these important changes.

The natural gas market is now focused on how Canada, the United States and Europe are going to refill natural gas storage in 2021 as all three of these markets currently have storage levels below their five year average. The usual stimulus to encourage storage refill is higher natural gas prices which encourages both drilling to increase supply and switching to other energy sources such as coal to lower demand. The recent higher natural gas prices has resulted in more coal use but drilling has not recovered to historical levels in North America. This delayed drilling response is partially due to the lack of capital available to the energy sector where investors are encouraging producer discipline to live within funds flow and pay down debt. An acceleration in LNG exports from the United States has increased the tension on these supply/demand dynamics.

Pine Cliff's operations team and field staff is performing well and we are proud of the work we are undertaking to abandon inactive wells. This activity not only lowers future environmental liabilities, but also reduces our future municipal tax and surface rental costs. Lowering costs has the same impact as rising commodity prices, in that our operating margins are increased. When both these forces are at work, we see the kind of funds flow that we have reported for the past two quarters. We are optimistic that this improved financial performance will continue for the rest of 2021. You may have noted that we reported a cash position of over \$15.5 million as of March 31. Our management team is focused on the various capital allocation options to optimize that cash, which could include debt repayment, drilling or asset acquisitions.

Pine Cliff was built to thrive in a good natural gas price environment. The last three years have been difficult but we appear to be turning the corner into stronger, more sustainable natural gas prices in Canada. Thank you for your continued support as shareholders and stay safe and healthy.

Yours truly,

A handwritten signature in dark ink, appearing to be 'PH', with a stylized, flowing script.

Phil Hodge
President and Chief Executive Officer
May 5, 2021

INTRODUCTION

This Management's Discussion and Analysis ("**MD&A**") is a review of the operations and current financial position of Pine Cliff Energy Ltd. ("**Pine Cliff**" or the "**Company**") for the period ended March 31, 2021. This MD&A is dated and based on information available as at May 5, 2021 and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021 ("**Financial Statements**"), the audited annual consolidated financial statements for the year ended December 31, 2020 ("**Annual Financial Statements**") and the annual management's discussion and analysis for the year ended December 31, 2020 ("**Annual MD&A**"). The Financial Statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" using accounting principles consistent with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board using Generally Accepted Accounting Principles ("**GAAP**"). Additional information relating to the Company, including the Company's Annual Information Form, may be found on www.sedar.com and by visiting Pine Cliff's website at www.pinecliffenergy.com.

Pine Cliff's head office is based in Calgary, Alberta, Canada. Common shares of the Company ("**Common Shares**") are listed for trading on the Toronto Stock Exchange ("**TSX**") under the symbol "**PNE**".

READER ADVISORIES

This MD&A contains financial measures that are not defined under IFRS and forward-looking statements. Please refer to the sections titled "**NON-GAAP MEASURES**" and "**FORWARD LOOKING INFORMATION**".

Other Measurements

All amounts herein are presented in Canadian dollars unless otherwise specified. All references to \$CAD or \$ are to Canadian dollars and monetary references to \$US are to United States dollars.

Natural gas liquids ("**NGL**") 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.

2021 HIGHLIGHTS

Highlights from the first quarter of 2021 are as follows:

- generated \$35.5 million from commodity sales for the three months ended March 31, 2021, 40% higher than the \$25.4 million generated for the three months ended March 31, 2020;
- generated \$10.0 million of adjusted funds flow (\$0.03 per basic share) for the three months ended March 31, 2021, 867% higher than the \$1.2 million generated for the three months ended March 31, 2020
- net debt decreased by 16% or \$9.9 million from \$63.0 million on December 31, 2020, to \$53.1 million as at March 31, 2021 and is Pine Cliff's lowest net debt level since the first quarter of 2019;
- produced an average of 18,307 Boe/d (90% natural gas) in the three months ended March 31, 2021, 4% less than the same period in 2020; and
- realized \$3.14 per Mcf natural gas price for the three months ended March 31, 2021, consistent with the AECO 5A benchmark of \$3.14 per Mcf.

	Three months ended March 31,	
	2021	2020
(\$000s, unless otherwise indicated)		
FINANCIAL¹		
Commodity sales (before royalty expense)	35,519	25,441
Cash flow from operating activities	8,471	1,637
Adjusted funds flow²	10,000	1,153
Per share – Basic and Diluted (\$/share) ²	0.03	0.00
Loss	(680)	(20,011)
Per share – Basic and Diluted (\$/share)	(0.00)	(0.06)
Capital expenditures	368	1,822
Net debt²	53,122	65,532
Weighted-average common shares outstanding (000s)		
Basic and diluted	335,556	327,784
OPERATIONS		
Production		
Natural gas (Mcf/d)	99,267	104,412
Natural gas liquids (Bbl/d)	1,400	1,231
Crude oil (Bbl/d)	362	536
Total (Boe/d)	18,307	19,169
Realized commodity sales prices		
Natural gas (\$/Mcf)	3.14	2.19
Natural gas liquids (\$/Boe)	43.87	22.69
Crude oil (\$/Bbl)	60.09	43.47
Combined (\$/Boe)	21.56	14.58
Netback (\$/Boe)		
Commodity sales	21.56	14.58
Processing and gathering expenses	0.56	0.54
Royalty expense	(2.00)	(1.00)
Transportation expenses	(1.34)	(1.36)
Net operating expenses	(10.90)	(10.51)
Operating netback (\$/Boe) ²	7.88	2.25
General and administrative expenses	(1.04)	(0.85)
Interest and bank charges	(0.79)	(0.75)
Corporate netback (\$/Boe) ²	6.05	0.65
Operating netback (\$ per Mcfe) ²	1.31	0.38
Corporate netback (\$ per Mcfe) ²	1.01	0.11

¹ Includes results for acquisitions and excludes results for disposition from the closing date.

² This is a non-GAAP measure, see “NON-GAAP MEASURES” for additional information.

SENSITIVITIES

Pine Cliff's results are sensitive to changes in the business environment in which it operates. The following chart shows the Company's sensitivity to key commodity price variables. The sensitivity calculations are performed independently showing the effect of the change of one variable; all other variables are held constant.

Business environment sensitivities	Impact on annual adjusted funds flow ¹		
	Change ²	\$000s	\$ per share ⁴
Realized natural gas price ³	\$0.10	3,297	0.01
Realized NGL price ³	\$1.00	465	0.00
Realized crude oil price ³	\$1.00	120	0.00

¹ This analysis does not adjust for changes in working capital and uses corporate royalty rates from the three months ended March 31, 2021.

² Sensitivity pricing changes are based on a change in realized prices for natural gas of \$0.10/Mcf and \$1.00 Bbl for both crude oil and NGLs, as defined herein.

³ Pine Cliff has prepared this analysis using its Q1 2021 production volumes annualized for twelve months.

⁴ Based on the Q1 2021 basic weighted average shares outstanding.

BENCHMARK PRICES

	Three months ended March 31,		
	2021	2020	% Change
Natural gas			
NYMEX (US\$/Mmbtu) ¹	2.69	1.95	38
AECO Daily 5A (C\$/Mcf) ²	3.14	2.02	55
Crude oil			
WTI (US\$/Bbl)	57.84	46.17	25
Edmonton Light (C\$/Bbl)	66.58	51.44	29
Foreign exchange			
US\$/C\$	1.266	1.345	(6)

¹ Mmbtu is the abbreviation for millions of British thermal units. One Mcf of natural gas is approximately 1.02 Mmbtu.

² AECO prices are quoted in \$/Gigajoule. Price has been converted from \$/GJ to \$/Mcf by multiplying by 1.05.

Quarterly Benchmark Prices

Pine Cliff's financial results are influenced by fluctuations in commodity prices, dollar exchange rates and price differentials. The following table shows select market benchmark average prices and foreign exchange rates in the last eight quarters to assist in understanding the volatility in prices and foreign exchange rates that have impacted Pine Cliff's business.

	Q1-2021	Q4-2020	Q3-2020	Q2-2020	Q1-2020	Q4-2019	Q3-2019	Q2-2019
Natural gas								
NYMEX (US\$/Mmbtu) ¹	2.69	2.66	1.98	1.72	1.95	2.50	2.23	2.64
AECO Daily 5A (C\$/Mcf) ²	3.14	2.63	2.23	1.98	2.02	2.46	0.90	1.03
Pine Cliff realized natural gas price (C\$/Mcf)	3.14	2.73	2.18	2.03	2.19	2.52	1.55	1.69
Crude oil								
WTI (US\$/Bbl)	57.84	42.66	40.93	27.85	46.17	56.96	56.45	59.81
Edmonton Light (C\$/Bbl)	66.58	50.24	49.83	29.77	51.44	66.57	68.41	73.85
Pine Cliff realized NGL price (C\$/Bbl)	43.87	28.89	25.07	14.56	22.69	35.36	25.75	29.74
Pine Cliff realized oil price (C\$/Bbl)	60.09	43.46	40.54	22.10	43.47	59.91	61.33	65.16
Foreign exchange								
US\$/C\$	1.266	1.303	1.332	1.386	1.345	1.320	1.321	1.338

¹ Mmbtu is the abbreviation for millions of British thermal units. One Mcf of natural gas is approximately 1.02 Mmbtu.

² AECO prices are quoted in \$/Gigajoule. Price has been converted from \$/GJ to \$/Mcf by multiplying by 1.05.

During the three months ended March 31, 2021, the AECO daily benchmark increased by 55% compared to the same period of 2020. The changes for the quarter are mainly due to supply and demand factors including North American industrial and residential demand, increases in liquefied natural gas ("LNG") exports and natural gas exports to Mexico, weather, economic conditions in producing and consuming regions throughout North America and political factors. The price realized by the Company for natural gas production from Western Canada is primarily influenced by the Alberta price hub AECO, while diversification projects to delivery points such as Dawn in Ontario and TransGas into Saskatchewan have created diversification pricing options to complement AECO pricing.

The average benchmarks for WTI and Edmonton Light crude increased by 25% and 29%, for the three months ended March 31, 2021, as compared to the same period in 2020, primarily due to the increased expectation of future demand growth in North America as vaccines are administered in response to the novel coronavirus ("COVID-19"). In March 2020, the World Health Organization declared COVID-19 a global pandemic, prompting many countries around the world to close international borders and order the closure of institutions and businesses deemed non-essential. At the same time, the Organization of Petroleum Exporting Countries ("OPEC"), and certain other countries, increased the planned supply of crude oil in an attempt to control market share. The sudden decrease in global crude oil demand due to COVID-19 coupled with a planned increase in supply significantly reduced crude oil prices.

In subsequent months, agreements have been made between OPEC, Russia and other crude oil producing countries around the world that have reduced global crude oil production and brought the oversupply closer into balance with demand. While crude oil prices have effectively recovered from the historic lows observed earlier in 2020, support from future demand remains uncertain. Efforts to reopen local economies and international borders around the globe resulted in varying degrees of virus outbreak. Many countries have re-imposed restrictions as regions experience a second and third wave of COVID-19, with some experiencing higher degrees of infection than during the first wave. Vaccination programs have begun around the world with the pace of such vaccinations dependent upon the supply access and logistics organized by the individual countries.

Canadian crude prices are based upon refinery postings at Edmonton, Alberta and are linked to WTI through transportation tariffs to common markets and the foreign exchange rate.

The supply and demand dynamics for certain NGL components such as ethane, propane, butane, and condensate in the recent past has impacted the relationship between the price of NGLs and the price of oil. The fluctuations in NGL price correlate significantly with changes in the Edmonton Light oil price.

SALES VOLUMES

Total sales volumes by product	Three months ended March 31,		
	2021	2020	% Change
Natural gas (Mcf)	8,934,024	9,501,450	(6)
NGLs (Bbl)	126,035	112,012	13
Crude oil (Bbl)	32,601	48,776	(33)
Total Boe	1,647,640	1,744,363	(6)
Total Mcfe	9,885,840	10,466,178	(6)
Natural gas weighting	90%	91%	(1)

Average daily sales volumes by product	Three months ended March 31,		
	2021	2020	% Change
Natural gas (Mcf/d)	99,267	104,412	(5)
NGLs (Bbl/d)	1,400	1,231	14
Crude oil (Bbl/d)	362	536	(32)
Total (Boe/d)	18,307	19,169	(4)
Total (Mcfe/d)	109,842	115,014	(4)

Average daily sales volumes by area	Three months ended March 31,		
	2021	2020	% Change
Central (Boe/d)	9,643	9,936	(3)
Southern (Boe/d)	7,144	7,508	(5)
Edson (Boe/d)	1,520	1,725	(12)
Total (Boe/d)	18,307	19,169	(4)

Pine Cliff's sales volumes decreased by 4% to 18,307 Boe/d (109,842 Mcfe/d) from 19,169 Boe/d (115,014 Mcfe/d) for the three months ended March 31, 2021, as compared to the same period in 2020. The decrease in production is due to normal production declines.

COMMODITY SALES

(\$000s)	Three months ended March 31,		
	2021	2020	% Change
Natural gas	28,031	20,780	35
NGL	5,529	2,541	118
Crude oil	1,959	2,120	(8)
Total commodity sales	35,519	25,441	40
% of revenue from natural gas sales	79%	82%	(4)

Realized prices

\$ per unit	Three months ended March 31,		
	2021	2020	% Change
Natural gas (\$/Mcf)	3.14	2.19	43
NGL (\$/Bbl)	43.87	22.69	93
Crude oil (\$/Bbl)	60.09	43.47	38
Total (\$/Boe)	21.56	14.58	48
Total (\$/Mcfe)	3.59	2.43	48

Commodity sales in the three months ended March 31, 2021 of \$35.5 million increased by \$10.1 million from \$25.4 million in the same period of 2020, with a \$11.5 million increase from higher realized commodity pricing being slightly offset by a \$1.4 million decrease from lower sales volumes.

Pine Cliff's realized natural gas price was \$3.14 per Mcf in the three months ended March 31, 2021, 43% higher than the \$2.19 per Mcf realized in the corresponding period of the prior year, correlating with the AECO 5A reference price increase of 55%, primarily the result of robust demand across North America in the first quarter of 2021 and the expectation of lower natural gas supply due to reduced natural gas drilling arising from COVID-19. For the three months ended March 31, 2021, Pine Cliff's realized natural gas price was consistent with the AECO 5A benchmark compared to 8% higher than the AECO 5A benchmark in the corresponding period of the prior year, due to Pine Cliff's marketing diversification program.

For the three months ended March 31, 2021 Pine Cliff's realized NGL price was \$43.87 per Bbl, compared to \$22.69 per Bbl in the corresponding period of the prior year. For the three months ended March 31, 2020, Pine Cliff's realized oil price was \$60.09 per Bbl, compared to \$43.47 per Bbl in the corresponding period of the prior year. Pine Cliff's realized oil and NGL prices in the three months ended March 31, 2021 were 90% and 60% of Edmonton Light compared to 85% and 37% in the corresponding period of the prior year. This increase in crude oil and NGL pricing compared to Edmonton Light in the three months ended March 31, 2021 compared to the first quarter of 2020 is mainly due to increased demand for crude oil, butane, propane and condensate pricing as market fundamentals improve with the roll out of COVID-19 vaccinations.

The disruption to global economic activity due to the spread of COVID-19 continues to impact global demand for crude oil and while crude oil prices have effectively recovered from historic lows observed in 2020, support from future demand remains uncertain.

ROYALTY EXPENSE

(\$000s)	Three months ended March 31,		
	2021	2020	% Change
Total royalty expense	3,289	1,740	89
\$ per Boe	2.00	1.00	100
\$ per Mcfe	0.33	0.17	100
Royalty expense as a % of commodity sales	9%	7%	29

For the three months ended March 31, 2021, total royalty expense increased by 89% and as a percentage of commodity sales increased to 9% in the three months ended March 31, 2021, from 7% in the corresponding period of the prior year. Crown royalty rates increase exponentially with higher commodity prices and the increase in royalty expenses for the three months ended March 31, 2021, reflects the increase in commodity prices compared to the corresponding period of the prior year.

TRANSPORTATION COSTS

(\$000s)	Three months ended March 31,		
	2021	2020	% Change
Total transportation costs	2,204	2,376	(7)
\$ per Boe	1.34	1.36	(1)
\$ per Mcfe	0.22	0.23	(1)

Transportation costs decreased by 7% to \$2.2 million for the three months ended March 31, 2021, as compared to \$2.4 million in the corresponding period of the prior year. The lower transportation expenses are related to the Company delivering a lower proportion of its natural gas to non-AECO markets.

NET OPERATING EXPENSES

(\$000s)	Three months ended March 31,		
	2021	2020	% Change
Operating expenses	17,953	18,336	(2)
Less: processing and gathering income	(940)	(950)	(1)
Total net operating expenses	17,013	17,386	(2)
\$ per Boe	10.34	9.97	4
\$ per Mcfe	1.72	1.66	4

Net operating expenses decreased by 2% to \$17.0 million for the three months ended March 31, 2021, as compared to \$17.4 million in the corresponding period of the prior year, primarily as a result of continuing to realize cost savings from field optimization initiatives implemented in 2020. On a per Boe basis, operating costs increased to \$10.34 per Boe for the three months ended March 31, 2021 compared to \$9.97 per Boe in the corresponding period of 2020, due primarily to lower production volumes.

GENERAL AND ADMINISTRATIVE EXPENSES ("G&A")

(\$000s)	Three months ended March 31,		
	2021	2020	% Change
Gross G&A	2,404	2,021	19
Less: overhead recoveries	(691)	(536)	29
Total G&A expenses	1,713	1,485	15
\$ per Boe	1.04	0.85	22
\$ per Mcfe	0.17	0.14	22

G&A expenses increased by 15% to \$1.7 million for the three months ended March 31, 2021, as compared to \$1.5 million in the corresponding period of the prior year. The increase in G&A during the three months ended March 31, 2021 is primarily as a result of employee severance and other compensation costs.

G&A per Boe increased to \$1.04 per Boe for the three months ended March 31, 2021 compared to \$0.85 per Boe in the corresponding period of 2020, due to a combination of higher G&A expenses and lower production volumes.

SHARE-BASED PAYMENTS

(\$000s)	Three months ended March 31,		
	2021	2020	% Change
Total share-based payments	114	222	(49)
\$ per Boe	0.07	0.13	(46)
\$ per Mcfe	0.01	0.02	(46)

The decrease in share-based payments of 49% for the three months ended March 31, 2021 compared to the prior period of 2020 is primarily a result of the decrease in the fair value of stock options granted in 2020 and during the three months ended March 31, 2021. The Company has an equity settled stock-based compensation plan. Stock options are granted to certain officers, directors, employees and consultants, with the number, term and vesting period of the options granted being determined at the discretion of the Company and the Company's board of directors (the "**Board**") to a maximum of 10% of outstanding Common Shares.

During the three months ended March 31, 2021, the Company granted 42,000 stock options (March 31, 2020 – 87,750) with an average exercise price of \$0.23. As at March 31, 2021, the Company had 23,449,243 stock options outstanding representing 7.0% of Common Shares outstanding (March 31, 2020 – 25,631,488 representing 7.8% of Common Shares outstanding).

DEPLETION, DEPRECIATION AND IMPAIRMENT

(\$000s)	Three months ended March 31,		
	2021	2020	% Change
Total depletion and depreciation	10,265	11,597	(11)
\$ per Boe	6.23	6.65	(6)
\$ per Mcfe	1.04	1.11	(6)
Impairment	-	7,900	(100)
Total depletion, depreciation and impairment	10,265	19,497	(47)
\$ per Boe	6.23	11.18	(44)
\$ per Mcfe	1.04	1.86	(44)

Depletion and depreciation expense for the three months ended March 31, 2021, totaled \$10.3 million compared to \$11.6 million in the corresponding period of the prior year. The decrease for the year is a result of a lower depletable base and lower production volumes. Depletion and depreciation per Boe will fluctuate from one period to the next depending on changes in reserves and the amount and success of capital expenditures. Depletion is calculated using total proved and probable reserves and reserves estimates are subject to revision.

Property Plant and Equipment ("PP&E") Impairment Assessment

As at March 31, 2021, the Company had four cash generating units ("**CGU**") being the Southern CGU, Central CGU, Edson CGU and Coal Bed Methane CGU. The Company reviewed each CGU's property and equipment at March 31, 2021 for indicators of impairment and determined there were no impairment indicators present.

The following CGU was impaired as of March 31:

(\$000s)	Three months ended March 31,	
	2021	2020
CGU		
Edson	-	7,900
Total Impairment	-	7,900

FINANCE EXPENSES

(\$000s)	Three months ended March 31,		
	2021	2020	% Change
Interest expense and bank charges	1,300	1,301	-
\$ per Boe	0.79	0.75	5
\$ per Mcfe	0.13	0.12	5
Non cash:			
Accretion on decommissioning provision	1,362	1,419	(4)
Accretion on term debt	27	26	4
Total finance expenses	2,689	2,746	(2)
\$ per Boe	1.63	1.57	4
\$ per Mcfe	0.27	0.26	4

Finance expenses decreased by 2% to \$2.7 million for the three months ended March 31, 2021, as compared to \$2.7 million in the corresponding period of the prior year, primarily a result of a decrease in accretion expenses related to the decommissioning provision. Please refer to the "DEBT, LIQUIDITY AND CAPITAL RESOURCES" section for additional information.

CAPITAL EXPENDITURES, ACQUISITIONS AND DISPOSITIONS

(\$000s)	Three months ended	Year ended
	March 31, 2021	December 31, 2020
Exploration and evaluation	32	37
Property, plant and equipment	336	7,480
Capital expenditures	368	7,517
Acquisitions	-	(6)
Dispositions	(25)	(829)
Total	343	6,682

Capital expenditures on PP&E of \$0.4 million during the three months ended March 31, 2021 were directed towards various miscellaneous facility and maintenance capital additions.

DECOMMISSIONING PROVISION

The total current and long-term decommissioning provision of \$231.3 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, 2021, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was \$242.1 million (December 31, 2020 - \$247.5 million). The discounted and inflated amount required to settle the decommissioning liabilities of \$231.3 million has been calculated assuming a 2.00% inflation rate (December 31, 2020 - 2.00%) and discounted using a risk-free nominal rate of 2.30% (December 31, 2020 - 2.30%). 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.

DEBT, LIQUIDITY AND CAPITAL RESOURCES**Due to Related Party**

Pine Cliff has a \$6.0 million subordinated promissory note to the Company's Chairman of the Board. This promissory note matures on December 31, 2024, bears interest at 6.5% per annum and is payable monthly. This promissory 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 holder of the Term debt, as defined herein. Interest paid on this promissory note for the three months ended March 31, 2021 was \$0.1 million (March 31, 2020 - \$0.1 million).

The Company has established a \$4.0 million borrowing facility (the **"Facility"**) with the Company's Chairman of the Board (the **"Lender"**), whereby the Lender will provide up to \$4.0 million of borrowings at an interest rate of 6.5% per annum, payable monthly. The term (the **"Term"**) of the Facility expires on the later of: (i) December 31, 2024; or (ii) the date of full repayment of any outstanding borrowings. Amounts can be drawn, repaid and redrawn by the Company at any time during the Term and borrowings under the Facility are payable on demand to the Lender on 60 days written notice. The Facility can be cancelled at any time by the Lender on 60 days written notice, while the Term may also be extended by mutual consent of the Company and the Lender. There was no amount drawn on the Facility during the three months ended March 31, 2021.

Subordinated Promissory Notes

Pine Cliff has issued \$6.0 million subordinated promissory notes to a shareholder and a relative of that shareholder, owning directly or by discretion and control, greater than 10% of the Common Shares. These subordinated promissory notes mature on December 31, 2024, bear interest at 6.5% per annum and are payable monthly. These subordinated promissory notes are secured by a \$6.0 million floating charge debenture over all of the Company's assets and are subordinated to any and all claims in favor of the holder of the Term debt.

Term Debt

The non-revolving credit facility (**"Term debt"**) with Alberta Investment Management Corporation (**"AIMCO"**), acting on behalf of its clients, consists of a first tranche with a principal amount of \$30 million that matures on December 31, 2024 (the **"2024 Tranche"**) and a second tranche with a principal amount of \$19 million that matures on July 31, 2022 (the **"2022 Tranche"**). Interest on the 2024 Tranche is payable at a rate of 9.75% per annum until September 30, 2021 and thereafter such interest rate will increase by 1% per annum up to 12.75% and interest is payable on the 2022 Tranche at a rate of 7.05% per annum. All or a portion of the principal amount outstanding can be repaid at any time, but without any penalty or premium after September 30, 2022 with respect to the 2024 Tranche and, July 13, 2021 with respect to the 2022 Tranche. The security consists of floating demand debentures totaling \$150.0 million and a general security agreement with first ranking over all current and acquired properties.

Non-Financial Covenants

The Term debt contains various covenants on the part of the Company and its subsidiaries, including covenants that place limitations on certain types of activities, including restrictions or requirements with respect to additional debt, liens, assets sales, hedging activities, management of environmental liabilities, investments, distributions, and mergers and acquisitions. The Term debt does not include any financial covenants.

Letter of Credit Facility

As at March 31, 2021, 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 (December 31, 2020 - \$2.6 million). 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 LC Facility does not contain any financial covenants. As at March 31, 2021, The Company has \$2.5 million in letters of credit issued against the LC Facility (December 21, 2020 - \$2.5 million).

Liquidity and Capital Resources

Pine Cliff's approved capital budget for 2021 is \$13.2 million, including \$1.5 million for abandonments and reclamation and before acquisitions and dispositions. Pine Cliff anticipates funding its capital budget from adjusted funds flow. Budgeted future capital expenditures related to drilling are largely discretionary in nature and Pine Cliff is able to adjust the nature, amount and timing of most planned capital expenditures to changes in the business and commodity price environment.

The Company's capital comprises shareholders' equity, Term debt, subordinated promissory notes, due to related party and working capital. Pine Cliff manages the capital structure and makes adjustments considering economic conditions and the risks of the underlying assets. The Company may carry a working capital deficiency as cash balances are used to fund ongoing operations. However Pine Cliff has and will continue to manage its working capital needs through its physical diversification program, adjusting timing of capital expenditures, executing asset dispositions and issuing equity when practical.

The Company defines and computes its net debt as follows:

(\$000s)	Year ended December 31,		
	March 31, 2021	December 31, 2020	\$ Change
Due to related party ¹	6,000	6,000	-
Subordinated promissory notes ¹	6,000	6,000	-
Term debt ²	49,000	49,000	-
Trade and other payables	25,577	27,275	(1,698)
Less:			
Trade and other receivables	(15,523)	(14,863)	(660)
Cash	(15,528)	(7,878)	(7,650)
Prepaid expenses and deposits	(2,404)	(2,484)	80
Net debt ³	53,122	63,050	(9,928)

¹ The debt due to related party and subordinated promissory notes are due on December 31, 2024.

² The Term debt for net debt purposes are presented at the principal amount with \$19.0 million due on July 31, 2022 and \$30.0 million due on December 31, 2024.

³ This is a non-GAAP measure, see NON-GAAP MEASURES for additional information.

Share Capital

Share capital	May 5, 2021	March 31, 2021	December 31, 2020
Common Shares	336,277,467	335,759,095	335,284,193
Stock options	22,761,253	23,449,243	25,561,498
Warrants	2,850,000	2,850,000	2,850,000

COMMITMENTS AND CONTINGENCIES

As at March 31, 2021, the Company has the following commitments and other contractual obligations:

	2021	2022	2023	2024	2025	Thereafter
(\$000s)						
Trade and other payables	25,577	-	-	-	-	-
Term debt ¹	-	19,000	-	30,000	-	-
Due to related party	-	-	-	6,000	-	-
Subordinated promissory notes	-	-	-	6,000	-	-
Future interest	5,120	4,861	4,380	4,605	-	-
Lease obligations	923	1,135	959	316	144	-
Transportation ²	6,785	6,717	5,247	4,450	4,065	6,386
Total commitments and contingencies	38,405	31,713	10,586	51,371	4,209	6,386

¹ Principal amount.

² Firm transportation agreements.

QUARTERLY TRENDS AND SELECTED FINANCIAL INFORMATION

	2021		2020		2019			
(\$000s, unless otherwise indicated)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
FINANCIAL¹								
Total revenue	33,170	30,233	24,701	21,463	24,651	28,513	19,468	21,106
Cash flow from operating activities	8,471	2,665	3,945	539	1,637	4,039	(2,931)	6,503
Adjusted funds flow ²	10,000	7,996	809	(1,229)	1,153	5,025	(3,922)	(2,047)
Adjusted funds flow per share – basic and diluted (\$/share) ²	0.03	0.02	0.00	(0.00)	0.00	0.02	(0.01)	(0.01)
Loss	(680)	(3,822)	(12,110)	(14,164)	(20,011)	(7,987)	(17,739)	(24,179)
Loss per share – basic and diluted (\$/share)	(0.00)	(0.01)	(0.04)	(0.04)	(0.06)	(0.02)	(0.05)	(0.08)
Capital expenditures	368	1,307	2,213	2,175	1,822	5,446	1,123	815
Acquisitions	-	(11)	10	(75)	65	202	(7)	8,604
Dispositions	(25)	(613)	(181)	(30)	-	(1,443)	(14)	(85)
Net debt ²	53,122	63,050	69,312	69,273	65,532	64,038	63,745	58,162
Weighted average common shares outstanding:								
Basic and diluted	335,556	335,284	330,230	327,784	327,784	327,784	327,784	314,130
PRODUCTION VOLUMES								
Natural gas (Mcf/d)	99,267	104,788	103,304	104,611	104,412	108,208	104,488	105,965
Natural gas liquids (Bbl/d)	1,400	1,270	1,171	1,075	1,231	1,216	1,195	1,063
Crude oil (Bbl/d)	362	395	367	458	536	410	423	399
Average sales volumes (Boe/d)	18,307	19,130	18,755	18,968	19,169	19,661	19,033	19,123
Average sales volumes (Mcfe/d)	109,842	114,780	112,530	113,808	115,014	117,966	114,198	114,738
PRICES AND NETBACKS								
Total commodity sales (\$/Boe)	21.56	17.78	14.34	12.57	14.58	17.33	11.48	12.35
Operating netback (\$/Boe) ²	7.88	6.08	1.90	0.59	2.25	4.16	(0.97)	0.18
Corporate netback (\$/Boe) ²	6.05	4.55	0.47	(0.71)	0.65	2.79	(2.24)	(1.18)
Total commodity sales (\$/Mcfe)	3.59	2.96	2.39	2.10	2.43	2.89	1.91	2.06
Operating netback (\$/Mcfe) ²	1.31	1.01	0.32	0.10	0.38	0.69	(0.16)	0.03
Corporate netback (\$/Mcfe) ²	1.01	0.76	0.08	(0.12)	0.11	0.47	(0.37)	(0.20)

¹ Includes results for acquisitions and excludes results for disposition from the closing date.

² This is a non-GAAP measure, see “NON-GAAP MEASURES” for additional information.

Over the past eight quarters, Pine Cliff’s revenues, cash flow from operating activities, adjusted funds flow, and losses have fluctuated primarily due to changes in commodity prices and sales volumes. Losses also fluctuate with non-cash expenditures, including depletion, depreciation and impairments. Selected highlights for the past eight quarters are consistent with those disclosed in the Annual MD&A, except as described below.

- Average sales volumes decreased in the first quarter of 2021 compared to the fourth quarter of 2020 due to cold weather conditions and normal production declines.
- Adjusted funds flow increased from the fourth quarter of 2020 to the first quarter of 2021, mainly as a result of increases in commodity prices.
- Losses decreased in the first quarter of 2021 compared to the fourth quarter of 2020 as a result of increases in commodity prices.
- Total revenues increased from the fourth quarter of 2020 to the first quarter of 2021, mainly as a result of higher commodity prices.

OFF BALANCE SHEET TRANSACTIONS

Pine Cliff was not involved in any off-balance sheet transactions during the periods presented, nor has it entered into any such arrangements as of the effective date of this MD&A.

FINANCIAL INSTRUMENTS

Financial instruments of the Company consist of cash, trade and other receivables, trade and other payables, due to related party, subordinated promissory notes and Term 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 Term 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.

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, except as described in this section.

Commodity Price Risk

The Company is exposed to commodity price risk since its revenues are dependent on the prices of crude oil, NGL, natural gas. Commodity prices have fluctuated widely during recent years due to global and regional factors including, but not limited to, supply and demand, inventory levels, weather, economic changes and geopolitical factors and instability. Changes in oil, NGL's and natural gas prices may have a significant effect, positively or negatively, on the ability of the Company to meet its obligations, capital spending targets and expected operational results. A material decline or extended period of low oil, NGL or natural gas prices could result in a reduction of net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil, NGL's or natural gas and a reduction in the volumes of Pine Cliff's reserves. Management may also elect not to produce from certain wells at lower prices. The Company does not hedge its crude oil or NGL commodity price risk. During the three months ended March 31, 2021, Pine Cliff's average sales volumes were 90% natural gas.

Physical Sales Contracts

At March 31, 2021, 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) ¹	Fixed Sale Price (\$CAD/Mcf) ²
April 1, 2021 to October 31, 2021	AECO	21,500	\$2.40	\$2.52
April 1, 2021 to October 31, 2021	TransGas ³	6,000	\$3.11	\$3.26
April 1, 2021 to October 31, 2021	Dawn	5,000	\$3.24	\$3.40

¹ Prices reported are the weighted average prices of the periods.

² Price has been converted from \$/GJ to \$/Mcf by multiplying by 1.05.

³ Subsidiary of SaskEnergy, Saskatchewan.

At May 5, 2021, the Company had the following additional physical natural gas sales contracts in place:

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Fixed Sale Price (\$CAD/GJ) ¹	Fixed Sale Price (\$CAD/Mcf) ²
May 1, 2021 to October 31, 2021	AECO	5,100	\$2.59	\$2.72
July 1, 2021 to October 31, 2021	AECO	2,500	\$2.52	\$2.65

¹ Prices reported are the weighted average prices of the periods.

² Price has been converted from \$/GJ to \$/Mcf by multiplying by 1.05.

Financial Derivative Contracts

Pine Cliff had no financial derivative contracts in place during the three months ended March 31, 2021 or subsequent thereto.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The timely preparation of the Financial Statements in conformity with IFRS requires management to make judgments, assumptions and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities. Management believes that the most critical accounting policies that may have an impact on the Company's financial results are those that specifically relate to the accounting for its oil and gas interests, including amounts recorded for depletion and the impairment test which are both based on estimates of proved and probable reserves, production rates, commodity prices, future costs and other relevant assumptions. Actual results could differ materially from such judgments or estimates.

A comprehensive discussion of the significant accounting policies, judgements, assumptions and estimates made by management is provided in the Company's Annual Financial Statements and Annual MD&A.

Novel Coronavirus COVID-19

In March 2020, the World Health Organization declared COVID-19 a global pandemic, prompting many countries around the world to close international borders and order the closure of institutions and businesses deemed non-essential. At the same time, OPEC and certain other countries, increased the planned supply of crude oil in an attempt to control market share. The sudden decrease in global crude oil demand due to COVID-19 coupled with a planned increase in supply significantly reduced crude oil prices.

In subsequent months, agreements have been made between OPEC, Russia and other crude oil producing countries around the world that have reduced global crude oil production and brought the oversupply closer into balance with demand. While crude oil prices have effectively recovered from the historic lows observed earlier in 2020, support from future demand remains uncertain. Efforts to reopen local economies and international borders around the globe resulted in varying degrees of virus outbreak. Many countries have re-imposed restrictions as regions experience a second wave or in some regions, a third wave of COVID-19, with some experiencing higher degrees of infection than during the first wave. Vaccination programs have begun around the world with the pace of such vaccinations dependent upon the supply access and logistics organized by the individual countries.

In addition to the impact on commodity prices and commodity sales, the effects of COVID-19 have created uncertainties in the crude oil and natural gas industry, including increased counterparty risk and decreased valuation of long-lived crude oil and natural gas assets. At March 31, 2021, Pine Cliff has incorporated the anticipated impacts of COVID-19 in its estimates and judgements in preparation of these financial statements.

INTERNAL CONTROLS

Pine Cliff is required to comply with National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. The certification of interim filings requires the Company to disclose in the MD&A any changes in internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting. Management confirms that no such changes were made to the internal controls over financial reporting during the three months ended March 31, 2021. The Chief Executive Officer and Chief Financial Officer have signed form 52-109F2, Certification of Interim Filings, which can be found on SEDAR at www.sedar.com.

NON-GAAP MEASURES

This MD&A uses the terms "adjusted funds flow", "operating netbacks", "corporate netbacks" and "net debt" which are not recognized measures under IFRS and may not be comparable to similar measures presented by other companies. The Company uses these measures to evaluate its performance, leverage and liquidity. These measures should not be considered as an alternative to, or more meaningful than, IFRS measures including loss, cash flow from operating activities, or total liabilities.

Adjusted Funds Flow

The Company considers adjusted funds flow a key performance measure as it demonstrates the Company's ability to generate the funds necessary to repay debt and fund future growth through capital investment. Adjusted funds flow and adjusted funds flow per share and per Boe or Mcfe should not be considered as an alternative to, or more meaningful than, cash flow from operating activities presented on the statement of cash flow which is considered the most directly comparable measure under IFRS. Adjusted funds flow is calculated as cash flow from operating activities before changes in non-cash working capital and decommissioning obligations settled. Adjusted funds flow per share is calculated using the same weighted average number of shares outstanding as in the case of the earnings per share calculation for a reporting period. Adjusted funds flow per Boe or Mcfe is calculated using the sales volumes

reported for a reporting period. Pine Cliff's method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

(\$000s)	Three months ended March 31,		
	2021	2020	Change
Cash flow from operating activities	8,471	1,637	6,834
Adjusted by:			
Change in non-cash working capital	1,371	(985)	2,356
Decommissioning obligation settled	158	501	(343)
Adjusted funds flow	10,000	1,153	8,847
Adjusted funds flow (\$/Boe)	6.05	0.65	
Adjusted funds flow (\$/Mcf)	1.01	0.11	
Adjusted funds flow – basic and diluted (\$/share)	0.03	0.00	

Operating and Corporate Netback

The Company considers operating netback to be a key indicator of profitability relative to current commodity prices. Operating netback and operating netback per Boe and per Mcfe are calculated as the sum of commodity sales and processing and gathering income, less royalties, transportation and operating expenses on an absolute and a per Boe or per Mcfe basis, respectively. Company management uses operating netback on a per Boe basis in operational and capital allocation decisions.

The Company considers corporate netback to be a key indicator of overall results. Corporate netback on an absolute dollar and corporate netback per Boe and per Mcfe are calculated as operating netback, less G&A and interest expense.

Pine Cliff uses these measures to assist in understanding the Company's ability to generate positive cash flow from operating activities at current commodity prices and it provides an analytical tool to benchmark changes in operational performance against prior periods. Readers are cautioned, however, that these measures should not be construed as an alternative to other terms such as loss determined in accordance with IFRS as a measure of performance. Pine Cliff's method of calculating these measures may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

	Three months ended March 31,		
	2021	2020	\$ Change
Commodity sales	21.56	14.58	6.98
Processing and gathering income	0.56	0.54	0.02
Royalty expense	(2.00)	(1.00)	(1.00)
Transportation expense	(1.34)	(1.36)	0.02
Net operating expense	(10.90)	(10.51)	(0.39)
Operating netback	7.88	2.25	5.63
General and administrative	(1.04)	(0.85)	(0.19)
Interest and bank charges	(0.79)	(0.75)	(0.04)
Corporate netback	6.05	0.65	5.40
Operating netback (\$ per Mcfe)	1.31	0.38	0.93
Corporate netback (\$ per Mcfe)	1.01	0.11	0.90

Net Debt

The Company considers net debt to be a key indicator of leverage. Net debt is calculated as the sum of due to related party, subordinated promissory notes, Term debt and trade and other payables less trade and other receivables, cash, prepaid expenses and deposits. See "DEBT, LIQUIDITY AND CAPITAL RESOURCES" section for table.

Net debt is not a recognized measure under IFRS and Pine Cliff's method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

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 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 the MD&A and Annual MD&A includes, but is not limited to: expected production levels, expected operating costs, expected transportation costs, expected interest costs, royalty and G&A levels; future capital expenditures, including the amount and nature thereof; 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; amounts due to related party, subordinated promissory notes and due pursuant to Term debt and repayment thereof; 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; and other such matters.

All such forward-looking information is based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. The risks, uncertainties and assumptions are difficult to predict and may affect operations, and may include, without limitation: foreign exchange fluctuations; equipment and labour shortages and inflationary costs; general economic conditions; industry conditions; changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced; the ability of oil and natural gas companies to raise capital; the effect of weather conditions on operations and facilities; the existence of operating risks; volatility of oil and natural gas prices; oil and gas product supply and demand; risks inherent in the ability to generate sufficient cash flow from operating activities 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.

Undrilled locations consist of drilling and recompletion locations booked in the independent reserve report dated February 10, 2021 prepared by McDaniel & Associates Consultants Limited and unbooked drilling and recompletion locations. Unbooked drilling and recompletion locations are internal estimates based on evaluation of geologic, reserves and spacing based on industry practice. There is no guarantee that Pine Cliff will drill these locations and there is no certainty that the drilling or completing of these locations will result in additional reserves and production or achieve expected internal rates of return. Pine Cliff activity depends on availability of capital, regulatory approvals, commodity prices, drilling costs and other factors.

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 MD&A is expressly qualified by this cautionary statement.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian dollars, 000s)

(unaudited)

	Note	As at March 31, 2021	As at December 31, 2020
ASSETS			
Current assets			
Cash		15,528	7,878
Trade and other receivables	3	15,523	14,863
Prepaid expenses and deposits		2,404	2,484
Investments	4	333	-
Total current assets		33,788	25,225
Exploration and evaluation	6	7,837	8,731
Property, plant and equipment	7	241,357	254,943
Total assets		282,982	288,899
LIABILITIES			
Current liabilities			
Trade and other payables	3	25,577	27,275
Lease liabilities	8	1,157	1,120
Decommissioning provision	12	1,500	1,500
Total current liabilities		28,234	29,895
Lease liabilities	8	2,122	2,069
Due to related party	9	6,000	6,000
Subordinated promissory notes	10	6,000	6,000
Term debt	11	48,774	48,747
Decommissioning provision	12	229,768	233,505
Total liabilities		320,898	326,216
SHAREHOLDERS' DEFICIT			
Share capital	13	275,056	274,964
Warrants		288	288
Contributed surplus		14,596	14,540
Accumulated other comprehensive loss		(67)	-
Deficit		(327,789)	(327,109)
Total shareholders' deficit		(37,916)	(37,317)
Total liabilities and shareholders' deficit		282,982	288,899

Commitments (Note 16)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OR LOSS

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

		Three months ended March 31,	
	Note	2021	2020
REVENUE			
Commodity sales	14	35,519	25,441
Royalty expense		(3,289)	(1,740)
Commodity sales, net of royalties		32,230	23,701
Processing and gathering	14	940	950
Total revenue		33,170	24,651
EXPENSES			
Operating		17,953	18,336
Transportation		2,204	2,376
Depletion and depreciation	7	10,265	11,597
Impairment	7	-	7,900
Gain on disposition	6	(169)	-
Site decommissioning grants	12	(919)	-
Share-based payments	13	114	222
Finance	15	2,689	2,746
General and administrative		1,713	1,485
Total expenses		33,850	44,662
LOSS FOR THE PERIOD		(680)	(20,011)
OTHER COMPREHENSIVE LOSS			-
Unrealized loss on investments	4	(67)	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(747)	(20,011)
Loss per share (\$)			
Basic and diluted	13	(0.00)	(0.06)

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,	
		2021	2020
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Loss for the period		(680)	(20,011)
Items not affecting cash:			
Depletion and depreciation	7	10,265	11,597
Impairment	7	-	7,900
Gain on disposition	6	(169)	-
Site decommissioning grants	12	(919)	-
Share-based payments	13	114	222
Finance expenses	15	2,689	2,746
Interest and bank charges	15	(1,300)	(1,301)
Decommissioning obligations settled	12	(158)	(501)
Changes in non-cash working capital accounts	15	(1,371)	985
Cash provided by operating activities		8,471	1,637
INVESTING ACTIVITIES			
Property, plant and equipment	7	(336)	(1,809)
Exploration and evaluation	6	(32)	(13)
Acquisitions		-	(70)
Dispositions	7	25	5
Changes in non-cash working capital accounts	15	(212)	(2,309)
Cash used in investing activities		(555)	(4,196)
FINANCING ACTIVITIES			
Exercise of stock options	13	34	-
Payments on lease obligations	8	(300)	(259)
Cash used in financing activities		(266)	(259)
Increase (decrease) in cash		7,650	(2,818)
Cash - beginning of period		7,878	8,661
CASH - END OF PERIOD		15,528	5,843

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

(Canadian dollars, 000s)

(unaudited)

	Note	Share capital	Contributed surplus ¹	Warrants	Accumulated other comprehensive income (loss) ²	Deficit	Total equity (deficit)
BALANCE AT JANUARY 1, 2020		273,421	13,631	460	-	(277,002)	10,510
Loss for the period		-	-	-	-	(20,011)	(20,011)
Share-based payments	13	-	222	-	-	-	222
BALANCE AT MARCH 31, 2020		273,421	13,853	460	-	(297,013)	(9,279)
Loss for the period		-	-	-	-	(30,096)	(30,096)
Share-based payments	13	-	515	-	-	-	515
Exercise of warrants		-	172	(172)	-	-	-
Issuance of common shares, on exercise of warrants		1,543	-	-	-	-	1,543
BALANCE AT DECEMBER 31, 2020		274,964	14,540	288	-	(327,109)	(37,317)
Loss for the period		-	-	-	-	(680)	(680)
Share-based payments	13	-	114	-	-	-	114
Unrealized loss on investments		-	-	-	(67)	-	(67)
Exercise of stock options	13	92	(58)	-	-	-	34
BALANCE AT MARCH 31, 2021		275,056	14,596	288	(67)	(327,789)	(37,916)

¹Contributed surplus is comprised of share-based payments.

²Accumulated other comprehensive income (loss) 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 CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2021 and December 31, 2020 and for the three months ended March 31, 2021 and 2020.

(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, 2020 ("**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, 2020 have been applied in the preparation of these Financial Statements

The Financial Statements were authorized for issue by the Company's board of directors (the "**Board**") on May 5, 2021.

3. 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 Term debt, as defined herein. 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 Term 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, 2021 and December 31, 2020:

(\$000s)	March 31, 2021		December 31, 2020	
Description	Carrying value	Fair value	Carrying value	Fair value
Cash	15,528	15,528	7,878	7,878
Trade and other receivables	15,523	15,523	14,863	14,863
Trade and other payables	(25,577)	(25,577)	(27,275)	(27,275)
Due to related party	(6,000)	(6,000)	(6,000)	(6,000)
Subordinated promissory notes	(6,000)	(6,000)	(6,000)	(6,000)
Term debt	(48,774)	(48,774)	(48,747)	(48,747)

4. INVESTMENTS

As at March 31, 2021, the Company had an investment in a public company of \$0.3 million, which was received as partial consideration of \$0.4 million (see Note 6), and a decrease in fair value recorded to Other Comprehensive Loss.

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, except as described in this note.

Commodity Price Risk

The Company is exposed to commodity price risk since its revenues are dependent on the prices of crude oil, natural gas liquids ("NGL"), and natural gas. Commodity prices have fluctuated widely during recent years due to global and regional factors including, but not limited to, supply and demand, inventory levels, weather, economic changes and geopolitical factors and instability. Changes in oil, NGL's and natural gas prices may have a significant effect, positively or negatively, on the ability of the Company to meet its obligations, capital spending targets and expected operational results. A material decline or extended period of low oil, NGL or natural gas prices could result in a reduction of net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil, NGL's or natural gas and a reduction in the volumes of Pine Cliff's reserves. Management may also elect not to produce from certain wells at lower prices. The Company does not hedge its crude oil or NGL commodity price risk. During the three months ended March 31, 2021, Pine Cliff's average sales volumes were 90% natural gas.

Physical Sales Contracts

At March 31, 2021, 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) ¹	Fixed Sale Price (\$CAD/Mcf) ²
April 1, 2021 to October 31, 2021	AECO	21,500	\$2.40	\$2.52
April 1, 2021 to October 31, 2021	TransGas ³	6,000	\$3.11	\$3.26
April 1, 2021 to October 31, 2021	Dawn	5,000	\$3.24	\$3.40

¹ Prices reported are the weighted average prices of the periods.

² Price has been converted from \$/GJ to \$/Mcf by multiplying by 1.05.

³ Subsidiary of SaskEnergy, Saskatchewan.

At May 5, 2021, the Company had the following additional physical natural gas sales contracts in place:

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Fixed Sale Price (\$CAD/GJ) ¹	Fixed Sale Price (\$CAD/Mcf) ²
May 1, 2021 to October 31, 2021	AECO	5,100	\$2.59	\$2.72
July 1, 2021 to October 31, 2021	AECO	2,500	\$2.52	\$2.65

¹ Prices reported are the weighted average prices of the periods.

² Price has been converted from \$/GJ to \$/Mcf by multiplying by 1.05.

Financial Derivative Contracts

Pine Cliff had no financial derivative contracts in place during the three months ended March 31, 2021 or subsequent thereto.

6. EXPLORATION AND EVALUATION

Exploration and evaluation assets (\$000s):	Oil and gas properties	Mineral properties	Total
Balance at December 31, 2019	5,521	3,173	8,694
Additions	(14)	51	37
Balance at December 31, 2020	5,507	3,224	8,731
Additions	32	-	32
Dispositions	-	(926)	(926)
Balance at March 31, 2021	5,539	2,298	7,837

On February 17, 2021, Pine Cliff entered into an option agreement with Nighthawk Gold Corp. (“**Nighthawk**”) for the disposition of its Kim Cass gold property located in the Northwest Territories. Pine Cliff received a 2.5% net smelter royalty (of which 100% can be repurchased by Nighthawk for \$2.5 million) and \$1.1 million, with payments payable over the next two years. The first payment of \$0.4 million was received on February 17, 2021 (340,000 common shares of Nighthawk). Nighthawk will not earn an interest in the property until all amounts have been paid. The present value of future payments has been recorded as a receivable from Nighthawk. Pine Cliff has recognized a gain of \$0.2 million on the disposition of these assets.

7. PROPERTY, PLANT AND EQUIPMENT

Cost:	(\$000s)
Balance at December 31, 2019	623,829
Additions	7,481
Lease obligations	576
Acquisitions	(6)
Dispositions	(829)
Decommissioning provision	10,467
Balance at December 31, 2020	641,518
Additions	336
Lease obligations	389
Dispositions	(25)
Decommissioning provision	(4,022)
Balance at March 31, 2021	638,196
<hr/>	
Accumulated depletion and depreciation:	(\$000s)
Balance at December 31, 2019	(333,264)
Depletion and depreciation	(45,411)
Impairment	(7,900)
Balance at December 31, 2020	(386,575)
Depletion and depreciation	(10,265)
Balance at March 31, 2021	(396,839)
<hr/>	
Carrying value at:	(\$000s)
December 31, 2020	254,943
March 31, 2021	241,357

PP&E Impairment Assessment

As at March 31, 2021, the Company had four cash generating units (“**CGU**”) being the Southern CGU, Central CGU, Edson CGU and Coal Bed Methane CGU. The Company reviewed each CGU’s property and equipment at March 31, 2021 for indicators of impairment and determined that no indicators for impairment were present.

As at March 31, 2021, the following CGU was impaired:

(\$000s)	Three months ended March 31,	
	2021	2020
CGU		
Edson	-	7,900
Total Impairment	-	7,900

8. LEASE LIABILITIES

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

	(\$000s)
2021	923
2022	1,135
2023	959
2024	316
2025	144
Thereafter	-
Total lease payments as at March 31, 2021	3,477
Amounts representing interest	(198)
Present value of lease payments	3,279
Current portion of lease obligations	(1,157)
Non-current portion of lease obligations	2,122

For the three months ended March 31, 2021, interest expense of \$0.04 million (March 31, 2020 - \$0.04 million) and a total cash outflow of \$0.3 million (March 31, 2020 - \$0.2 million) was recognized relating to lease obligations.

9. DUE TO RELATED PARTY

Pine Cliff has a \$6.0 million subordinated promissory note to the Company's Chairman of the Board. This promissory note matures on December 31, 2024, bears interest at 6.5% per annum and is payable monthly. This promissory 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 holder of the Term debt, as defined herein. Interest paid on this promissory note for the three months ended March 31, 2021 was \$0.1 million (March 31, 2020 - \$0.1 million).

The Company has established a \$4.0 million borrowing facility (the "**Facility**") with the Company's Chairman of the Board (the "**Lender**"), whereby the Lender will provide up to \$4.0 million of borrowings at an interest rate of 6.5% per annum, payable monthly. The term (the "**Term**") of the Facility expires on the later of: (i) December 31, 2024; or (ii) the date of full repayment of any outstanding borrowings. Amounts can be drawn, repaid and redrawn by the Company at any time during the Term and borrowings under the Facility are payable on demand to the Lender on 60 days written notice. The Facility can be cancelled at any time by the Lender on 60 days written notice, while the Term may also be extended by mutual consent of the Company and the Lender. There was no amount drawn on the Facility during the three months ended March 31, 2021.

10. SUBORDINATED PROMISSORY NOTES

Pine Cliff has issued \$6.0 million subordinated promissory notes to a shareholder and a relative of that shareholder, owning directly or by discretion and control, greater than 10% of the Common Shares. These subordinated promissory notes mature on December 31, 2024, bear interest at 6.5% per annum and are payable monthly. These subordinated promissory notes are secured by a \$6.0 million floating charge debenture over all of the Company's assets and are subordinated to any and all claims in favor of the holder of the Term debt.

11. TERM DEBT

(\$000s)	As at March 31, 2021	As at March 31, 2020
Term debt - beginning of period	48,747	48,642
Accretion expense	27	26
Term debt - end of period	48,774	48,668

The non-revolving credit facility ("**Term debt**") with Alberta Investment Management Corporation ("**AIMCO**"), acting on behalf of its clients, consists of a first tranche with a principal amount of \$30 million that matures on December 31, 2024 (the "**2024 Tranche**") and a second tranche with a principal amount of \$19 million that matures on July 31, 2022 (the "**2022 Tranche**"). Interest on the 2024 Tranche is payable at a rate of 9.75% per annum until September 30, 2021 and thereafter such interest rate will increase by 1% per annum up to 12.75% and interest is payable on the 2022 Tranche at a rate of 7.05% per annum. All or a portion of the principal amount outstanding can be repaid at any time, but without any penalty or premium after September 30, 2022 with respect to the 2024 Tranche and, July 13, 2021 with respect to the 2022 Tranche. The security for the Term debt consists of floating demand debentures totaling \$150.0 million and a general security agreement with first ranking over all current and acquired properties.

Non-Financial Covenants

The Term debt contains various covenants on the part of the Company and its subsidiaries, including covenants that place limitations on certain types of activities, including restrictions or requirements with respect to additional debt, liens, assets sales, hedging activities, management of environmental liabilities, investments, distributions, and mergers and acquisitions. The Term debt does not include any financial covenants.

Letter of Credit Facility

As at March 31, 2021, 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 (December 31, 2020 - \$2.6 million). 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 LC Facility does not contain any financial covenants. As at March 31, 2021, The Company had \$2.5 million in letters of credit issued against its LC Facility (December 31, 2020 - \$2.5 million)

12. DECOMMISSIONING PROVISION

The total current and long-term decommissioning provision of \$231.3 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, 2021, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was \$242.1 million (December 31, 2020 - \$247.5 million). The discounted and inflated amount required to settle the decommissioning liabilities of \$231.3 million has been calculated assuming a 2.00% inflation rate (December 31, 2020 - 2.00%) and discounted using a risk-free nominal rate of 2.30% (December 31, 2020 - 2.30%).

Changes in the measurement of the decommissioning provision were as follows:

	(\$000s)
Decommissioning provision, January 1, 2020	221,360
Development activities	125
Provisions related to acquisitions	875
Provisions related to dispositions	(493)
Decommissioning expenditures	(1,503)
Site decommissioning grants	(772)
Revisions (changes in estimates, inflation rate, and discount rates)	9,958
Accretion	5,455
Decommissioning provision, December 31, 2020	235,005
Decommissioning expenditures	(158)
Site decommissioning grants	(919)
Revisions (changes in estimates, inflation rate, and discount rates)	(4,022)
Accretion	1,362
Decommissioning provision, March 31, 2021	231,268
Less current portion of decommissioning provision	(1,500)
Non-current portion of decommissioning provision	229,768

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

	Common Shares (000s)	Share capital (\$000s)
Issued and outstanding share capital continuity:		
Balance, January 1, 2020	327,784	273,421
Shares issued pursuant to exercise of warrants	7,500	1,543
Balance, December 31, 2020	335,284	274,964
Exercise of stock options	475	92
Balance, March 31, 2021	335,759	275,056

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 and the Board. 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.

	Options (000s)	Weighted-average exercise price (\$ per share)
Stock options issued and outstanding:		
Outstanding, January 1, 2020	25,829	0.40
Granted	8,657	0.14
Expired	(6,782)	0.78
Forfeited	(2,142)	0.35
Outstanding, December 31, 2020	25,562	0.22
Granted	42	0.23
Exercised	(909)	0.20
Expired	(7)	0.25
Forfeited	(1,239)	0.24
Outstanding, March 31, 2021	23,449	0.20
Exercisable, March 31, 2021	6,102	0.35

	Stock options outstanding (000s)	Weighted-average remaining term (years)	Stock options exercisable (000s)	Weighted-average remaining term (years)
Exercise price:				
\$0.10 - \$0.15	12,685	2.0	1,369	0.6
\$0.16 - \$0.33	9,508	1.0	3,477	0.1
\$0.34 - \$0.79	1,256	0.1	1,256	0.1
	23,449	1.5	6,102	0.2

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 each of 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, 2021, the Company granted 42,000 stock options (March 31, 2020 – 87,750) with a fair value of \$0.11 (March 31, 2020 - \$0.05) per option using the Black-Scholes option pricing model using the following key assumptions:

	Three months ended March 31,	
Assumptions (weighted average):	2021	2020
Exercise price (\$)	0.23	0.12
Estimated volatility of underlying common shares (%)	75.9	57.6
Expected life (years)	3.0	3.0
Risk-free rate (%)	0.3	1.4
Forfeiture rate (%)	3.9	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.

Warrants

	Warrants (000s)	Weighted-average exercise price (\$ per Common Share)
Warrants outstanding:		
Outstanding, January 1, 2020	10,350	0.29
Exercised	7,500	0.21
Outstanding, December 31, 2020 and March 31, 2021	2,850	0.51

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, 2021 and 2020, all stock options and warrants were excluded as they were not dilutive.

	Three months ended March 31,	
	2021	2020
Loss per share calculation:		
Numerator (\$000s)		
Loss for the period	(680)	(20,011)
Denominator (000s)		
Weighted-average Common Shares outstanding – basic and diluted	335,556	327,784
Loss per share – basic and diluted (\$)	(0.00)	(0.06)

14. REVENUES

The Company's commodity 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. Commodity sales revenues are based on marketed indices that are determined on a monthly or daily basis. Processing and gathering revenue is generally negotiated under multi-year contracts that vary by volume.

	Three months ended March 31,	
(\$000s)	2021	2020
Natural gas	28,031	20,780
NGL	5,529	2,541
Crude oil	1,959	2,120
Total commodity sales	35,519	25,441
Processing and gathering	940	950
Total commodity sales and processing and gathering	36,459	26,391

15. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31,	
(\$000s)	2021	2020
Changes in non-cash working capital:		
Trade and other receivables	35	3,093
Prepaid expenses and deposits	80	(1,647)
Trade and other payables and accrued liabilities	(1,698)	(2,770)
	(1,583)	(1,324)
Change related to:		
Operating activities	(1,371)	985
Investing activities	(212)	(2,309)
	(1,583)	(1,324)

Changes in non-cash working capital excludes the receivable amount referred to in Note 6

	Three months ended March 31,	
	2021	2020
Finance expenses:		
Interest expense and bank charges	1,300	1,301
Non cash:		
Accretion on decommissioning provision	1,362	1,419
Accretion on subordinated promissory notes	27	26
Total finance expenses	2,689	2,746

Cash interest paid in the three months ended March 31, 2021, was \$2.3 million (March 31, 2020 - \$1.6 million).

16. COMMITMENTS

As at March 31, 2021, the Company has the following commitments and other contractual obligations:

	2021	2022	2023	2024	2025	Thereafter
(\$000s)						
Trade and other payables	25,577	-	-	-	-	-
Term debt ¹	-	19,000	-	30,000	-	-
Due to related party	-	-	-	6,000	-	-
Subordinated promissory notes	-	-	-	6,000	-	-
Future interest	5,120	4,861	4,380	4,605	-	-
Lease obligations ²	923	1,135	959	316	144	-
Transportation ³	6,785	6,717	5,247	4,450	4,065	6,386
Total commitments and contingencies	38,405	31,713	10,586	51,371	4,209	6,386

¹ Principal amount.

² See Note 8.

³ Firm transportation agreements.

BOARD OF DIRECTORS

George F. Fink - Chairman
Philip B. Hodge
Randy M. Jarock
William S. Rice
Jacqueline R. Ricci

OFFICERS

Philip B. Hodge
President and Chief Executive Officer
Terry L. McNeill
Chief Operating Officer
Alan MacDonald
Chief Financial Officer and Corporate Secretary
Christopher S. Lee
Vice President, Exploration

HEAD OFFICE

850, 1015 – 4th Street SW
Calgary, Alberta T2R 1J4
Phone: (403) 269-2289
Fax: (403) 265-7488

REGISTRAR AND TRANSFER AGENT

Odyssey Trust Company of Canada

AUDITORS

Deloitte LLP

BANKERS

Toronto-Dominion Bank

STOCK EXCHANGE LISTING

TSX Exchange
Trading Symbol: PNE

WEBSITE

www.pinecliffenergy.com

INVESTOR CONTACT

info@pinecliffenergy.com

