The information provided in this report, including the unaudited interim condensed consolidated financial statements, is the responsibility of Pine Cliff's management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

The audit committee has reviewed these unaudited interim condensed consolidated financial statements with management and has reported to the board of directors. The board of directors have approved the unaudited interim condensed consolidated financial statements as presented in this interim report.

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

	Note	As at September 30, 2017	As at December 31, 2016
ASSETS			
Current assets			
Cash		**179**	148
Trade and other receivables	13, 14	**13,529**	20,012
Prepaid expenses and deposits		**7,697**	3,491
Investments	3	**2,360**	5,295
Commodity contracts	14	**1,176**	-
Total current assets		**24,941**	28,946
Exploration and evaluation	4	**31,105**	33,610
Property, plant and equipment	5	**325,380**	379,643
Deferred income taxes	6	**50,615**	49,698
Total assets		**432,041**	491,897
LIABILITIES			
Current liabilities			
Trade and other payables	13	**25,531**	21,319
Bank debt	7	**10,611**	30,851
Due to related party	8	**5,000**	-
Subordinated promissory notes	9	**6,000**	-
Total current liabilities		**47,142**	52,170
Due to related party		**-**	5,000
Subordinated promissory notes	9	**29,250**	35,086
Decommissioning provision	10	**194,588**	203,883
Total liabilities		**270,980**	296,139
SHAREHOLDERS' EQUITY			
Share capital	11	**268,743**	268,743
Warrants		**958**	958
Contributed surplus		**8,458**	5,748
Accumulated other comprehensive gain (loss)		**(2,241)**	298
Deficit		**(114,857)**	(79,989)
Total shareholders' equity		**161,061**	195,758
Total liabilities and shareholders' equity		**432,041**	491,897

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

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

	Note	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
REVENUE					
Oil and gas sales		**23,078**	32,401	**93,604**	80,326
Royalty expense		**(1,793)**	(2,334)	**(8,057)**	(5,676)
Royalty income		**-**	-	**-**	1,111
Oil and gas sales, net of royalties		**21,285**	30,067	**85,547**	75,761
Gain on commodity contracts	14	**2,554**	-	**3,927**	-
Dividend income		**53**	-	**158**	102
Total revenue		**23,892**	30,067	**89,632**	75,863
EXPENSES					
Operating		**19,227**	19,548	**55,826**	59,602
Depletion and depreciation	5	**12,864**	17,015	**37,158**	51,510
Impairment	5	**17,800**	-	**17,800**	-
Share-based payments	11	**1,096**	808	**2,710**	2,405
Finance	12	**2,130**	3,539	**6,695**	9,272
General and administrative		**989**	1,529	**4,832**	6,023
Gain on disposition		**-**	-	**-**	(518)
Realized loss on investments		**-**	-	**-**	4,270
Total expenses		**54,106**	42,439	**125,021**	132,564
Loss before income taxes		**(30,214)**	(12,372)	**(35,389)**	(56,701)
Deferred income tax recovery		**-**	814	**521**	3,104
LOSS FOR THE PERIOD		**(30,214)**	(11,558)	**(34,868)**	(53,597)
OTHER COMPREHENSIVE INCOME (LOSS)					
Unrealized gain (loss) on investments	3	**(50)**	-	**(2,935)**	-
Deferred income taxes on unrealized loss on investments	6	**7**	-	**396**	-
Amounts reclassified from comprehensive loss		**-**	-	**-**	6,253
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX		**(43)**	-	**(2,539)**	6,253
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(30,257)**	(11,558)	**(37,407)**	(47,344)
Loss per share ($)					
Basic and diluted	11	**(0.10)**	(0.04)	**(0.11)**	(0.18)

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

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

	Note	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
CASH PROVIDED BY (USED IN):					
OPERATING ACTIVITIES					
Loss for the period		**(30,214)**	(11,558)	**(34,868)**	(53,597)
Items not affecting cash:					
Depletion and depreciation	5	**12,864**	17,015	**37,158**	51,510
Impairment	5	**17,800**	-	**17,800**	-
Share-based payments	11	**1,096**	808	**2,710**	2,405
Finance expenses	12	**2,130**	3,539	**6,695**	9,272
Gain on disposition		**-**	-	**-**	(518)
Loss on sale of investments		**-**	-	**-**	4,270
Deferred income tax recovery	6	**-**	(802)	**(521)**	(3,104)
Unrealized gain on commodity contracts	14	**14**	-	**(1,176)**	-
Interest and bank charges	12	**(811)**	(2,030)	**(2,852)**	(5,523)
Decommissioning obligations settled	10	**(400)**	(41)	**(1,165)**	(175)
Changes in non-cash working capital accounts	12	**3,038**	(2,325)	**5,578**	5,317
Cash provided by operating activities		**5,517**	4,606	**29,359**	9,857
INVESTING ACTIVITIES					
Property, plant and equipment	5	**(3,283)**	(1,407)	**(10,319)**	(5,766)
Exploration and evaluation	4	**(35)**	(30)	**(67)**	(37)
Acquisitions	5	**9**	603	**106**	(222)
Dispositions	5	**65**	5,378	**281**	30,080
Sale of investments		**-**	-	**-**	5,573
Changes in non-cash working capital accounts	12	**(2,148)**	(661)	**911**	2,700
Cash provided by (used in) investing activities		**(5,392)**	3,883	**(9,088)**	32,328
FINANCING ACTIVITIES					
Bank debt	7	**(64)**	(49,692)	**(20,240)**	(84,563)
Issuance of Units, net of issue costs		**-**	35,963	**-**	35,963
Issuance of related party debt		**-**	5,000	**-**	5,000
Exercise of stock options		**-**	282	**-**	917
Changes in non-cash working capital accounts		**-**	(53)	**-**	(225)
Cash used in financing activities		**(64)**	(8,500)	**(20,240)**	(42,908)
Increase (decrease) in cash		**61**	(11)	**31**	(723)
Cash - beginning of period		**118**	121	**148**	833
CASH - END OF PERIOD		**179**	110	**179**	110

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Canadian dollars, 000s)
(unaudited)

	Note	Share capital	Contributed surplus[1]	Accumulated other comprehensive income (loss) [2]	Warrants	Deficit	Total Equity
BALANCE AT JANUARY 1, 2016		**266,809**	**3,453**	**(6,253)**	**-**	**(29,602)**	**234,407**
Issuance of warrants		-	-	-	995	-	995
Share issue costs, net of tax		(362)	-	-	(37)	-	(399)
Loss for the period		-	-	-	-	(53,597)	(53,597)
Transfer of realized loss on sale of investments		-	-	6,253	-	-	6,253
Share-based payments		-	2,405	-	-	-	2,405
Exercise of options		1,744	(827)	-	-	-	917
BALANCE AT SEPTEMBER 30, 2016		**268,191**	**5,031**	**-**	**958**	**(83,199)**	**190,981**
Loss for the period		-	-	-	-	3,210	3,210
Unrealized gain on investments, net of tax		-	-	298	-	-	298
Share-based payments		-	791	-	-	-	791
Exercise of options		552	(74)	-	-	-	478
BALANCE AT DECEMBER 31, 2016		**268,743**	**5,748**	**298**	**958**	**(79,989)**	**195,758**
Loss for the period		-	-	-	-	(34,868)	(34,868)
Unrealized loss on investments, net of tax	3	-	-	(2,539)	-	-	(2,539)
Share-based payments	11	-	2,710	-	-	-	2,710
BALANCE AT SEPTEMBER 30, 2017		**268,743**	**8,458**	**(2,241)**	**958**	**(114,857)**	**161,061**

[1]Contributed surplus is comprised of share-based payments.
[2]Accumulated 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 unaudited interim condensed consolidated financial statements.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at September 30, 2017 and December 31, 2016 and for the three and nine month periods ended September 30, 2017 and 2016.
(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.

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 interim condensed consolidated financial statements (the "**Financial Statements**") reflect only the Company's proportionate interest in such activities.

2. BASIS OF PREPARATION

a) Statement of Compliance

The Financial Statements have been prepared in accordance with IAS 34 – Interim Financial Reporting using International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

The Financial Statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2016 ("**2016 Annual Financial Statements**").

The Financial Statements were authorized for issue by the Company's board of directors on November 8, 2017.

b) Accounting Policies

The accounting policies and method of computation followed in the preparation of the Financial Statements are the same as those followed in the preparation of Pine Cliff's 2016 Annual Financial Statements.

c) Future accounting pronouncements

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

In January 2016, the IASB issued IFRS 16 – Leases, which replaces IAS 17 – Leases and related interpretations. IFRS 16 eliminates the classification of leases as finance or operating and introduces a single lessee accounting model for recognition and measurement, which will require the recognition of assets and liabilities for most leases. IFRS 16 is effective for years beginning on or after January 1, 2019. The Company is currently assessing the impact the adoption of this standard will have on its Financial Statements.

IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15")

In May 2014, the IASB published the new revenue standard, IFRS 15, which specifies how and when revenue should be recognized and requires more informative and relevant disclosures. The standard is required to be applied on first interim periods beginning on or after January 1, 2018, with early application permitted. The implementation of IFRS 15 consists of four phases including project awareness and engagement, scoping, detailed analysis and solution development, and implementation. The Company is currently in the scoping phase of implementation. The impact of the standard has been evaluated and is expected to have no material impact on the Company's financial statements. However, Pine Cliff will expand the disclosures in the notes to its financial statements as prescribed by IFRS 15, including disclosing the Company's disaggregated revenue streams by product type and any impairment losses recognized on receivables arising from contracts with customers.

IFRS 9 *Financial Instruments* ("**IFRS 9**")

In July 2014, the IASB amended IFRS 9 which amends its classification and measurement of financial assets and introduces a new expected loss impairment model. This standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted and shall be applied retrospectively. The impact of the standard has been evaluated and is expected to have no material impact on the Company's financial statements.

3. INVESTMENTS

As at September 30, 2017, the Company had an investment of $2.4 million in one public dividend paying company.

Investments, December 31, 2016	**5,295**
Unrealized loss on investments	(2,935)
Investments, September 30, 2017	**2,360**

4. EXPLORATION AND EVALUATION

Exploration and evaluation assets:	Oil and gas properties	Mineral properties	Total
Balance at December 31, 2015	42,958	2,992	45,950
Additions	88	39	127
Transfer to property, plant, and equipment	(1,176)	-	(1,176)
Impairment	(4,648)	-	(4,648)
Dispositions	(6,643)	-	(6,643)
Balance at December 31, 2016	**30,579**	**3,031**	**33,610**
Additions	24	43	67
Transfer to property, plant, and equipment	(2,572)	-	(2,572)
Balance at September 30, 2017	**28,031**	**3,074**	**31,105**

5. PROPERTY, PLANT AND EQUIPMENT

Cost:	Oil and gas properties	Administrative assets	Total
Balance at December 31, 2015	638,000	1,314	639,314
Additions	8,842	190	9,032
Transfer from exploration and evaluation	1,176	-	1,176
Acquisitions	(807)	-	(807)
Dispositions	(59,952)	-	(59,952)
Decommissioning provision	(41,479)	-	(41,479)
Balance at December 31, 2016	**545,780**	**1,504**	**547,284**
Additions	10,319	-	10,319
Transfer from exploration and evaluation	2,572	-	2,572
Acquisitions	(106)	-	(106)
Dispositions	(281)	-	(281)
Decommissioning provision	(11,809)	-	(11,809)
Balance at September 30, 2017	**546,475**	**1,504**	**547,979**

Accumulated depletion and depreciation:	Oil and gas properties	Administrative assets	Total
Balance at December 31, 2015	(106,582)	(673)	(107,255)
Depletion and depreciation	(63,944)	(443)	(64,387)
Dispositions	4,001	-	4,001
Balance at December 31, 2016	**(166,525)**	**(1,116)**	**(167,641)**
Depletion and depreciation	(36,814)	(344)	(37,158)
Impairment	(17,800)	-	(17,800)
Balance at September 30, 2017	**(221,139)**	**(1,460)**	**(222,599)**

Carrying value at:	Oil and gas properties	Administrative assets	Total
December 31, 2016	379,255	388	379,643
September 30, 2017	**325,336**	**44**	**325,380**

Impairment

As at September 30, 2017, the Company had four Cash Generating Units ("**CGU**") being the Southern CGU, Central Gas CGU, Edson CGU, and Coal Bed Methane CGU. The Company reviewed each CGU's property and equipment at September 30, 2017 for indicators of impairment and determined that an indicator related to the decrease in future commodity prices was present. The company prepared estimates of both the value in use and fair value less cost to sell of each of the Company's CGUs. When it is determined that any CGU carrying value exceeds its recoverable amount, that CGU is considered impaired and an impairment expense is reported that equals this excess.

The following table outlines forecast benchmark prices and exchange rates used in the Company's impairment test as at September 30, 2017:

Year	WTI Oil (US$/Bbl)[1]	$C to US$ Foreign exchange rate[1]	Edmonton Light Crude Oil (Cdn$/Bbl) [1]	AECO Gas (Cdn$/MMBtu) [1]
2017 (3 months)	52.50	1.25	61.60	2.40
2018	55.00	1.25	64.80	2.70
2019	58.70	1.21	67.10	2.90
2020	62.40	1.21	71.50	3.15
2021	69.00	1.18	76.90	3.50
2022-2031	80.00	1.18	89.37	4.11
Thereafter	+2.0%/yr	1.18	+2.0%/yr	+2.0%/yr

[1] Source: McDaniel & Associates Consultants Ltd. price forecasts, effective October 1, 2017.

The recoverable amounts of each of the Company's CGU's at September 30, 2017 were estimated at their fair value less cost to sell, based on the net present value of discounted future cash flows from oil and gas reserves as estimated by the Company's independent reserves evaluator at December 31, 2016, updated for current price forecasts. The fair value less costs to sell used to determine the recoverable amounts are classified as Level 3 fair value measurements as certain key assumptions are not based on observable market data, but rather, management's best estimates.

The Company used a pre-tax 15% discount rate for the September 30, 2017 impairment tests which took into account risks specific to the CGU's, inherent in the oil and gas business.

The following CGU's were impaired:

CGUs	**2017**	2016
Edson	**14,000**	-
Coal Bed Methane	**3,800**	-
Total Impairment	**17,800**	-

For the quarter ended September 30, 2017, a 1% increase in the discount rate applied to the Company's future estimated cash flows would result in an additional impairment of approximately $2.0 million (2016 - $Nil), whereas a ten percent decrease in forward commodity prices would result in additional impairment of $3.5 million (2016 - $Nil) recognized in the comprehensive loss for the nine months ended September 30, 2017.

6. DEFERRED INCOME TAXES

The Company has recorded a deferred income tax asset related to the benefit of tax pools, as it is probable that they will be recovered.

Deferred income tax assets (liabilities):	**As at September 30, 2017**	As at December 31, 2016
Share issue costs	**984**	1,341
Investment	**350**	(47)
Decommissioning provision	**52,529**	55,981
Property and equipment	**(13,841)**	(24,710)
Other	**(313)**	-
Capital losses carried forward	**155**	155
Non-capital losses carried forward	**23,312**	20,980
Asset before unrecognized deferred income tax	**63,176**	53,700
Less: unrecognized deferred income tax	**(12,561)**	(4,002)
Net deferred income tax asset	**50,615**	49,698

Pine Cliff has approximately $395.0 million in tax pools at September 30, 2017, available for future use as deductions from taxable income. Included in these pools are estimated non-capital loss carry forwards of $84.8 million that expire between the years 2030 and 2037.

7. BANK DEBT

As at September 30, 2017, the Company had a $45.0 million syndicated credit facility (the "**Credit Facility**") with four Canadian Financial Institutions (the "**Syndicate**") (December 31, 2016 - $60.0 million Credit Facility). The Credit Facility of $45.0 million consists of a $35.0 million revolving syndicated credit facility and a $10.0 million revolving operating facility. Security consists of floating demand debentures totaling $150.0 million and a general security agreement with first ranking over all current and acquired properties. Amounts drawn under the Credit Facility at September 30, 2017, were $10.6 million (December 31, 2016 - $30.9 million). Amounts borrowed under the Credit Facility bear interest at the Canadian prime rate plus 1.0% to 3.5% or the bankers' acceptance rates plus 2.0% to 4.5%, depending, in each case, on the ratio of consolidated debt to EBITDA and the Company's borrowing base. EBITDA is calculated as earnings (loss) excluding depreciation, depletion, impairment and accretion, unrealized hedging gain, share based payments, interest, taxes and other non-cash items. The Credit Facility matures July 27, 2018, and if it is not renewed it will convert to a one day term loan due on July 28, 2018. The Credit Facility will be reviewed semi-annually on November 30th and May 31st, with the next renewal scheduled for November 30, 2017. The Credit Facility has no fixed terms of repayment.

As at September 30, 2017, the Company had $2.0 million in letters of credit issued against its Credit Facility (December 31, 2016 - $1.7 million). The Credit Facility does not contain any financial covenants but Pine Cliff is subject to non-financial covenants under its Credit Facility. Compliance with these covenants is monitored on a regular basis and as at September 30, 2017, Pine Cliff was in compliance with all covenants.

8. DUE TO RELATED PARTY

Pine Cliff has a $5.0 million promissory note outstanding to the Company's Chairman of the Board maturing on July 29, 2018 ("**2018 Related Party Note**") that bears interest at 0.25% less than the monthly average effective interest rate paid on the Credit Facility and is payable monthly. The 2018 Related Party Note can be repaid at any time without penalty and is secured by a $5.0 million floating charge debenture over all of the Company's assets and is subordinated to any and all claims in favor of the Credit Facility and the holder of the Subordinated Promissory Notes due September 30, 2020. Interest paid on the 2018 Related Party Note in the three and nine months ended September 30, 2017, was $0.05 million and $0.2 million (three and nine months ended September 30, 2016 - $0.04 million and $0.04 million).

9. SUBORDINATED PROMISSORY NOTES

Subordinated promissory notes due July 29, 2018:	
Issued – July 29, 2016	6,000
Subordinated promissory notes due July 29, 2018, as at September 30, 2017 and December 31, 2016	**6,000**
Subordinated promissory notes due September 30, 2020:	
Issued – August 10, 2016	29,004
Accretion expense	82
Subordinated promissory notes due September 30, 2020, as at December 31, 2016	29,086
Accretion expense	164
Subordinated promissory notes due September 30, 2020, as at September 30, 2017	**29,250**
Total subordinated promissory notes, as at December 31, 2016	35,086
Total subordinated promissory notes, as at September 30, 2017	**35,250**

10. DECOMMISSIONING PROVISION

The total future decommissioning provision of $194.6 million was estimated by management based on the Company's working interest in its wells, pipelines, and facilities, estimated costs to remediate, reclaim and abandon such wells, pipelines, and facilities and estimated timing of the costs to be incurred in future periods.

At September 30, 2017, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was $246.0 million (December 31, 2016 - $240.2 million). The provision has been calculated assuming a 1.69% inflation rate (December 31, 2016 – 1.76%). These obligations are currently expected to be settled based on the useful lives of the underlying assets, some of which extend beyond 40 years into the future. This amount has been discounted using an average risk-free interest rate of 2.66% (December 31, 2016 – 2.39%).

Changes to decommissioning provision were as follows:

	($000s)
Decommissioning provision, January 1, 2016	240,452
Provisions related to dispositions	(10,393)
Provisions related to acquisitions	505
Increase relating to development activities	301
Decommissioning expenditures	(279)
Revisions (change in estimate and discount rates)	(31,892)
Accretion	5,189
Decommissioning provision, December 31, 2016	**203,883**
Increase relating to development activities	82
Provisions related to acquisitions	248
Decommissioning expenditures	(1,165)
Revisions (changes in estimates, inflation rate, and discount rates)	(12,139)
Accretion	3,679
Decommissioning provision, September 30, 2017	**194,588**

11. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of Common Shares ("**Common Shares**") without nominal or par value. The Company is also authorized to issue, in one or more series, an unlimited number of Class B Preferred Shares without nominal or par value.

Issued

Issued and outstanding share capital continuity:	Common Shares (000s)	Share capital ($000s)
Balance at December 31, 2015	305,192	266,809
Exercise of options	1,884	1,934
Balance at December 31, 2016 and September 30, 2017	**307,076**	**268,743**

Stock Options

The Company provides an equity settled stock option plan (the "**Option Plan**") for its directors, employees and consultants. Under the Option Plan, the Company may grant stock options up to 10% of outstanding Common Shares on the grant date. The term and vesting period of the options granted are determined at the discretion of the board of directors. The exercise price of each option granted equals the market price of the Company's stock immediately preceding the date of grant and the option's maximum term is five years.

Stock options issued and outstanding:	Options (000s)	Weighted-average exercise price ($ per share)
Outstanding, December 31, 2015	17,238	1.23
Granted	12,030	1.12
Exercised	(1,884)	0.55
Expired	(3,471)	1.43
Forfeited	(1,140)	1.22
Outstanding, December 31, 2016	**22,773**	**1.20**
Granted	5,575	0.78
Expired	(2,419)	1.20
Forfeited	(2,122)	1.45
Outstanding, September 30, 2017	**23,807**	**1.08**
Exercisable, September 30, 2017	**3,060**	**1.16**

Exercise price:	Stock options outstanding (000s)	Weighted-average remaining term (years)	Stock options exercisable (000s)	Weighted-average remaining term (years)
$0.66 - $1.15	12,273	1.8	2,263	0.2
$1.16 - $1.58	10,184	2.0	590	0.1
$1.59 - $1.97	1,350	0.5	207	0.2
	23,807	**1.8**	**3,060**	**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 the first, second, and third anniversaries of the grant date and expire one year after the vesting date. In the nine months ended September 30, 2017, the Company granted 5,575,150 stock options (nine months ended September 30, 2016 – 1,746,000) with a fair value of $0.26 (nine months ended September 30, 2016 - $0.33) per option using the Black-Scholes option pricing model using the following key assumptions:

	Nine months ended September 30,	
Assumptions (weighted average):	**2017**	2016
Exercise price ($)	**0.78**	0.86
Estimated volatility of underlying common shares (%)	**50.2**	57.6
Expected life (years)	**2.9**	3.0
Risk-free rate (%)	**0.8**	0.6
Forfeiture rate (%)	**3.9**	3.9
Expected dividend yield (%)	**0.0**	0.0

Estimated volatility is measured as the standard deviation of expected share price returns based on statistical analysis of historical daily share prices for a representative period.

Per Share Calculations

The average market value of the Company's 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 nine months ended September 30, 2017 and 2016, all stock options and warrants were excluded as they were not dilutive.

Earnings per share calculation:	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
Numerator				
Loss for the period	**(30,214)**	(11,558)	**(34,868)**	(53,597)
Denominator (000s)				
Weighted-average common shares outstanding – basic and diluted	**307,076**	306,878	**307,076**	306,109
Loss per share – basic and diluted ($)	**(0.10)**	(0.04)	**(0.11)**	(0.18)

12. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
Changes in non-cash working capital:				
Trade and other receivables	**2,699**	(2,388)	**6,483**	(622)
Prepaid expenses and deposits	**(3,478)**	(2,619)	**(4,206)**	(3,243)
Trade and other payables and accrued liabilities	**1,669**	1,968	**4,212**	11,657
	890	(3,039)	**6,489**	7,792
Change related to:				
Operating activities	**3,038**	(2,325)	**5,578**	5,317
Investing activities	**(2,148)**	(661)	**911**	2,700
Financing activities	**-**	(53)	**-**	(225)
	890	(3,039)	**6,489**	7,792

Finance expenses:	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
Accretion on decommissioning provision	**1,263**	1,480	**3,679**	3,720
Interest expense and bank charges	**811**	2,030	**2,852**	5,523
Accretion on subordinated promissory notes	**56**	29	**164**	29
Total finance expenses	**2,130**	3,539	**6,695**	9,272

Cash interest paid in the three and nine months ended September 30, 2017, was $0.6 million and $1.5 million (three and nine months ended September 30, 2016 - $2.0 million and $5.9 million). Dividends received during the three and nine months ended September 30, 2017, were $0.05 million and $0.2 million (three and nine months ended September 30, 2016 – $Nil and $0.1 million).

13. FINANCIAL INSTRUMENTS

Financial instruments and fair value measurement

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

Assets and liabilities that are measured at fair value are classified into levels, reflecting the method used to make the measurements. Level 1 fair value measurements are based on quoted prices that are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 commodity contracts pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. The fair value of Pine Cliff's commodity contracts are determined using pricing models that incorporate future price forecasts (supported by prices from observable market transactions) and credit risk adjustments. Pine Cliff has no 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 September 30, 2017 and December 31, 2016:

		September 30, 2017		December 31, 2016	
Description	Level	**Carrying value**	**Fair value**	Carrying value	Fair value
Cash	1	**179**	**179**	148	148
Trade and other receivables		**13,529**	**13,529**	20,012	20,012
Investments	1	**2,360**	**2,360**	5,295	5,295
Commodity contracts	2	**1,176**	**1,176**	-	-
Trade and other payables		**(25,531)**	**(25,531)**	(21,319)	(21,319)
Due to related party		**(5,000)**	**(5,000)**	(5,000)	(5,000)
Subordinated promissory notes		**(35,250)**	**(35,250)**	(35,086)	(35,086)
Bank debt		**(10,611)**	**(10,611)**	(30,851)	(30,851)

14. 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 has several practices and policies in place to help mitigate these risks.

Market Risk

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

Commodity Price Risk

The Company is exposed to commodity price risk since its revenues are dependent on the prices of crude oil 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 decisions and instability. Changes in oil 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. During the second quarter of 2017, the Company entered into physical fixed price natural gas sales contracts to mitigate its exposure to future fluctuations in natural gas prices. Based on September 30, 2017 natural gas prices, a ten cent per Mcf price change would have increased or decreased the unrealized gain related to physical natural gas sales contracts respectively, by $0.1 million (December 31, 2016 - $Nil).

At September 30, 2017, the following physical fixed price natural gas sales contracts were outstanding with an unrealized fair market value of $1.2 million (December 31, 2016 - $Nil):

Physical Natural Gas Sales Contracts:

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Fixed Sale Price ($CAD/GJ)	Fixed Sale Price ($CAD/Mcf)[1]	Fair Market Value ($000s)
October 1, 2017 to October 31, 2017	NIT	5,000	2.720	2.856	285
October 1, 2017 to October 31, 2017	NIT	5,000	2.750	2.888	290
October 1, 2017 to October 31, 2017	NIT	5,000	2.775	2.914	294
October 1, 2017 to October 31, 2017	NIT	5,000	2.865	3.008	307
Total unrealized commodity contracts gain					**1,176**

[1] Price has been converted from $/GJ to $/Mcf by multiplying by 1.05.

Pine Cliff's net income (loss) includes the following realized and unrealized gain (loss) on commodity contracts in place during the three and nine months ended September 30, 2017 and 2016:

	Three months ended September 30,		Nine months ended September 30,	
Commodity contracts:	**2017**	2016	**2017**	2016
Realized commodity contracts gain	**2,568**	-	**2,751**	-
Unrealized commodity contracts gain	**(14)**	-	**1,176**	-
Total gain on commodity contracts	**2,554**	-	**3,927**	-

Interest Rate Risk

The Company is principally exposed to interest rate risk to the extent it draws on its variable rate debt. Changes in market interest rates could affect the cash flow associated with variable rate debt. If interest rates applicable to Pine Cliff's variable rate debt increased or decreased by one percent, it is estimated that Pine Cliff's loss for the quarter ended September 30, 2017, would have increased or decreased, respectively, by $0.05 million (December 31, 2016 - $0.1 million).

Equity Price Risk

Equity price risk refers to the risk that the fair value of investments will fluctuate due to changes in equity markets. Equity price risk arises from the realizable value of investments that the Company holds which are subject to variable equity prices which on disposition gives rise to a cash flow equity price risk.

Foreign Exchange Risk

The Company is exposed to foreign exchange risk because the oil and natural gas prices it receives are indirectly determined in reference to United Stated dollar denominated commodity prices. The Company manages this risk by monitoring the foreign exchange rate and evaluating its effect on cash flows. Pine Cliff has not entered into any derivative financial instruments to manage this risk.

Credit Risk

Credit risk is the risk that a third party will not complete its contractual obligations under a financial instrument and cause the Company to incur a financial loss. Pine Cliff's maximum exposure to credit risk is the sum of the carrying values of its trade and other receivables, commodity contracts and cash, which are a reflection of management's assessment of the associated maximum exposure to such credit risk.

To mitigate the credit risk on its cash, the Company maintains its cash balances with major Canadian chartered banks. To mitigate the credit risk on trade and other receivables and commodity contracts, Pine Cliff assesses the financial strength of its counterparties and enters into relationships with larger purchasers with established credit histories.

The Company's trade and other receivables balance at September 30, 2017 of $13.5 million (December 31, 2016 – $20.0 million), is primarily with oil and gas marketers, joint venture partners and crown royalty credits with the Province of Alberta. Amounts due from these parties have generally been received within 30 to 60 days. When determining whether amounts that are past due are collectible, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. The Company generally considers amounts greater than 90 days to be past due. As at September 30, 2017, there was $1.0 million (December 31, 2016 - $1.8 million) of trade and other receivables over 90 days. Pine Cliff assesses its trade and other receivables quarterly to determine if there has been any impairment. During the quarter ended September 30, 2017, the Company recorded $0.05 million (December 31, 2016 - $0.5 million) of bad debt expense against trade and other accounts receivables.

The Company's commodity contracts balance at September 30, 2017, of $1.2 million (December 31, 2016 – $Nil) is with oil and gas marketers. Amounts due from these parties have generally been received within 30 days. There are no commodity contracts that Pine Cliff considers past due.

Liquidity Risk

Liquidity risk is the risk that Pine Cliff will not be able to meet its financial obligations as they become due. Pine Cliff actively manages its liquidity through cash, debt and equity management strategies. Such strategies include continuously monitoring forecasted and actual cash flows from operating, financing and investing activities, available credit under the Credit Facility and opportunities to issue additional equity, including Common Shares. Pine Cliff actively monitors its credit and working capital to ensure that it has sufficient available funds to meet its financial requirements at a reasonable cost. Management believes that funds generated from these sources currently will be adequate to settle Pine Cliff's financial liabilities.

The Company currently has a $45.0 million Credit Facility, of which $10.6 million was drawn at September 30, 2017. The unused portion of the Credit Facility and cash provided by operating activities are expected to allow Pine Cliff to meet its financial liabilities, as well as future capital requirements. If required, Pine Cliff will also consider additional short-term financing or issuing equity in order to meet its future liabilities.

15. COMMITMENTS

As at September 30, 2017, the Company has the following commitments and other contractual obligations:

($000s)	2017	2018	2019	2020	2021	Thereafter
Subordinated promissory notes[1]	-	6,000	-	30,000	-	-
Trade and other payables	25,531	-	-	-	-	-
Due to related party	-	5,000	-	-	-	-
Bank debt	-	10,611	-	-	-	-
Future interest	739	2,569	2,025	1,519	-	-
Transportation commitments[2]	1,789	7,981	6,616	6,106	5,494	20,160
Vehicle leases	123	473	426	310	223	-
Office and equipment leases	123	438	436	464	464	922
Total commitments and contingencies	28,305	33,072	9,503	38,399	6,181	21,082

[1] The subordinated promissory notes for commitments are presented at the principal amount.
[2] Transportation commitments – transportation contracts for the movement of commodities from Pine Cliff's production areas to consuming markets.

BOARD OF DIRECTORS

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

OFFICERS

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President and Chief Executive Officer

Terry L. McNeill
Chief Operating Officer

Alan MacDonald
Interim Chief Financial Officer and Corporate Secretary

Cheryne A. Lowe
Chief Financial Officer and Corporate Secretary

Heather A. Isidoro
Vice President, Business Development

Christopher S. Lee
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