

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is a review of the operations and financial position of Pine Cliff Energy Ltd. ("Pine Cliff" or the "Company") for the period ended December 31, 2019. This MD&A is dated and based on information available as at March 11, 2020 and should be read in conjunction with audited consolidated financial statements for the year ended December 31, 2019 and 2018 ("Financial Statements"). The Financial Statements have been prepared in accordance 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 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.

2019 AND FOURTH QUARTER 2019 HIGHLIGHTS

Highlights from 2019 and the fourth quarter of 2019 are as follows:

- generated \$5.0 million of adjusted funds flow (\$0.02 per basic share) for the three months ended December 31, 2019 and \$5.9 million of adjusted funds flow (\$0.02 per basic share) for the year ended December 31, 2019;
- realized a \$2.15 per Mcf gas price for the year ended December 31, 2019, 23% higher than the AECO 5A benchmark of \$1.75 per Mcf;
- closed an acquisition of oil and natural gas assets in the Ghost Pine area of Central Alberta for cash consideration of \$8.8 million (after closing adjustments) on May 31, 2019 (the "May 2019 Acquisition"), which added over 1,600 Boe/d (79% natural gas, 12% natural gas liquids and 9% oil) as of the closing date and increased the Company's undeveloped Pekisko oil locations as at December 31, 2019 by eight gross (8.0 net) booked locations;
- exchanged its \$49.0 million subordinated promissory notes for term debt, and extended \$42.0 million of debt originally expiring in 2020 to December 31, 2024; and
- drilled and completed two 100% working interest Pekisko oil wells that came on production in December 2019 and January 2020, respectively.

SELECTED ANNUAL FINANCIAL INFORMATION

	Year ended December 31,		
	2019	2018	2017
(\$000s, unless otherwise indicated)			
FINANCIAL¹			
Commodity sales (before royalties)	105,006	107,385	125,018
Total revenue (net of royalties)	99,431	100,063	115,076
Cash flow from operating activities	15,536	8,616	25,009
Adjusted funds flow²	5,879	10,513	28,705
Per share – Basic and Diluted (\$/share)	0.02	0.03	0.09
Loss for the year	(56,430)	(72,719)	(67,864)
Per share – Basic and Diluted (\$/share)	(0.18)	(0.24)	(0.22)
Total assets	323,735	354,215	405,228
Total non-current financial liabilities³	63,308	60,280	29,307
Total liabilities	313,225	293,241	276,135
Capital expenditures	8,379	10,665	13,477
Acquisitions	8,801	307	(62)
Dispositions	(1,542)	(285)	(429)
Net Debt²	64,038	56,819	53,638
Weighted average common shares outstanding (000s) - Basic and Diluted	319,274	307,076	307,076
OPERATIONS			
Production			
Natural gas (Mcf/d)	105,725	111,110	121,718
Natural gas liquids (Bbl/d)	1,114	940	924
Crude oil (Bbl/d)	407	226	198
Total (Boe/d)	19,142	19,684	21,408
Total (Mcf/d)	114,852	118,104	128,448
Realized commodity sales prices			
Natural gas (\$/Mcf)	2.15	2.07	2.39
Natural gas liquids (\$/Boe)	31.92	53.33	43.81
Crude oil (\$/Bbl)	61.32	59.74	57.17
Total (\$/Boe)	15.03	14.95	16.00
Netback (\$/Boe)			
Operating netback ²	2.25	2.68	4.88
Corporate netback ²	0.84	1.47	3.68
Netback (\$/Mcf)			
Operating netback ²	0.38	0.45	0.81
Corporate netback ²	0.14	0.25	0.61

¹ Includes results for acquisitions and excludes results for dispositions from the closing dates.

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

³ Includes lease liabilities, due to related party, term debt and subordinated promissory notes.

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
(\$000s, unless otherwise indicated)				
FINANCIAL				
Commodity sales (before royalty expense)	31,339	30,110	105,006	107,385
Cash flow from operating activities	4,039	1,415	15,536	8,616
Adjusted funds flow¹	5,025	4,433	5,879	10,513
Per share – Basic and Diluted (\$/share) ¹	0.02	0.01	0.02	0.03
Loss	(7,987)	(28,520)	(56,430)	(72,719)
Per share – Basic and Diluted (\$/share)	(0.02)	(0.09)	(0.18)	(0.24)
Capital expenditures	5,446	1,910	8,379	10,665
Acquisitions	202	659	8,801	307
Dispositions	(1,443)	(16)	(1,542)	(285)
Net debt¹	64,038	56,819	64,038	56,819
Weighted-average common shares outstanding (000s)				
Basic	327,784	307,076	319,274	307,076
Diluted	327,784	307,076	319,274	307,076
OPERATIONS				
Production				
Natural gas (Mcf/d)	108,208	110,295	105,725	111,110
Natural gas liquids (Bbl/d)	1,216	957	1,114	940
Crude oil (Bbl/d)	410	236	407	226
Total (Boe/d)	19,661	19,576	19,142	19,684
Realized commodity sales prices				
Natural gas (\$/Mcf)	2.52	2.51	2.15	2.07
Natural gas liquids (\$/Boe)	35.36	44.85	31.92	53.33
Crude oil (\$/Bbl)	59.91	32.14	61.32	59.74
Combined (\$/Boe)	17.33	16.72	15.03	14.95
Netback (\$/Boe)				
Commodity sales	17.33	16.72	15.03	14.95
Royalty expense	(1.56)	(0.95)	(0.80)	(1.02)
Transportation expenses	(1.53)	(1.80)	(1.68)	(1.74)
Operating expenses	(10.08)	(10.41)	(10.30)	(9.51)
Operating netback (\$/Boe) ¹	4.16	3.56	2.25	2.68
General and administrative expenses	(0.66)	(0.42)	(0.73)	(0.67)
Interest and bank charges, net of dividend income	(0.71)	(0.68)	(0.68)	(0.54)
Corporate netback (\$/Boe) ¹	2.79	2.46	0.84	1.47
Operating netback (\$ per Mcfe) ¹	0.69	0.59	0.38	0.45
Corporate netback (\$ per Mcfe) ¹	0.47	0.41	0.14	0.25

¹ 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	\$000s	\$ per share ³
Realized crude oil price ²	\$1.00	564	0.00
Realized natural gas price ²	\$0.10	3,752	0.01

¹ This analysis does not adjust for changes in working capital and uses corporate royalty rates from the year ended December 31, 2019.

² Pine Cliff has prepared this analysis using its Q4 2019 production volumes annualized for twelve months.

³ Based on the Q4 2019 basic weighted average shares outstanding.

BENCHMARK PRICES

	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Natural gas						
NYMEX (US\$/Mmbtu) ¹	2.50	3.73	(33)	2.62	3.09	(15)
AECO Daily 5A (C\$/Mcf) ²	2.46	1.74	41	1.75	1.54	14
Crude oil						
WTI (US\$/Bbl)	56.96	52.41	9	57.03	63.17	(10)
Edmonton Light (C\$/Bbl)	66.57	38.94	71	68.82	68.44	1
Foreign exchange						
US\$/C\$	1.320	1.331	(1)	1.327	1.300	2

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.

	Q4-2019	Q3-2019	Q2-2019	Q1-2019	Q4-2018	Q3-2018	Q2-2018	Q1-2018
Natural gas								
NYMEX (US\$/Mmbtu) ¹	2.50	2.23	2.64	3.12	3.73	2.85	2.78	2.99
AECO Daily 5A (C\$/Mcf) ²	2.46	0.90	1.03	2.61	1.74	1.19	1.18	2.07
Pine Cliff realized natural gas price (C\$/Mcf)	2.52	1.55	1.69	2.84	2.51	1.88	1.55	2.35
Crude oil								
WTI (US\$/Bbl)	56.96	56.45	59.81	54.88	52.41	69.50	67.88	62.87
Edmonton Light (C\$/Bbl)	66.57	68.41	73.85	66.44	38.94	81.95	80.66	72.21
Pine Cliff realized oil price (C\$/Bbl)	59.91	61.33	65.16	58.89	32.14	74.15	71.19	63.21
Pine Cliff realized NGL price (C\$/Bbl)	35.36	25.75	29.74	37.64	44.85	61.05	56.74	51.45
Foreign exchange								
US\$/C\$	1.320	1.321	1.338	1.329	1.331	1.310	1.290	1.270

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.

In the three months and year ended December 31, 2019, the AECO daily benchmark increased by 41% and 14%, compared to the same periods of 2018. The price fluctuations for this quarter and year to date are mainly due to supply and demand factors including pipeline curtailments and storage constraints, weather, economic conditions in producing and consuming regions throughout North America and political factors. While the price realized by the Company for natural gas production from Western Canada is still strongly influenced by the Alberta price hub AECO, diversification projects to delivery points such as Dawn, Empress and TransGas have

decreased that influence materially. See “COMMODITY SALES” section for additional information on the diversification project premiums compared to AECO 5A.

The average benchmarks for WTI increased by 9% for the three months ended December 31, 2019 but decreased 10% for the year ended December 31, 2019, as compared to the same periods in 2018, due to increased levels of North American oil production combined with uncertainty around future demand. 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 decrease in NGL prices compared to WTI in the three months and year ended December 31, 2019 compared to the corresponding periods of the prior year is mainly due to lower propane and butane pricing due to market conditions. The fluctuations in the NGL price correlate with changes in the WTI price.

SALES VOLUMES

Total sales volumes by product	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Natural gas (Mcf)	9,955,128	10,147,122	(2)	38,587,518	40,555,104	(5)
NGLs (Bbl)	111,863	88,039	27	406,788	343,162	19
Crude oil (Bbl)	37,713	21,757	73	148,617	82,420	80
Total Boe	1,808,764	1,800,983	-	6,986,658	7,184,766	(3)
Total Mcfe	10,852,584	10,805,898	-	41,919,948	43,108,596	(3)
Natural gas weighting	92%	94%	(2)	92%	94%	(2)

Average daily sales volumes by product	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Natural gas (Mcf/d)	108,208	110,295	(2)	105,725	111,110	(5)
NGLs (Bbl/d)	1,216	957	27	1,114	940	19
Crude oil (Bbl/d)	410	236	73	407	226	80
Total (Boe/d)	19,661	19,576	-	19,142	19,684	(3)
Total (Mcfe/d)	117,966	117,456	-	114,852	118,104	(3)

Average daily sales volumes by area	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Central (Boe/d)	10,021	9,097	10	9,513	9,231	3
Southern (Boe/d)	7,898	8,517	(7)	7,857	8,462	(7)
Edson (Boe/d)	1,742	1,962	(11)	1,772	1,991	(11)
Total (Boe/d)	19,661	19,576	-	19,142	19,684	(3)

Pine Cliff's sales volumes increased slightly to 19,661 Boe/d (117,966 Mcfe/d) from 19,576 Boe/d (117,456 Mcfe/d) for the three months ended December 31, 2019 as compared to the same period in 2018. During the quarter natural production declines were offset by production from the May 2019 Acquisition.

Pine Cliff's sales volumes decreased by 3% to 19,142 Boe/d (114,852 Mcfe/d) for the year ended December 31, 2019 as compared to 2018. The decrease relates to natural production declines, short-term voluntary shut-ins during the summer months, and production downtime due to cold weather during the first quarter of 2019, somewhat offset by production from the May 2019 Acquisition.

Pine Cliff is projecting 2020 production volumes of 18,500 – 19,000 Boe/d (111,000 – 114,000 Mcfe/d), weighted approximately 92% towards natural gas.

COMMODITY SALES

(\$000s)	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Natural gas	25,125	25,462	(1)	82,908	84,161	(1)
NGL	3,955	3,949	-	12,985	18,300	(29)
Crude oil	2,259	699	223	9,113	4,924	85
Total commodity sales	31,339	30,110	4	105,006	107,385	(2)
% of revenue from natural gas sales	80%	85%	(5)	79%	78%	1

Realized prices

\$ per unit	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Natural gas (\$/Mcf)	2.52	2.51	-	2.15	2.07	4
NGL (\$/Bbl)	35.36	44.85	(21)	31.92	53.33	(40)
Crude oil (\$/Bbl)	59.91	32.14	86	61.32	59.74	3
Total (\$/Boe)	17.33	16.72	4	15.03	14.95	1
Total (\$/Mcf)	2.89	2.79	4	2.51	2.49	1

Commodity sales in the three months ended December 31, 2019 of \$31.3 million increased by \$1.2 million from \$30.1 million in the same period of 2018, with a \$1.1 million increase from higher realized commodity prices and \$0.1 million increase from higher sales volumes. Commodity sales in the year ended December 31, 2019, decreased \$2.4 million to \$105.0 million from \$107.4 million in the same period of 2018, with \$3.0 million of the decrease attributable to lower sales volumes, slightly offset by a \$0.6 million increase from higher realized commodity prices.

Pine Cliff's realized natural gas price was \$2.52 per Mcf in the three months ended December 31, 2019, effectively unchanged from the \$2.51 per Mcf in the corresponding period of the prior year. Pine Cliff's realized natural gas price was \$2.15 per Mcf during the year ended December 31, 2019, 4% higher than the \$2.07 per Mcf realized in the corresponding period of the prior year. Pine Cliff's realized natural gas price was 102% and 123% of the AECO 5A benchmark in the three months and year ended December 31, 2019, both a result of Pine Cliff's marketing diversification to non-AECO markets and fixed price physical natural gas sales contracts.

For the three months and year ended December 31, 2019, Pine Cliff's realized NGL price was \$35.36 per Bbl and \$31.92 per Bbl, compared to \$44.85 per Bbl and \$53.33 per Bbl in the corresponding periods of the prior year. For the three months and year ended December 31, 2019, Pine Cliff's realized oil price was \$59.91 per Bbl and \$61.32 per Bbl, compared to \$32.14 per Bbl and \$59.74 per Bbl in the corresponding periods of the prior year. Pine Cliff's realized oil prices in the three months and year ended December 31, 2019, were 90% and 89% of Edmonton Light, in-line with the 90% and 89% in the corresponding periods of the prior year. Pine Cliff's realized NGL prices in the three months and year ended December 31, 2019 were 47% and 42% of WTI compared to 64% and 65% in the corresponding periods of the prior year. The decrease in NGL prices in the three months and year ended December 31, 2019 compared to the corresponding periods of the prior year is mainly due to lower butane and propane pricing as a result of market conditions.

ROYALTY EXPENSE

(\$000s)	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Total royalty expense	2,826	1,714	65	5,575	7,357	(24)
\$ per Boe	1.56	0.95	64	0.80	1.02	(22)
\$ per Mcfe	0.26	0.16	64	0.13	0.17	(22)
Royalty expense as a % of commodity sales	9%	6%	50	5%	7%	(29)

For the three months ended December 31, 2019, total royalty expense increased by 65% to \$2.8 million from \$1.7 million in the corresponding period of the prior year. Royalty expense as a percentage of commodity sales increased to 9% in the three months ended December 31, 2019, compared to 6% in the corresponding periods of the prior year. The increase in royalty expense as a percentage of commodity sales for the three months ended December 31, 2019 reflects the 41% increase in AECO Daily 5A reference price from the same period in 2018, along with adjustments to gas cost allowance.

For the year ended December 31, 2019, total royalty expense decreased by 24% to \$5.6 million from \$7.4 million in the corresponding period of the prior year. Royalty expense as a percentage of commodity sales decreased to 5% during the year ended December 31, 2019, compared to 7% in the corresponding period of the prior year. The decrease in royalty expenses as a percentage of commodity sales for the year ended December 31, 2019 is mainly due to gas crown royalties being charged on a reference price that is lower than Pine Cliff's realized gas price and gas cost allowance adjustments.

Pine Cliff anticipates royalty expenses to average 7% of commodity sales in 2020.

TRANSPORTATION COSTS

(\$000s)	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Total transportation costs	2,775	3,244	(14)	11,743	12,525	(6)
\$ per Boe	1.53	1.80	(15)	1.68	1.74	(3)
\$ per Mcfe	0.26	0.30	(15)	0.28	0.29	(3)

For the three months and year ended December 31, 2019, total transportation costs decreased by 14% and 6% to \$2.8 million and \$11.7 million from \$3.2 million and \$12.5 million in the corresponding periods of the prior year. The decrease in transportation costs in the three months and year ended December 31, 2019 as compared to the corresponding periods of the prior year are primarily a result of less natural gas sales volumes being diverted to non AECO markets as a result of a stronger realized AECO price.

Pine Cliff anticipates transportation expenses to average \$1.45 per Boe (\$0.24 per Mcfe) in 2020.

OPERATING EXPENSES

(\$000s)	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Total operating expenses	18,235	18,745	(3)	71,973	68,332	5
\$ per Boe	10.08	10.41	(3)	10.30	9.51	8
\$ per Mcfe	1.68	1.74	(3)	1.72	1.59	8

Operating expenses decreased by 3% to \$18.2 million for the three months ended December 31, 2019, as compared to \$18.7 million in the corresponding period of the prior year, primarily a result of field optimization initiatives undertaken during the first three quarters of the year. On a per Boe basis, operating costs decreased to \$10.08 per Boe for the three months ended December 31, 2019 compared \$10.41 per Boe in the corresponding period of 2018.

Operating expenses increased by 5% to \$72.0 million for the year ended December 31, 2019, as compared to \$68.3 million in the corresponding period of the prior year, primarily a result of incurring the cost of implementing field optimization initiatives and higher operating expenses from the May 2019 Acquisition. On a per Boe basis, operating costs increased to \$10.30 per Boe for the year ended December 31, 2019 compared \$9.51 per Boe in the corresponding period of 2018.

Pine Cliff anticipates operating expenses to average \$10.55 per Boe (\$1.76 per Mcfe) in 2020.

GENERAL AND ADMINISTRATIVE EXPENSES ("G&A")

(\$000s)	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Gross G&A	2,275	1,703	34	7,871	7,516	5
Add: non-recurring transaction costs	-	-	-	15	-	100
Less: overhead recoveries	(1,076)	(947)	14	(2,807)	(2,678)	5
Total G&A expenses	1,199	756	59	5,079	4,838	5
\$ per Boe	0.66	0.42	57	0.73	0.67	9
\$ per Mcfe	0.11	0.07	57	0.12	0.11	9

For the three months and year ended December 31, 2019, G&A increased by 59% and 5% to \$1.2 million and \$5.1 million from \$0.8 million and \$4.8 million in the corresponding periods of the prior year. The increase in G&A for the three months ended and year ended December 31, 2019 as compared to the corresponding periods of the prior year is primarily a result of recognizing higher bad debt expense from defaulting working interest partners.

On a per Boe basis, G&A for the three months and year ended December 31, 2019, increased by 57% and 9% to \$0.66 per Boe and \$0.73 per Boe from \$0.42 per Boe and \$0.67 per Boe in the corresponding periods of the prior year.

Pine Cliff anticipates G&A expenses to average \$0.74 per Boe (\$0.12 per Mcfe) in 2020.

SHARE-BASED PAYMENTS

(\$000s)	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Total share-based payments	180	505	(64)	1,116	2,231	(50)
\$ per Boe	0.10	0.28	(64)	0.16	0.31	(48)
\$ per Mcfe	0.02	0.05	(64)	0.03	0.05	(48)

Share based payments decreased by 64% and 50% for the three months and year ended December 31, 2019 compared to the corresponding periods of 2018 primarily as a result of the decrease in the fair value of the stock options granted in 2019. 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's board of directors to a maximum of 10% of the outstanding Common Shares.

During the year ended December 31, 2019, Pine Cliff granted 13,137,907 stock options to purchase Common Shares at a weighted average exercise price of \$0.18 (December 31, 2018 – 7,697,800 at an average exercise price of \$0.33). As at December 31, 2019, the Company had 25,828,738 stock options outstanding, representing 7.9% of Common Shares outstanding (December 31, 2018 – 21,028,804 representing 6.8% of Common Shares outstanding).

DEPLETION, DEPRECIATION, AND IMPAIRMENT

(\$000s)	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Total depletion and depreciation	11,644	11,420	2	46,864	43,760	7
\$ per Boe	6.44	6.34	2	6.71	6.09	10
\$ per Mcfe	1.07	1.06	2	1.12	1.02	10
Impairment	-	-	-	8,200	-	100
Total depletion, depreciation, and impairment	11,644	11,420	2	55,064	43,760	26
\$ per Boe	6.44	6.34	2	7.88	6.09	29
\$ per Mcfe	1.07	1.06	2	1.31	1.02	29

Depletion and depreciation expense for the three months and year ended December 31, 2019, totaled \$11.6 million and \$46.9 million compared to \$11.4 million and \$43.8 million in the corresponding periods of the prior year. The increase for the year is a result of a higher depletable base. 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 December 31, 2019, the Company had four cash generating units ("CGUs"), being the Southern CGU, Central Gas CGU, Edson CGU, and Coal Bed Methane CGU. The Company reviewed each CGU's property and equipment at December 31, 2019 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 December 31, 2019:

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
2020	61.00	1.32	72.64	2.04
2021	63.75	1.30	76.06	2.32
2022	66.18	1.27	78.35	2.62
2023	67.91	1.27	80.71	2.71
2024	69.48	1.27	82.64	2.81
2025-2034	78.10	1.27	93.14	3.19
Thereafter	+2.0%/yr	1.27	+2.0%/yr	+2.0%/yr

¹ Source: Average of three independent consultant price forecasts, effective January 1, 2020 (McDaniel & Associates Consultants Ltd., GLJ Petroleum Consultants Ltd. and Sproule Associates Limited).

The recoverable amounts of each of the Company's CGU's at December 31, 2019 were estimated at their fair value less cost to sell, based on the net present value of discounted future cash flow from operating activities from oil and gas reserves as estimated by the Company's independent reserves evaluator at December 31, 2019. 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, the Company's management best estimates.

The Company used a pre-tax 15% discount rate for the December 31, 2019 impairment test which took into account risks specific to the CGU's and inherent in the oil and gas business. The impairment testing concluded that the fair value less costs to sell for the Company's CGU's at December 31, 2019 is greater than the carrying amounts and therefore no impairment was recorded in the fourth quarter of 2019. An impairment of \$8.2 million was recorded for the period ending June 30, 2019.

The following CGU's were impaired as at June 30, 2019:

CGUs	2019	2018
Southern	8,200	-
Total impairment	8,200	-

Exploration and Evaluation Assets ("E&E") Impairment Assessment

In accordance with IFRS, an impairment test is performed if the Company identified an indication of impairment. An E&E asset shall be assessed for impairment before reclassification to PP&E if the Company determines technical feasibility and commercial viability of extraction. At December 31, 2019 and 2018, the Company determined that no indicators of impairment existed on its E&E assets and therefore an impairment test was only performed for E&E assets transferred to PP&E.

FINANCE EXPENSES

(\$000s)	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Interest expense and bank charges	1,279	1,218	5	4,757	3,855	23
\$ per Boe	0.71	0.68	4	0.68	0.54	26
\$ per Mcfe	0.12	0.11	4	0.11	0.09	26
Non cash:						
Accretion on decommissioning provision	1,560	1,453	7	6,262	5,389	16
Accretion on subordinated promissory notes	295	77	283	534	267	100
Total finance expenses	3,134	2,748	14	11,553	9,511	21
\$ per Boe	1.73	1.53	13	1.65	1.32	25
\$ per Mcfe	0.29	0.25	13	0.28	0.22	25

Finance expenses increased by 14% and 21% to \$3.1 million and \$11.6 million for the three months and year ended December 31, 2019, as compared to \$2.7 million and \$9.5 million in the corresponding periods of the prior year, primarily a result of higher interest expense due to higher interest rates paid on the term debt compared to bank debt as well as an increase in accretion expenses related to a higher inflation rate used to unwind the discount. Please refer to the "DEBT, LIQUIDITY AND CAPITAL RESOURCES" section for additional information.

DIVIDEND INCOME

(\$000s)	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Total dividend income	-	-	-	-	35	(100)
\$ per Boe	-	-	-	-	-	(100)

During the year ended December 31, 2018, Pine Cliff received \$0.035 million in dividends from its investment in one dividend paying company.

DEFERRED INCOME TAX

For the year ended December 31, 2019, deferred income tax expenses amounted to \$nil from \$28.9 million in the same period of 2018.

As at December 31, 2019, the Company did not record a future income tax asset (December 31, 2018 - \$nil) as it is not currently probable that Pine Cliff can utilize its tax pools against taxable profit. As at December 31, 2019, a deferred income tax asset has not been recognized on \$76.3 million (December 31, 2018 - \$73.4 million) of deductible temporary differences as it is not probable that future taxable earnings will be available against which the Company can utilize the benefits.

The Company had the following tax pools, including non-capital loss carry-forwards, at December 31, 2019:

Category of tax pool	Rate of Utilization (%)	2019
Undepreciated capital costs	4 - 100	30,847
Canadian oil and gas property expenditures	10	214,339
Canadian development expenditures	30	10,099
Canadian exploration expenditures	100	167
Share issue costs	20	668
Non-capital losses carried forward ¹	100	138,673
Capital losses carried forward ²		5,462
		400,255

¹ Non-capital losses expire between the years 2030 and 2039.

² The capital losses carried forward can only be claimed against taxable capital gains.

As at December 31, 2019, the unused non-capital losses expire between 2030 and 2039, and the unused capital losses have no expiry date. The deductible temporary differences do not expire under tax legislation. Pine Cliff has approximately \$400.3 million in tax pools as at December 31, 2019 (December 31, 2018 - \$389.6 million), available for future use as deductions from taxable income.

CAPITAL EXPENDITURES, ACQUISITIONS AND DISPOSITIONS

(\$000s)	Year ended December 31,	
	2019	2018
Exploration and evaluation	398	239
Property, plant and equipment	7,981	10,426
Capital expenditures	8,379	10,665
Acquisitions	8,801	307
Dispositions	(1,542)	(285)
Total	15,638	10,687

Capital expenditures on PP&E of \$8.0 million during the year ended December 31, 2019 were directed towards drilling two gross (2.0 net) wells in the Central area for \$5.5 million, facility and maintenance capital of \$2.0 million, and \$0.5 million of other miscellaneous capital additions.

DECOMMISSIONING PROVISION

The total current and long-term decommissioning provision of \$221.4 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 December 31, 2019, the estimated total undiscounted and uninflated amount required to settle the decommissioning liabilities was \$239.7 million (December 31, 2018 - \$264.6 million). The discounted and inflated amount required to settle the decommissioning liabilities of \$221.4 million has been calculated assuming a 1.95% inflation rate (December 31, 2018 - 1.88%) and discounted using an average risk-free interest rate of 2.57% (December 31, 2018 - 2.88%). These obligations are currently expected to be settled based on the useful lives of the underlying assets, some of which extend beyond 35 years into the future.

DEBT, LIQUIDITY AND CAPITAL RESOURCES

Bank Credit Facility

On July 28, 2019, the Company's syndicated credit facility (the "**Credit Facility**") with three Canadian Financial Institutions expired and was not renewed (December 31, 2018 - \$11.0 million Credit Facility). Borrowings under the Credit Facility had interest at the Canadian prime rate plus 1.5% to 4.0% or the bankers' acceptance rates plus 2.5% to 5.0%, depending, in each case, on the rolling 12 month ratio of consolidated debt to EBITDA, plus applicable standby fees. EBITDA is calculated as earnings (loss) excluding depreciation, depletion, impairment and accretion, share based payments, interest, taxes and other non-cash items. As at December 31, 2019, the Company had \$nil in letters of credit issued against its Credit Facility (December 31, 2018 - \$2.9 million).

Letter of Credit Facility

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

Due to Related Party

On October 1, 2019, Pine Cliff amended and restated its \$6.0 million subordinated promissory note to the Company's Chairman of the Board. This amended and restated promissory note matures on December 31, 2024 ("**Related Party Note**"), bears interest at 6.5% per annum and is payable monthly. The Related Party Note is secured by a \$6.0 million floating charge debenture over all of the Company's assets and is subordinated to any and all claims in favor of the holder of the Term Debt, as defined herein. Interest paid on the Related Party Note for the year ended December 31, 2019 was \$0.4 million (December 31, 2018 - \$0.3 million).

Subordinated Promissory Notes

On October 1, 2019, Pine Cliff amended and restated its \$6.0 million subordinated promissory notes. These amended and restated subordinated promissory notes mature on December 31, 2024 ("**\$6 Million Notes**"), bear interest at 6.5% per annum and are payable monthly. The \$6 Million Notes are issued to a shareholder and a relative of that shareholder, owning directly or by discretion and control, greater than 10% of the Common Shares. The \$6 Million 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

On October 1, 2019, Pine Cliff entered into a credit facility with Alberta Investment Management Corporation ("**AIMCo**"), acting on behalf of its clients, to repay its \$30 million promissory notes maturing September 30, 2020 ("**2020 Notes**") and its \$19 million promissory notes maturing July 31, 2022 ("**2022 Notes**") and replace them with a non-revolving term credit facility ("**Term Debt**"). The Term Debt 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**"), (collectively the "**Refinancing**"). Interest on the 2024 Tranche is payable at a rate of 8.75% per annum until September 30, 2020 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. A total of 7.5 million Common Share purchase warrants (the "**Warrants**") were issued in connection with the Refinancing, with each Warrant entitling the holder to purchase one Common Share of Pine Cliff for \$0.20565, until September 30, 2022. The Refinancing security consists of floating demand debentures totaling \$150.0 million and a general security agreement with first ranking over all current and acquired properties.

The fair value of the Refinancing was determined on drawdown to be 10.1%, using the effective interest rate method, by discounting future payments of interest and principal with the residual value allocated to the Warrants. The value of the Term Debt accretes up to the principal balance of each tranche at maturity.

Liquidity and Capital Resources

Pine Cliff's approved capital budget for 2020 is \$10.2 million, including \$2.0 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 carries 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 Pekisko oil development in Central Alberta and the operating results therefrom achieved in 2019 and into 2020, are expected to have a positive impact on adjusted funds flow and the working capital deficiency.

The Company defines and computes its net debt as follows:

(\$000s)	Year ended December 31,		
	2019	2018	\$ Change
Due to related party ¹	6,000	6,000	-
Subordinated promissory notes ¹	6,000	55,000	(49,000)
Term debt ²	49,000	-	49,000
Trade and other payables	27,514	16,772	10,742
Less:			
Trade and other receivables	(13,597)	(13,536)	(61)
Cash	(8,661)	(3,563)	(5,098)
Prepaid expenses and deposits	(2,218)	(3,854)	1,636
Net debt³	64,038	56,819	7,219

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

² The term debt for net debt 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.

	As at December 31,	
	2019	2018
Net debt-to-adjusted funds flow calculation:		
Cash provided by operating activities	15,536	8,616
Increase (decrease) in non-cash working capital	(11,586)	(833)
Decommissioning obligations settled	1,929	2,730
Adjusted funds flow ¹	5,879	10,513
Net debt ¹	64,038	56,819
Net debt-to-adjusted funds flow	11.0	5.4

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

At December 31, 2019, the Company's net debt to adjusted funds flow of 11.0 is higher than the Company's historical ratio and its long-term internal target. While this ratio is high in comparison to industry peers, approximately 95 percent of the Company's net debt is long-term and only 5 percent of the net debt is due with the next twelve months. The prolonged period of low commodity prices, in particular natural gas pricing in 2018 and 2019, has reduced the Company's adjusted funds flow and limited the availability of new capital to repay debt or expand development activity. During this time period, the Company has limited its capital spending, raised capital from a flow-through Common Share offering, a Common Share offering and terminated its Credit Facility in favor of Term Debt, with the first maturity date not until July 31, 2022.

The Company remains focused on developing its Central Alberta Pekisko oil property while identifying and pursuing alternative financing arrangements, property dispositions, corporate mergers or other recapitalization opportunities to further reduce the net

debt to adjusted funds flow ratio. The Company continuously monitors changes in forecasted adjusted funds flow as a result of changes to forward commodity prices and will make adjustments to planned capital expenditures as appropriate.

Pine Cliff will continue to focus on additional opportunities to enhance shareholders' long term value which could include additional asset acquisitions or dispositions.

Share Capital

Share capital	March 11, 2020	December 31, 2019	December 31, 2018
Common Shares	327,784,193	327,784,193	307,075,787
Stock options	25,631,488	25,828,738	21,028,804
Warrants	10,350,000	10,350,000	2,850,000

COMMITMENTS AND CONTINGENCIES

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

	2020	2021	2022	2023	2024	Thereafter
(\$000s)						
Trade and other payables	27,514	-	-	-	-	-
Term debt ¹	-	-	19,000	-	30,000	-
Due to related party	-	-	-	-	6,000	-
Subordinated promissory notes	-	-	-	-	6,000	-
Future interest	4,820	5,120	4,861	4,380	4,605	-
Lease obligations	1,198	1,107	915	739	96	-
Transportation ²	8,530	6,883	6,041	3,168	3,168	8,977
Total commitments and contingencies	42,062	13,110	30,817	8,287	49,869	8,977

¹ Principal amount.

² Firm transportation agreements.

QUARTERLY TRENDS AND SELECTED FINANCIAL INFORMATION

(\$000s, unless otherwise indicated)	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
FINANCIAL								
Total revenue	28,513	19,468	21,106	30,344	28,396	24,148	20,419	27,065
Cash flow from operating activities	4,039	(2,931)	6,503	7,925	1,415	(309)	531	6,979
Adjusted funds flow ²	5,025	(3,922)	(2,047)	6,823	4,433	1,920	(977)	5,137
Adjusted funds flow per share – basic and diluted (\$/share) ²	0.02	(0.01)	(0.01)	0.02	0.01	0.01	0.00	0.02
Loss	(7,987)	(17,739)	(24,179)	(6,525)	(28,520)	(10,710)	(17,909)	(15,580)
Loss per share – basic and diluted (\$/share)	(0.02)	(0.05)	(0.08)	(0.02)	(0.09)	(0.03)	(0.06)	(0.05)
Capital expenditures	5,446	1,123	815	995	4,302	1,910	1,276	3,177
Acquisitions	202	(7)	8,604	2	(61)	659	(3)	(288)
Dispositions	(1,443)	(14)	(85)	-	(51)	(16)	(135)	(83)
Net debt ²	64,038	63,745	58,162	51,820	56,819	56,325	54,737	52,414
Weighted average common shares outstanding:								
Basic and diluted	327,784	327,784	314,130	307,076	307,076	307,076	307,076	307,076
PRODUCTION VOLUMES								
Natural gas (Mcf/d)	108,208	104,488	105,965	104,186	110,295	111,067	110,242	112,871
Natural gas liquids (Bbl/d)	1,216	1,195	1,063	981	957	861	967	977
Crude oil (Bbl/d)	410	423	399	396	236	231	216	219
Average sales volumes (Boe/d)	19,661	19,033	19,123	18,741	19,576	19,603	19,557	20,008
Average sales volumes (Mcf/d)	117,966	114,198	114,738	112,446	117,456	117,618	117,342	120,048
PRICES AND NETBACKS								
Total commodity sales (\$/Boe)	17.33	11.48	12.35	19.01	16.72	14.21	12.33	16.50
Operating netback (\$/Boe) ²	4.16	(0.97)	0.18	5.68	3.56	2.34	0.72	4.04
Corporate netback (\$/Boe) ²	2.79	(2.24)	(1.18)	4.04	2.46	1.06	(0.55)	2.86
Total commodity sales (\$/Mcf)	2.89	1.91	2.06	3.17	2.79	2.37	2.06	2.75
Operating netback (\$/Mcf) ²	0.69	(0.16)	0.03	0.95	0.59	0.39	0.12	0.67
Corporate netback (\$/Mcf) ²	0.47	(0.37)	(0.20)	0.67	0.41	0.18	(0.09)	0.48

¹This 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 earnings (losses) have fluctuated primarily due to changes in commodity prices and sales volumes. Earnings (losses) also fluctuate with non-cash expenditures, including depletion, depreciation, impairments and deferred income taxes. Selected highlights for the past eight quarters are presented below:

- Average sales volumes decreased in the first quarter of 2018 through the second quarter of 2018 related to natural production declines and short term production outages, primarily due to voluntary shut-ins in response to low natural gas commodity prices. Average sales volumes increased in the third quarter of 2018 compared to the second quarter of 2018, mainly due to realizing a full quarter of production from wells drilled in the first half of 2018. Average sales volumes decreased in the fourth quarter of 2018 through the first quarter of 2019 compared to the third quarter of 2018 due to natural production declines and production downtime due to cold weather, partially offset by production from the current drilling and recompletion projects. Average sales volumes increased in the second quarter of 2019 compared to the first quarter of 2019 mainly due to less downtime due to cold weather and sales volumes from the May 2019 Acquisition. Average sales volumes decreased in the third quarter of 2019 compared to the second quarter of 2019 mainly due to shut-ins due to low natural gas prices. Average sales volumes increased in the fourth quarter of 2019 compared to the third quarter of 2019 mainly due to no shut-ins and one gross (1.0 net) well that was drilled and placed on production during the fourth quarter of 2019.

- Adjusted funds flow decreased from the first quarter of 2018 to the second quarter of 2018, mainly as a result of lower commodity prices and sales volumes. Adjusted funds flow increased from the third quarter of 2018 to the first quarter of 2019, mainly as a result of higher commodity prices, slightly offset by decreased sales volumes. Adjusted funds flow decreased from the first quarter of 2019 to the third quarter of 2019, mainly as a result of lower commodity prices and changes to sales volumes. Adjusted funds flow increased from the third quarter of 2019 to the fourth quarter of 2019, mainly as a result of higher commodity prices and increases in sales volumes.
- Losses increased in the second quarter of 2018 compared to the first quarter of 2018, mainly as a result of lower oil and gas revenues. Losses decreased from the second quarter of 2018 to the third quarter of 2018, mainly as a result of higher commodity prices and higher sales volumes. Losses increased from the third quarter of 2018 to the fourth quarter of 2018 as a result of a deferred income tax expense, slightly offset by higher commodity prices. Losses decreased from the fourth quarter of 2018 to the first quarter of 2019 mainly as a result of less deferred income tax expense and higher commodity prices, slightly offset by higher operating expenses. Losses increased from the first quarter of 2019 to the second quarter of 2019 mainly as a result of lower commodity prices and an impairment charge, slightly offset by lower royalty expenses. Losses decreased from the second quarter of 2019 through the fourth quarter of 2019 mainly as a result of no impairment charges in the third or fourth quarters of 2019 and fluctuations in sales volumes and commodity prices.
- Total revenues have decreased from the first quarter of 2018 to the second quarter of 2018, mainly as a result of decreases in commodity prices and sales volumes. Total revenues increased from the second quarter of 2018 to the first quarter of 2019, mainly as a result of increases in commodity prices. Total revenues decreased from the first quarter of 2019 to the third quarter of 2019, mainly as a result of lower commodity prices and changes to sales volumes. Total revenues increased from the third quarter of 2019 to the fourth quarter of 2019, mainly as a result of higher commodity prices and increases in sales volumes.

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 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. The carrying values of cash, restricted 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.

Market Risk

Market risk is the risk that the fair value or future cash flow from operating activities 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, natural gas liquids (“NGLs”) 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.

Physical Sales Contracts

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

Contractual Term	Delivery Point	Physical Delivery Quantity (GJ/day)	Fixed Sale Price (\$CAD/GJ) ¹	Fixed Sale Price (\$CAD/Mcf) ^{1,2}
January 1, 2020 to March 31, 2020	AECO	5,000	\$2.36	\$2.48
January 1, 2020 to October 31, 2020	TransGas ³	9,000	\$2.40	\$2.52
April 1, 2020 to October 31, 2020	AECO	22,500	\$1.54	\$1.62

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 March 11, 2020, 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)	Fixed Sale Price (\$CAD/Mcf) ^{1,2}
April 1, 2020 to October 31, 2020	AECO	5,000	\$1.67	\$1.75

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.

Interest Rate Risk

The Company is principally exposed to interest rate risk to the extent it draws on its variable rate debt less cash. Changes in market interest rates could affect the cash flow from operating activities associated with variable rate debt. If interest rates applicable to Pine Cliff’s variable rate debt less cash increased or decreased by one percent, it is estimated that Pine Cliff’s loss for the year ended December 31, 2019, would have increased or decreased, respectively, by \$nil (December 31, 2018 - \$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 for each company. Equity price risk is also influenced from the estimated realizable value of investments that the Company holds.

Foreign Exchange Risk

The Company and its share price are exposed to risk on foreign exchange rates because the commodity prices it receives are indirectly determined in reference to United States dollar denominated commodity prices. The Company manages this risk by monitoring the foreign exchange rate and evaluating its effect on cash flow from operating activities. Pine Cliff has not entered into any derivative financial instruments to manage this risk at this time.

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 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 a major Canadian chartered bank. To mitigate the credit risk on trade and other receivables, Pine Cliff assesses the financial strength of its counterparties and endeavors to enter into relationships with larger purchasers with established credit histories.

The Company's trade and other receivables balance at December 31, 2019 of \$13.6 million (December 31, 2018 – \$13.5 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 December 31, 2019, there was \$1.0 million (December 31, 2018 - \$1.0 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 year ended December 31, 2019, the Company recorded \$0.9 million (December 31, 2018 - \$0.3 million) of bad debt expense against trade and other accounts receivables.

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 manages its liquidity risk through actively managing its capital, which it defines as cash, debt and equity. Capital management strategies include continuously monitoring forecasted and actual cash flow from operating, financing and investing activities and opportunities to issue additional equity. 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. If required, Pine Cliff will also consider additional short-term financing or issuing equity in order to meet its future liabilities. Any of these events could affect Pine Cliff's ability to fund ongoing operations.

RISK FACTORS

Certain activities of the Company are affected by factors that are beyond its control or influence. Additional risks and uncertainties that management may be unaware of, or that they determine to be immaterial may also become important factors which affect the Company. Along with the risks discussed in this MD&A, other business risks faced by the Company may be found under "Risk Factors" in the Company's most recent Annual Information Form which is available under the Company's profile at www.sedar.com or by contacting the Company.

Environmental

All production phases of oil, NGLs and natural gas are subject to environmental regulation pursuant to a variety of Canadian federal, provincial and municipal laws and regulations (collectively, the "**Environmental Regulations**"). Environmental Regulations provide that wells, facility sites and other properties and practices associated with our operations be constructed, operated, maintained, abandoned, reclaimed and undertaken in accordance with the requirements set out therein. In addition, certain types of operations, including exploration and development projects and changes to certain existing projects, may require the submission and approval of environmental impact assessments or permit applications. Environmental Regulations impose, among other things, costs, restrictions, liabilities and obligations in connection with the generation, handling, use, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases and emissions of various substances in the environment. They also impose restrictions, liabilities and obligations in connection with the management of water sources that are being used, or whose use is contemplated, in connection with oil and gas operations. The complexities of changes in Environmental Regulations make it difficult to predict the potential future impact to Pine Cliff.

Compliance with Environmental Regulations requires expenditures. Our future capital expenditures and operating expenses could increase as a result of, among other things, developments in our business, operations, plans and objectives and changes to existing, or implementation of new, Environmental Regulations. Failure to comply with Environmental Regulations may result in, among other things, the imposition of fines, penalties, environmental protection orders, suspension of operations, and could adversely affect our reputation. The costs of complying with Environmental Regulations may have a material adverse effect on our business, financial condition, results of operations and cash flows from operating activities. The implementation of new Environmental Regulations or the modification of existing Environmental Regulations affecting the oil and natural gas industry generally could reduce demand for crude oil and natural gas as well as shift hydrocarbon demand toward relatively lower carbon sources, increase compliance costs, lengthen project implementation times, and have an adverse effect on our business, financial condition, results of operations and cash flows.

Fiscal Environment

Resource industries are subject to payments to various levels of government, predominantly corporate income taxes to the federal and provincial governments and royalties to provincial governments. In recent years, while the corporate income tax regime has been stable, the royalty regime has not been. A series of changes have had at times both positive and negative effects, but have certainly served to emphasize the materiality of this risk. There is potential for additional future changes to the taxation and royalty regime in Alberta and Saskatchewan and corresponding changes in other jurisdictions where Pine Cliff may operate has created uncertainty surrounding the ability to accurately estimate future taxation and royalties, resulting in additional volatility and uncertainty in the oil and gas market. As a single company, we have no ability to mitigate this risk other than through geographic diversification.

Operational

This category encompasses a number of risks. Wells may produce at lower initial production rates than planned, or face steeper decline rates. Operating costs can increase due to such considerations as unanticipated workovers or higher than expected costs associated with corrosion. Pine Cliff follows prudent industry practices with respect to insurance where practicable and as guided by external experts, but cannot fully insure against all risks. With respect to non-insurable operating risks, the Company has attempted to design business process controls and accountability to identify problems at the earliest possible occasion and implement solutions. However, investors must appreciate that operational risk is very much a characteristic of the business, and can never be entirely eliminated.

Regulatory Risks

Regulatory risk is the risk of loss or lost opportunity resulting from the introduction of, or changes in, regulatory requirements or the failure to secure regulatory approval for upstream or downstream development projects. The implementation of new regulations or the modification of existing regulations could impact our existing and planned projects as well as result in increased compliance costs, adversely impacting our financial condition, results of operations and cash flows.

The oil and gas industry in general and our operations in particular are subject to regulation and intervention under federal, provincial, territorial, state and municipal legislation in Canada in matters such as, but not limited to: land tenure; permitting of production projects; royalties; taxes (including income taxes); government fees; production rates; environmental protection controls; protection of certain species or lands; provincial and federal land use designations; the reduction of greenhouse gases and other emissions; the export of crude oil, natural gas and other products; the transportation of crude-by-rail or marine transport; the awarding or acquisition of exploration and production, oil sands or other interests; the imposition of specific drilling obligations; control over the development, abandonment and reclamation of fields (including restrictions on production) and/or facilities; and possibly expropriation or cancellation of contract rights. Changes to government regulation could impact our existing and planned projects or increase capital investment or operating expenses, adversely impacting our financial condition, results of operations and cash flows from operating activities.

Reserves

Petroleum and natural gas reserves are used in the calculation of depletion, impairment and impairment reversals and are depleted on a unit of production basis at a rate calculated by reference to proved and probable reserves determined in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* which incorporate the estimated future cost of developing and extracting those reserves. Reserve estimates and their resulting cash flows are based on engineering data, probability assessments of reserve recoveries, future prices and costs, future production rates, discount rates and the timing and extent of future capital expenditures, all of which are subject to many uncertainties and interpretation. Management expects that over time its reserve estimates will be revised, either upward or downward, based on updated information such as the results of future drilling, production costs, testing and production levels and changes to forward oil, NGL and natural gas prices.

Safety

The operation of our properties is subject to hazards of finding, recovering, transporting and processing hydrocarbons including, but not limited to: blowouts; fires; explosions; gaseous leaks; migration of harmful substances; oil spills; corrosion; acts of vandalism; and other accidents or hazards that may occur at or during transport to or from commercial or industrial sites. Any of these hazards can interrupt operations, impact our reputation, cause loss of life or personal injury, result in loss of or damage to equipment, property, information technology systems, related data and control systems, cause environmental damage that may include polluting water, land or air, and may result in fines, civil suits, or criminal charges against Pine Cliff, any of which may have a material adverse effect on our business, financial condition, results of operations, cash flows, and our reputation.

Staffing

Pine Cliff functions in a very competitive environment for professional staff, and this staff is key to the Company's ultimate success. Recognizing this, Pine Cliff's board of directors approved a competitive compensation program including bonuses based on the annual adjusted funds flow performance of the Company, benefits and a stock option program to provide for long-term incentives and to retain staff.

To date, Pine Cliff has found that it has been able to attract qualified individuals to complement its existing team and to build strength in areas where required.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The timely preparation of the Financial Statements in conformity with IFRS requires Pine Cliff 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, oil prices, future costs and other relevant assumptions. Actual results could differ materially from such judgments or estimates.

Judgments

Cash Generating Units

CGUs are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The classification of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, external users, share infrastructures and the way in which management monitors Pine Cliff's operations.

Impairment indicators

Judgments are required to assess when impairment indicators exist and impairment testing is required. When assessing the recoverability of petroleum and natural gas properties, each CGU's carrying value is compared to its recoverable amount, defined as the greater of its fair value less cost to sell and value in use. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on reserve estimates, market value of undeveloped lands and other relevant assumptions.

Estimates

Reserves

Petroleum and natural gas reserves are used in the calculation of depletion, impairment and impairment reversals and are depleted on a unit of production basis at a rate calculated by reference to proved and probable reserves determined in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* which incorporate the estimated future cost of developing and extracting those reserves. Reserve estimates and their resulting cash flows are based on engineering data, probability assessments of reserve recoveries, future prices and costs, future production rates, discount rates and the timing and extent of future capital expenditures, all of which are subject to many uncertainties and interpretation. Management expects that over time its reserve estimates will be revised, either upward or downward, based on updated information such as the results of future drilling, production costs, testing and production levels and changes to forward petroleum and natural gas prices.

Exploration and evaluation assets

The application of the Company's accounting policy for E&E expenditures requires judgment in determining whether it is likely that future economic benefit exists when activities have not reached a stage where technical feasibility and commercial viability can be reasonably determined. Factors such as drilling results, future capital programs, future operating expenses, as well as estimated reserves are considered. In addition, management uses judgment to determine when E&E assets are reclassified to PP&E.

Decommissioning provision

Decommissioning, abandonment and site reclamation expenditures will be incurred by the Company at the end of the operating life of the Company's facilities and properties. Decommissioning expenditures are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques, experience at other production sites, and changes to the credit-adjusted risk-free discount rate and expected inflation rate. The expected timing and amount of expenditures can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Share-based payments

All equity-settled, share-based awards issued by the Company are recorded at fair value using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

ACCOUNTING POLICY AND STANDARD CHANGES

Adopted Accounting Pronouncements

As of January 1, 2019, the Company adopted the following new accounting pronouncements, in accordance with the transitional provision of the standard. A brief description of each new accounting policy and its impact on the Company's financial statements are as follows:

IFRS 16 Leases ("IFRS 16")

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

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

The adoption of IFRS 16 included the following elections:

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

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

IFRS 3 Business Combinations ("IFRS 3")

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

CONTROL ENVIRONMENT

Disclosure controls and procedures

Disclosure controls and procedures ("**DC&P**"), as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, are designed to provide reasonable assurance that information required to be disclosed in the Company's annual filings, interim filings or other reports filed, or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified under securities legislation and include controls and procedures designed to ensure that information required to be so disclosed is accumulated and communicated to management, including the Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**"), as appropriate, to allow timely decisions regarding required disclosure. The CEO and the CFO of Pine Cliff evaluated the effectiveness of the design and operation of the Company's DC&P. Based on that evaluation, the CEO and CFO concluded that Pine Cliff's DC&P were effective as at December 31, 2019.

Internal control over financial reporting

Internal control over financial reporting (“ICFR”), as defined in National Instrument 52-109, includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of Pine Cliff;
- are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of Financial Statements in accordance with generally accepted accounting principles and that receipts and expenditures of Pine Cliff are being made in accordance with authorizations of management of Pine Cliff; and
- are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the Financial Statements.

The CEO and CFO have designed, or caused to be designed under their supervision, ICFR as defined in National Instrument 52-109 of the Canadian Securities Administrators, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS. The control framework the Company used to design its ICFR was in accordance with the Committee of Sponsoring Organizations of the Treadway Commission “COSO 2013”.

The Company’s CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company’s internal controls over financial reporting at the financial period end of the Company and concluded that such internal controls over financial reporting are effective. It should be noted that while Pine Cliff’s CEO and CFO believe that the Company’s internal controls and procedures provide a reasonable level of assurance and are effective, however they do not expect that these controls will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that its objectives are met.

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 earnings (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 Common 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 Common Share is calculated using the same weighted average number of Common Shares outstanding as in the case of the earnings per Common 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 December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Cash flow from operating activities	4,039	1,415	185	15,536	8,616	80
Adjusted by:						
Change in non-cash working capital	127	2,281	(94)	(11,586)	(833)	1,291
Decommissioning obligation settled	859	737	17	1,929	2,730	(29)
Adjusted funds flow	5,025	4,433	13	5,879	10,513	(44)
Adjusted funds flow (\$/Boe)	2.79	2.46	13	0.84	1.47	(43)
Adjusted funds flow (\$/Mcfe)	0.47	0.41	13	0.14	0.25	(43)
Adjusted funds flow – basic and diluted (\$/Common Share)	0.02	0.01	100	0.02	0.03	(33)

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, 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 plus dividend income.

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 earnings (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 December 31,			Year ended December 31,		
	2019	2018	\$ Change	2019	2018	\$ Change
(\$ per Boe, unless otherwise indicated)						
Commodity sales	17.33	16.72	0.61	15.03	14.95	0.08
Royalty expense	(1.56)	(0.95)	(0.61)	(0.80)	(1.02)	0.22
Transportation costs	(1.53)	(1.80)	0.27	(1.68)	(1.74)	0.06
Operating expenses	(10.08)	(10.41)	0.33	(10.30)	(9.51)	(0.79)
Operating netback	4.16	3.56	0.60	2.25	2.68	(0.43)
General and administrative	(0.66)	(0.42)	(0.24)	(0.73)	(0.67)	(0.06)
Interest and bank charges, net of dividend income	(0.71)	(0.68)	(0.03)	(0.68)	(0.54)	(0.14)
Corporate netback	2.79	2.46	0.33	0.84	1.47	(0.63)
Operating netback (\$ per Mcfe)	0.69	0.59	0.10	0.38	0.45	(0.07)
Corporate netback (\$ per Mcfe)	0.47	0.41	0.06	0.14	0.25	(0.11)

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 12, 2020 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.