This Management's Discussion and Analysis ("MD&A") has been prepared by management and reviewed and approved by the Board of Directors of Pinecrest Energy Inc., formerly Antler Creek Energy Corp. ("Pinecrest" or the Company"). This MD&A is a review of operations, current financial position and outlook for Pinecrest for the three and nine months ended September 30, 2011 with comparatives for the two and eight months ended September 30, 2010 and should be read in conjunction with the unaudited condensed interim financial statements for the nine months ended September 30, 2011. Pinecrest received approval to change its year end from July 31 to December 31 in late 2010, consequently this MD&A reflects periods for the three and nine months ended September 30, 2011 with comparative information for the two and eight months ended September 30, 2010. **Due to the different period ends, the information may not be fully comparable. During calendar year 2010 there were significant changes in Pinecrest's management and operations, therefore, the most relevant comparison to the three months ended September 30, 2011 is the three months ended June 30, 2011.** This MD&A is dated as of November 8, 2011.

DESCRIPTION OF THE COMPANY

Pinecrest is a Calgary, Alberta based petroleum and natural gas exploration, production and development company, with operations in the Canadian provinces of Alberta and Saskatchewan. Pinecrest completed its recapitalization transaction in May 2010 and trades on the Toronto Stock Venture Exchange ("TSX-V") under the symbol PRY. Additional information related to the Company, including the Company's Annual Information Form ("AIF") may be found on the Canadian Securities Administrators' System for Electronic Distribution and Retrieval ("SEDAR") website at www.sedar.com.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

On January 1, 2011, Pinecrest adopted International Financial Reporting Standards ("IFRS") for financial reporting purposes. The unaudited interim condensed financial statements for the nine months ended September 30, 2011 have been prepared under IFRS, with a transition date of August 1, 2009. Securities regulations require that if a change in year-end occurs, and the new year-end is less than nine months, the Company must choose the beginning of the "old reporting year" which is the twelve months ended July 31, 2010, for its transition to IFRS.

The unaudited condensed interim financial statements and the financial data contained in the MD&A have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* and are in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards,* as issued by the International Accounting Standards Board *("IASB")*and are in Canadian currency. For all prior accounting periods prior to 2011, the Company prepared its financial statements under Canadian generally accepted accounting principles ("GAAP"). The adoption of IFRS has not had an impact on the Company's strategic decisions, operations, or cash flow. Further information on the impacts of IFRS is provided in the Accounting Changes and Pronouncements section of this MD&A as well as in Note 21 to the unaudited condensed interim financial statements.

NON-IFRS MEASURES

The Company uses the following terms for measurement within the MD&A that do not have a standardized prescribed meaning under IFRS and these measurements may differ from other companies and accordingly may not be comparable to measures used by other companies. The terms "funds flow from operations", "funds flow from operations per share", "operating netback per boe" and "cash flow netback per boe" in this MD&A are not recognized measures under IFRS. Management of the Company believes that these terms are useful, in addition to profit and loss and cash flow from operating activities as defined by IFRS, for evaluating the Company's operating performance and leverage. Funds flow from operations is expressed as cash flow from operating activities before changes in non-cash working capital and asset retirement expenditures. Funds flow from operations per share is calculated using the weighted-average basic and diluted shares used in calculating earnings per share (see "Calculation of Cash Flow from Operations" below).

Operating netback is a measure of operating margin used in capital allocation decisions. Pinecrest defines operating netback as average realized price per boe, less royalties per boe, less operating and transportation expenses per boe, plus any realized gain or loss per boe on financial instruments.

Cash flow netback is a measure of operating netback, plus other operating income less net cash general and administrative and cash interest expenses. ***Readers are cautioned that these measures should not be construed as an alternative to profit or loss, or cash flow from operating activities as calculated under IFRS, as an indication of the Company's performance.***

BOE Conversion (51-101 Advisory)

In accordance with National Instrument 51-101, Standards for Disclosure of Oil and Gas Activities ("NI 51-101"), petroleum and natural gas reserves and volumes are converted to an equivalent measurement basis referred to as a "barrel of oil equivalent" ("boe") on the basis of 6 thousand cubic feet of natural gas equal to 1 barrel of oil. This conversion is based on an energy equivalency conversion method applicable at the burner tip and does not represent a value equivalency at the wellhead. Readers are cautioned that boe may be misleading, particularly if used in isolation.

Frequently Used Terms:

The following terms are frequently used in this MD&A:

Barrel	Bbl
Barrel(s) of oil equivalent	Boe
Barrel(s) of oil equivalent per day	boe/d
Thousand cubic feet	Mcf
Thousand cubic feet per day	mcf/d
Natural gas liquids	NGL

FORWARD LOOKING STATEMENTS

Certain statements in this document constitute forward-looking statements under applicable securities laws. Such statements are based on assumptions of future events and actual results could vary from these assumptions. Events or circumstances may cause actual results to differ materially from those predicted as a result of numerous known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company. These include, but are not limited to, risks associated with petroleum and natural gas exploration, production, marketing and transportation, such as loss of market, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, imprecision of accounting estimates, environmental risk, competition from other producers and ability to access sufficient capital from internal and external sources. Although Management believes that the expectations reflected in such forward-looking statements and information are reasonable, it can give no assurance that such expectations will prove to be accurate, as results and future events could differ materially from those expected or estimated in such statements. As such, readers are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements and information contained in this document are made as of the date hereof for the purposes of providing the readers with the Company's expectations for the coming year. The forward-looking statements and information may not be appropriate for other purposes. Furthermore, the Company undertakes no obligation to update or revise these forward-looking statements or information as a result of new information, future events or otherwise.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended	Two months ended		Nine months ended	Eight months ended	
	Sept 30 2011	Sept 30 2010	% Change	Sept 30 2011	Sept 30 2010	% Change
FINANCIAL ($ except per share amounts)						
Petroleum and natural gas sales	13,101,023	520,308	2,418	26,948,472	1,276,123	2,012
Funds flow from (used in) operations(1)	8,378,051	22,944	36,415	16,550,356	(194,113)	8,626
Per share - basic	$0.05	$0.00	100	$0.10	($0.00)	100
Per share - diluted	$0.04	$0.00	100	$0.08	($0.00)	100
Net income (loss)	1,729,757	(133,608)	1,395	2,532,619	(2,413,001)	205
Per share - basic	$0.01	($0.00)	100	$0.01	($0.05)	120
Per share - diluted	$0.01	($0.00)	100	$0.01	($0.05)	120
Capital expenditures	30,049,800	8,944,956	236	98,807,281	36,881,954	168
Working capital	24,510,915	41,617,140	(41)	24,510,915	41,617,140	(41)
Common Shares Outstanding						
Weighted average – basic	180,660,331	91,565,774	97	173,679,612	45,761,375	280
Weighted average – diluted	208,747,438	91,565,774	128	202,626,041	45,761,375	343
OPERATING						
Number of producing days	*92*	*61*	-	*273*	*242*	
Production						
Crude oil (bbls/d)	1,554	111	13	1,040	65	1,500
Natural gas (mcf/d)	21	23	(9)	28	16	75
Natural gas liquids (bbls/d)	5	4	25	7	2	250
Barrels of oil equivalent (boe/d– 6:1)	1,563	119	1,213	1,052	70	1,403
Average realized price						
Crude oil ($/bbl)	91.35	74.01	23	94.39	78.24	21
Natural gas ($/mcf)	4.12	3.75	10	3.82	4.37	(13)
Natural gas liquids ($/ bbl)	62.24	50.93	22	61.73	50.80	22
Barrels of oil equivalent (6:1)	91.11	71.57	27	93.86	75.11	25
Netback per boe ($)						
Petroleum and natural gas sales	91.11	71.57	27	93.86	75.11	25
Royalties	(10.08)	(5.88)	12	(10.79)	(7.96)	36
Operating & transportation expenses	(17.13)	(22.86)	(25)	(18.56)	(20.83)	(11)
Operating netback	63.90	42.83	49	64.51	46.32	39
Wells drilled						
Gross	5.0	3.0	67	15.0	3.0	400
Net	4.4	1.5	193	11.4	1.5	990
Success rate (%)	100	100	-	100	100	-

(1)Funds flow from operations is a NON-IFRS measure

RESULTS OF OPERATIONS

The following are the highlights of Pinecrest's operations for the three months ended September 30, 2011:

- Closed a $60 million bought-deal financing;
- Increased average daily production in Q3 2011 to 1,563 boe/d from 830 boe/d in Q2 2011, representing an 88% increase;
- Increased funds from operations in Q3 2011 by 83% to $8.4 million from $4.6 million in Q2 2011;
- Maintained a top decile operating netback of $63.90/boe;
- Increased the Company's net acreage in the Red Earth Slave Point play by 53% to now hold approximately 100,000 net acres with an average working interest of over 90%;
- Achieved a 100% drilling success rate during the third quarter; 5 gross (4.4 net) wells;
- Expanded the Evi central battery;
- Reduced per barrel operating and transportation expenses by approximately 25% compared to Q2 2011;
- Resumed production suspended due to a third party pipeline disruption; and
- Achieved current production of approximately 2,100 boe/d.

The third quarter of 2011 proved to be a very exciting and eventful time for Pinecrest. In July, Pinecrest commissioned the expansion of the Evi battery giving the Company sufficient processing capacity for its production from the Evi and Otter fields. In September, operations were restored on the Rainbow pipeline, which is connected to the Evi battery. This reduced the need to truck clean oil from the Evi battery to various sales oil terminals in the area and resulted in overall operating efficiencies and reduced costs. In the third quarter of 2011, Pinecrest was able to reduce per barrel operating and transportation expenses by 25% as compared to the prior period. It is anticipated that there will be additional operating and transportation expense reductions as production volumes increase and the full effect of the reduction of clean oil trucking costs associated with Rainbow pipeline disruption are realized.

During the third quarter of 2011, Pinecrest continued to develop its Slave Point resource play at Red Earth by drilling 5 gross (4.4 net) successful horizontal wells and placing one of these wells on production prior to quarter end. All of the wells were horizontally drilled within the Slave Point reservoir with single laterals approximately 1,400 meters in length and configured for 20 fracture stimulations. Overall reservoir quality has been good to excellent and in line with the Company's expectations. These wells are part of the Company's continuous Slave Point drilling program, which commenced in December 2010.

Pinecrest remains focused on capturing the significant upside associated with waterflooding its Slave Point reservoirs, as analogous waterfloods in the immediate area have been assigned incremental recovery factors in reserves of between 50 and 100 percent over primary recovery. The performance on the Company's initial non-operated waterflood has been affected by minor implementation issues which are in the process of being remedied. Looking forward, the waterflood scheme will benefit from increased and more consistent injection volumes. Response to the flood is anticipated within the next two to six months. At this time, Pinecrest has identified and is in the process of applying for two additional operated waterflood schemes and it is anticipated that initial water injection should commence early in the third quarter of 2012.

Pinecrest is preparing to drill its first infill well at a proposed eight wells per section spacing. In conjunction with waterflooding, the Company anticipates that eight wells per section spacing will be the eventual well density throughout the Company's Slave Point opportunity base. The combination of water flooding and infill drilling/downspacing is consistent with Pinecrest's corporate strategy of focusing capital on large, low risk oil accumulations and applying its in-house technical expertise to improve recoveries and capital efficiencies. Other operators in the immediate area have drilled wells in similar spacing schemes.

Additionally, the Company has made strategic investments in the acquisition of undeveloped land, increasing its position in the Slave Point light oil resource play through crown sales. Pinecrest has successfully grown its undeveloped acreage in its Red Earth core area by over 53% to now hold approximately 100,000 net acres with an average working interest of over 90%. Pinecrest currently has a risked development drilling inventory of 235 (4 wells/section) or 470 (8 wells/section) net Slave Point drilling locations. This provides the Company with six to ten years of drilling inventory. In addition, Pinecrest operates its own production facilities and infrastructure which allows for quick, cost effective tie-in of wells.

PINECREST 2011 OUTLOOK

Due to favorable weather, operating conditions and an inventory of drill-ready locations, the Board of Directors has approved an expansion of the 2011 capital budget. Pinecrest has elected to contract two additional drilling rigs, which increases the total to four drilling rigs running in the Red Earth area. This acceleration of capital spending will allow Pinecrest to get a head start on its 2012 first quarter drilling and completions activities. However, at this time, none of the additional wells drilled in the fourth quarter are scheduled to be completed and brought on stream by the end of 2011. The Company's 2011 budgeted exit rate of 3,000 – 3,200 bbls/d remains unchanged. Pinecrest anticipates bringing on 12 - 14 new Slave Point wells in the first quarter of 2012 while continuing to operate two drilling rigs. Complete details of the 2012 budget will be provided in December 2011.

	Cdn $MM	Net Wells Drilled	Net Wells Completed	Net Wells On-stream
Original Budget (excluding land)	105	22	18	18
New Budget (including land)	160	26	22	18

Pinecrest has been successful in assembling a significant land position in the Greater Red Earth Slave Point play, and is now focused on the execution of an aggressive capital program to organically grow its reserves, production and cash flow per share. Pinecrest's management team and its Board of Directors have been focused on the identification, evaluation and acquisition of high working interest, operated lands and the successful execution of this plan has resulted in the Company assembling a significant land position, a significant drilling inventory and strategic producing infrastructure in the heart of the Slave Point light oil resource play.

PRODUCTION

Pinecrest increased daily production by 1,213% for the three months ended September 30, 2011 to 1,563 boe/d compared to 119 boe/d for the two months ended September 30, 2010. Production for the nine months ended September 30, 2011 increased by 1,403% over the eight month period ended September 30, 2010 to 1,052 boe/d. This large increase reflects production from the successful drilling program in the Greater Red Earth area of Alberta, which commenced in early October 2010, and property acquisitions which closed between mid-July 2010 and late December 31, 2010.

Production for the three months ended September 30, 2011 increased by 88% to 1,563 boe/d over the quarter ended June 30, 2011 (830 boe/d) primarily due to increased production from the new Slave Point horizontal oil wells, drilled late in the first quarter of 2011, and production from one additional new horizontal well which started producing at the end of September. Production for the third quarter ended September 30, 2011 was greater than the prior quarter because of the resumption of a third-party sales oil pipeline and the Evi central oil battery expansion was completed which enabled the wells to produce at their productive capabilities.

Production	Three months ended Sept 30 2011	Two months ended Sept 30 2010	% Change	Nine months ended Sept 30 2011	Eight months ended Sept 30 2010	% Change
Number of days	*92*	*61*	-	*273*	*242*	-
Crude oil (bbls/d)	1,554	111	13	1,040	65	1,500
Natural gas (mcf/d)	21	23	(9)	28	16	75
Natural gas liquids (bbls/d)	5	4	25	7	2	250
Total (boe/d - 6:1)	1,563	119	1,213	1,052	70	1,403
Crude oil (%)	99	93	6	99	93	6
Natural gas (%)	-	3	(100)	-	4	(100)
Natural gas liquids (%)	1	4	(75)	1	3	(67)
Total (%)	100	100	-	100	100	-

Pinecrest's commodity mix for the three and nine months ended September 30, 2011 was comprised of 100% oil and NGL's. The change in commodity mix from the two and eight months ended September 30, 2010 reflects production in Alberta, which is primarily oil, with minimal associated gas and liquids production.
Production from the Company's main operating regions is as follows:

(BOE)	Three months ended Sept 30 2011	Two months ended Sept 30 2010	% Change	Nine months ended Sept 30 2011	Eight months ended Sept 30 2010	% Change
Greater Red Earth	1,475	70	20,071	912	23	38,652
Southeast Saskatchewan	88	49	80	140	47	198
Total	1,563	119	1,213	1,052	70	1,403

PETROLEUM AND NATURAL GAS REVENUE

($)	Three months ended Sept 30 2011	Two months ended Sept 30 2010	% Change	Nine months ended Sept 30 2011	Eight months ended Sept 30 2010	% Change
Petroleum and Natural Gas Sales	13,101,023	520,308	2,418	26,948,472	1,276,123	2,012
Royalties	(1,449,296)	(42,760)	3,289	(3,097,704)	(135,218)	2,191
Petroleum and Natural Gas Revenue	11,651,727	477,548	2,340	23,850,768	1,140,905	1,991

PETROLEUM AND NATURAL GAS SALES

Petroleum and natural gas sales (before royalties) increased 2,418% to $13,101,023 for the three months ended September 30, 2011 up from $520,308 for the two months ended September 30, 2010 and increased 2,012% to $26,948,472 for the nine months ended September 30, 2011 compared to the eight months ended September 30, 2010. The increase in sales is primarily the result of increased production and higher realized average prices for the three and nine months ended September 30, 2011 reflecting the Company's sales from new horizontal drilling and property acquisitions as compared to the prior year.

Petroleum and natural gas sales (before royalties), increased 69% to $13,101,023 for the three months ended September 30, 2011 up from $7,747,513 for the three months ended June 30, 2011. The increase over the prior quarter is due mainly to volume increases resulting from the Company's first quarter drilling program, offset by a lower average realized sales price for the quarter ended September 30, 2011.

($)	Three months ended Sept 30 2011	Two months ended Sept 30 2010	% Change	Nine months ended Sept 30 2011	Eight months ended Sept 30 2010	% Change
Crude oil sales	13,061,997	502,925	2,497	26,807,485	1,225,058	2,088
Natural gas sales	7,839	5,361	46	29,674	17,773	67
Natural gas liquids sales	31,187	12,022	159	111,313	33,292	234
Total Sales	13,101,023	520,308	2,418	26,948,472	1,276,123	2,012

REALIZED PRICES

Pinecrest realized an average price of $91.11 per boe for the three months ended September 30, 2011, a 27% increase over the two month period ended September 30, 2010. An average price of $93.86 per boe was realized for the nine months ended September 30, 2011, an increase of 25% compared to $75.11 per boe for the eight months ended September 30, 2010. The current year increase is due to light crude oil price increases over the prior year.

Pinecrest realized an average price of $91.11 per boe for the three months ended September 30, 2011; an 11% decrease compared to $102.55 per boe for the three months ended June 30, 2011.

($)	Three months ended Sept 30 2011	Two months ended Sept 30 2010	% Change	Nine months ended Sept 30 2011	Eight months ended Sept 30 2010	% Change
Crude oil ($/bbl)	91.35	74.01	23	94.39	78.24	21
Natural gas ($/mcf)	4.12	3.75	10	3.82	4.37	(13)
Natural gas liquids ($/bbl)	62.24	50.93	22	61.73	50.80	22
Total ($/boe – 6:1)	**91.11**	**71.57**	**27**	**93.86**	**75.11**	**25**
Benchmark Prices						
Edmonton light crude ($/bbl)	92.49	74.32	24	94.54	76.59	23
AECO natural gas ($/Mmbtu)	3.75	3.55	6	3.80	4.21	(10)

Oil Prices

The Company realized an average oil price of $91.35/bbl for the three months ended September 30, 2011, an increase of 23% over the two months ended September 30, 2010. In addition, the average realized oil price increased by 21% to $94.39/bbl for the nine months ended September 30, 2011 compared to $78.24/bbl for the eight months ended September 30, 2010. Pinecrest did not have any commodity price swaps or hedges in place in the current or prior periods, therefore the Company's crude oil prices realized are based on Alberta's Edmonton light stream, adjusted for quality differentials. The Company realizes a small pricing premium over the benchmark price due to the overall high quality of the Slave Point and Granite Wash light sweet oil production in Red Earth and the Bakken light sweet oil production in southeast Saskatchewan.

Oil prices for the three months ended September 30, 2011 decreased by 12% to $91.35/bbl from $104.00/bbl for the three months ended June 30, 2011. This decrease is consistent with the decline in crude oil spot prices for the period.

Natural Gas Prices

The Company realized an average gas price of $4.12/mcf for the three months ended September 30, 2011 a 10% increase compared to $3.75/mcf for the two months ended September 30, 2010. The average realized gas price for the nine months ended September 30, 2011 was $3.82/mcf, a 13% decrease from the eight months ended September 30, 2010. The Company's natural gas prices are based on the Alberta AECO reference price. Due to the high heating content of the Company's sweet solution gas conserved from its Bakken oil production in Saskatchewan, Pinecrest receives premium pricing as compared to the AECO benchmark. Natural gas prices remain relatively low, mainly due to a supply/demand imbalance.

Liquids Prices

The Company's natural gas liquids prices are based on market prices and vary depending on the specific proportion of liquids products in the Company's production mix. Pinecrest recorded an increase of 22% in natural gas liquids price to $62.24/bbl in the three months ended September 30, 2011 compared to the two months ended September 30, 2010. The realized natural gas liquids price for the nine months ended September 30, 2011 was $61.73/bbl a 22% increase over the eight months ended September 30, 2010. Natural gas liquids prices were $62.24/bbl compared to $63.16/bbl in the three months ended June 30, 2011.

Risk Management

The risk exposure inherent in fluctuations in the price of crude oil and natural gas, the US/Cdn dollar exchange rate and interest rates are monitored by the Company's management and its board of directors. A hedging policy has been established to mitigate these risks.

For the periods ended September 30, 2011, the Company did not undertake any risk management contracts or commodity price contracts, and therefore has no realized or unrealized gains or losses in the three months and nine months ended September 30, 2011 nor were there any for the two months and eight months ended September 30, 2010.

ROYALTY EXPENSE

The following table provides a summary of royalty expenses for the three and nine months ended September 30, 2011 compared to the two and eight months ended September 30, 2010:

($)	Three months ended Sept 30 2011	Two months ended Sept 30 2010	% Change	Nine months ended Sept 30 2011	Eight months ended Sept 30 2010	% Change
Royalty $						
Crown	1,260,075	14,484	85,998	2,187,385	23,530	91,962
Freehold and freehold production tax	157,729	22,391	470	825,015	95,779	761
Gross overriding and other	31,492	5,885	435	85,304	15,909	436
Total royalties	**1,449,296**	**42,760**	**32,894**	**3,097,704**	**135,218**	**21,909**
Average Royalty Rate (% of sales)						
Crown	9	2	350	8	2	300
Freehold and freehold production tax	1	5	(80)	3	8	(63)
Gross overriding and other	1	1	-	1	1	-
Total	**11**	**8**	**38**	**12**	**11**	**9**
$ Per boe	10.08	5.88	71	10.79	7.96	36

Royalties increased to $1,449,296 (11% of sales, before royalties) for the three months ended September 30, 2011 compared to $42,760 (8% of sales, before royalties) for the two months ended September 30, 2010. Royalties were $3,097,704 (12% of sales, before royalties) for the nine months ended September 30, 2011 compared to $135,218 (11% of sales, before royalties) for the eight months ended September 30, 2010. Royalty expense increase as a percentage of sales and dollar basis over the prior two and eight months ended September 30, 2010 is due to the increase in production and change in the type of royalty paid. During the three and nine months ended September 30, 2011, Pinecrest has focused its operations in the Greater Red Earth area of Alberta. The periods ended for September 30, 2010 reflect a larger portion of production from Pinecrest's property in the southeastern part of Saskatchewan, which attracts mostly freehold royalties. Production from Alberta for the three and nine months ended September 30, 2011 attracts crown royalty.

Pinecrest's production in Saskatchewan is from horizontal Bakken wells are on freehold lands and attract an overall royalty rate of approximately 25% of sales. Corporate freehold royalty rates as a percentage of sales are lower for the three and nine months ended September 30, 2011 compared to the two and eight months ended September 30, 2010 due to an increase in the total production mix from the Alberta wells.

Total royalty expense increased to $1,449,296 for the three months ended September 30, 2011 by 69% compared to $857,434 for the three months ended June 30, 2011 and remained consistent at an average of 11% of sales, before royalties. The average royalty rate for the three months ended September 30, 2011 remained the same as the prior three months as a result of the newly drilled wells qualifying for the Alberta Horizontal Oil New Well Royalty Rates. New horizontal drilling in the Greater Red Earth area qualifies for lower royalty rates which were introduced by the Alberta Government in 2009. A total of 1 gross (1 net) new well was placed on production in the Red Earth area during the three months ended September 30, 2011. Pinecrest placed a total of 21 wells on production during the nine months ended September 30, 2011, of which 18 were in Alberta and will attract the Horizontal Oil New Well Royalty Rates ("HONWRR", which provide for a maximum royalty rate of 5% on production between 24 to 30 months or on the first 60,000 to 70,000 barrels, whichever comes first ("HONWRR" is a function of the total measured depth of each horizontal well). As production from the horizontal wells increases, Pinecrest expects the royalty rate, as percentage of revenues to decrease.

OPERATING AND TRANSPORTATION EXPENSE

Operating and transportation expense was $2,463,398 an increase of 13,820% in the three months ended September 30, 2011 compared to $166,221 for the two months ended September 30, 2010. Operating and transportation expenses increased by 14,061% to $5,329,970 for the nine months ended September 30, 2011 from $353,894 for the eight months ended September 30, 2010. These increased costs are primarily the result of increased production in the Greater Red Earth area for the current year, which includes clean oil trucking costs.

Per unit operating and transportation expense decreased to $17.13/boe for the three months ended September 30, 2011 compared to $22.86/boe for the two months ended September 30, 2010 and decreased to $18.56/boe for the nine months ended September 30, 2011 from $20.83/boe for the eight months ended September 30, 2010. Decreased per unit operating costs for the three and nine months ended September 30, 2011 reflect increased production volumes.

By comparison, operating and transportation costs for the three months ended September 30, 2011 were $17.13/boe compared to $21.76/boe for the three months ended June 30, 2011. Operating and transportation costs per boe for the three months ended September 30, 2011 are less than the quarter ended June 30, 2011 mainly due to the increased production being transported through the Rainbow Pipeline system which is less expensive than trucking clean oil. However, Pinecrest did incur clean oil trucking costs for the first two thirds of the quarter while full commissioning of the oil pipeline and inlet separator at the Evi central oil battery was being fine-tuned. Pinecrest anticipates that with continued exploitation of its assets and increased production in its core operating area that operating and transportation expenses per boe will decrease significantly.

($)	Three months ended Sept 30 2011	Two months ended Sept 30 2010	% Change	Nine months ended Sept 30 2011	Eight months ended Sept 30 2010	% Change
Transportation and operating expense	**2,463,398**	**166,221**	**13,820**	**5,329,970**	**353,894**	**14,061**
$ Per boe	17.13	22.86	(25)	18.56	20.83	(11)

OTHER OPERATING INCOME

Other operating income is comprised primarily of third party-processing and road-use fee income. Pinecrest acquired an interest in an oil treating facility at the end of December 31, 2010 and has subsequently earned third-party fees associated with the properties in the Evi field, located in the Red Earth area of Alberta. Prior to December 31, 2010, Pinecrest did not own any interest in facilities where third-party fees could be earned.

Other operating income for the three months and nine months ended September 30, 2011 was $0.13 per boe and $0.28 per boe respectively. This revenue stream is not consistent month to month because it is dependent, in part, upon the capital activity in area. As capital activity increases, road use income will increase.

($)	Three months ended Sept 30 2011	Two months ended Sept 30 2010	% Change	Nine months ended Sept 30 2011	Eight months ended Sept 30 2010	% Change
Total other operating income	**18,394**	**10**	**>100**	**79,913**	**(872)**	**>100**
$ Per boe	0.13	0.00	100	0.28	(0.05)	660

EXPLORATION EXPENSE

Under IFRS, costs such as undeveloped land acquisition and lease costs, geological and geophysical costs and exploratory drilling costs associated with determining the technical feasibility and commercial viability of the land are capitalized and classified as exploration and evaluation assets. Costs associated with undeveloped lands that expire in the period are expensed in the statement of comprehensive loss. Under the full cost method of accounting for oil and gas properties under Canadian GAAP, these costs would be moved into the cost pool to be depleted.

($)	Three Months ended Sept 30 2011	Two Months ended Sept 30 2010	% Change	Nine Months ended Sept 30 2011	Eight months ended Sept 30 2010	% Change
Exploration expense	200,778	-	100	2,326,886	-	100
$ Per boe	1.40	-	100	8.10	-	100

Exploration expense associated with expired undeveloped land of $200,778 ($1.40/boe) was recorded for the three months ended September 30, 2011 (three months ended June 30, 2011 – $246,680 ($3.27/boe); two months ended September 30, 2010 – nil). Exploration expense of $2,326,886 ($8.11/boe) was recorded for the nine months ended September 30, 2011 (eight months ended September 30, 2010 – nil). These expired leases were acquired by the Company through the seven property acquisitions that closed between July and November 2010. Pinecrest's strategy is to only permit lands that are not key to our exploitation plans to expire.

GENERAL AND ADMINISTRATIVE EXPENSE

General and administrative expenses increased by 607% to $2,039,484 ($14.18/boe) for the three months ended September 30, 2011 compared to $288,383 ($39.67/boe) for the two months ended September 30, 2010. During the three months ended September 30, 2011, Pinecrest granted additional stock options to staff and the Board of Directors, which resulted in a non-cash charge of $1.3 million for the quarter. No stock options were issued during the two months ended September 30, 2010, therefore no expense was incurred. The per unit decrease in general and administrative expenses for the three months ended September 30 2011 is due to the 1,219% increase in production for the period.

General and administrative expenses increased by 32% to $3,850,820 ($13.41/boe) for the nine months ended September 30, 2011 compared to $2,915,465 ($171.59//boe) for the eight months ended September 30, 2010. The increase in general and administrative expenses, before recoveries, primarily reflects costs associated with staffing Pinecrest to execute the business plan, and costs associated with regulatory and public company reporting requirements. General and administrative costs have decreased on a per boe basis for the three and nine months ended September 30, 2011 due to increased production, overhead recoveries and increased capitalized expenses for the same periods.

Overhead recoveries increased for the three and nine months ended September 30, 2011 to $219,207 and $1,077,577 respectively and are directly related to the increase in the Company's operated capital expenditures for the three and nine months ended September 30, 2011. These recoveries are charged to capital projects as part of the permitted expenditures under the joint operating agreements with joint venture partners. As such, the Company's partners have been billed for their share of these costs incurred during the three and nine months ended September 30, 2011. In addition, Pinecrest capitalizes personnel expenses directly attributable to new capital projects. During the three months ended September 30, 2011 a total of $270,320 ($638,368 for the nine months ended September 30, 2011) was capitalized to projects, which is approximately 14% of the year to date gross personnel expense.

	Three Months ended	**Two Months ended**		**Nine Months ended**	**Eight months ended**	
	Sept 30	**Sept 30**		**Sept 30**	**Sept 30**	
($)	**2011**	**2010**	**% Change**	**2011**	**2010**	**% Change**
General and administrative	1,205,466	388,003	2,107	3,618,497	1,172,108	209
Overhead recoveries	(219,207)	(27,571)	6,951	(1,077,577)	(28,760)	3,647
Capitalized	(270,320)	(72,049)	275	(638,368)	(185,881)	243
Net cash general & administrative	715,939	288,383	148	1,902,552	957,467	99
Share based payments (net)[1]	1,323,545	-	100	1,948,268	1,957,998	(1)
General and administrative	**2,039,484**	**288,383**	**607**	**3,850,820**	**2,915,465**	**32**
$ Per boe net cash G&A	4.98	39.67	(87)	6.62	56.35	(88)
$ Per boe share based payments	9.20	-	100	6.79	115.24	(94)
$ Per boe	**14.18**	**39.67**	**(64)**	**13.41**	**171.59**	**(92)**

[1]Share-based payments (net) is a non-cash charge to the statement of comprehensive income (loss)

Share-based Payments

The Company has an incentive stock option plan whereby options may be granted from time to time to directors, officers, employees and consultants of the Company with shares to be reserved for issuance as options not to exceed 10% of the issued and outstanding common shares. One third of the options vest immediately, with one third vesting in 12 months and the remainder vesting in 24 months from date of grant. Stock awards granted are measured at fair value at the grant date, with graded vesting, and expensed over the vesting period, based on the Company's estimate of stock awards that will vest. When stock awards vest in installments each installment is accounted for as a separate arrangement. A total of 5,215,000 stock options were issued in the three months ended September 30, 2011. (See note 15 in the unaudited condensed interim financial statements for further disclosures about the fair values used to estimate the current quarter share-based payments.)

Share-based payment expense, net of amounts capitalized, increased 100% for the three months ended September 30, 2011 to $1,323,545 ($9.20 per boe from the two months ended September 30, 2010. The increase is due to the issuance of 5,215,000 stock options in September 2011. Net share-based payment expense was $1,948,268 ($6.79/boe) for the nine months ended September 30, 2011 compared to $1,957,998 ($115.24/boe) for the eight months ended September 30, 2010. The eight months ended September 30, 2010 includes expenses relating to a total of 4,830,000 performance shares which were issued to various service providers of Pinecrest all of which immediately vested and resulted in a non-cash charge to the statement of comprehensive loss of $1,103,424. In addition, stock-based compensation for the eight months ended September 30, 2010 included a deemed fair value charge of $1,152,702 that was related to the issue of flow-through shares to various service providers to Pinecrest. A total of $298,128 of share-based payments was capitalized to property, plant and equipment in the two and eight month period ending September 30, 2010.

($)	Three Months ended Sept 30 2011	Two Months ended Sept 30 2010	%Change	Nine Months ended Sept 30 2011	Eight months ended Sept 30 2010	%Change
Total share-based payments	1,783,095	-		2,614,362	2,256,126	16
Share-based payments capitalized	(459,550)	-		(666,094)	(298,128)	123
Net share-based payments expense	**1,323,545**	**-**	**100**	**1,948,268**	**1,957,998**	**(1)**
$ per boe	9.20	-	100	6.79	115.24	(94)
Number of stock awards granted(1)	5,215,000	-	100	5,265,000	4,830,000	9
Number of stock awards exercisable(1)	8,243,340	4,830,000	71	8,243,340	4,830,000	71

(1) *Stock awards include stock options and performance warrants*

FINANCE EXPENSE

Accretion expense

Pinecrest records its decommissioning liability as the present value of the estimated abandonment and reclamation costs for its well sites, pipelines and facilities using a credit adjusted risk-free interest rate. Management reviews and updates, when necessary, the costs and discount rate at each reporting period to reflect current market assessments of the risks specific to the obligation. Changes in these estimates are added or deducted to the liability with an offset to the asset. In addition, the liability is increased when properties are acquired, new wells are drilled and due to the passage of time.

Accretion expense for the three months ended September 30, 2011 was $26,069 (an increase of 186%) compared to $9,115 for the two months ended September 30, 2010. Accretion expense for the nine months ended September 30, 2011 increased 498% to $70,712 compared to $11,832 for the eight months ended September 30, 2010. The increase is due mainly to increased overall fair value of the obligations relating to an increased number of wells and facilities for the three and nine months ended September 30, 2011.

Accretion expense for the three months ended September 30, 2011 was relatively unchanged at $2,069 compared to $26,685 for the three months ended June 30, 2011. The decrease is the result of changes in estimates as to timing of the abandonment of certain wells in the Greater Red Earth area. There were no changes in the discount or inflation rate used during the three months ended September 30, 2011.

Interest expense

Interest expense for the three months ended September 30, 2011 increased 100% to $131,178 compared to the two months September 30, 2010. For the nine months ended September 30, 2011 interest expense increased to $172,397 (1,108%) compared to $14,277 for the eight months ended September 30, 2010. Interest recorded for the three and nine months ended September 30, 2011 relates to the amended and restated $30.0 million credit facility with a Canadian chartered bank. (See "Liquidity and Capital Resources"). At the end of June 30, 2011, Pinecrest had a $8.7 million outstanding on its credit facility, of which the balance was fully repaid during the three months ended September 30, 2011 from proceeds from the issuance of additional common shares. Interest recorded for the two months and eight months ended September 30, 2010 was due to an outstanding related party loan, with an interest rate of 4% per annum. The related party loan balance was paid in full in May 2010 with proceeds from the Company's recapitalization transaction.

($)	Three Months ended Sept 30 2011	Two Months ended Sept 30 2010	%Change	Nine Months ended Sept 30 2011	Eight months ended Sept 30 2010	%Change
Accretion[1]	26,069	9,115	186	70,712	11,832	498
Interest	131,178	-	100	172,397	14,277	1,108
Total finance expense	**157,247**	**9,115**	**1,625**	**243,109**	**26,109**	**831**
$ Per boe	1.09	1.25	(13)	0.85	1.54	(46)

[1]Accretion expense is a non-cash charge to the statement of comprehensive income (loss)

DEPLETION AND DEPRECIATION EXPENSE

Under IFRS, the Company has chosen to deplete its oil and gas assets using proved plus probable reserves as the depletion base. Costs relating to the development of petroleum and natural gas reserves are capitalized. These costs, along with estimated future development capital expenditures to be incurred in order to develop proved and probable reserves, and estimated costs relating to asset retirement obligations, are depleted on a unit of production basis, using estimated proved plus probable petroleum and natural gas reserves. Corporate assets are depreciated using the declining balance method, at rates ranging from 20% - 30%.

Depletion and depreciation increased for the three months ended September 30, 2011 to $4,051,718 ($28.18/boe) compared to $151,719 ($20.87/boe) for the two months ended September 30, 2010 and increased for the nine months ended September 30, 2011 to $8,236,320 ($28.69/boe) compared to $404,729 ($23.82/boe) for the eight months ended September 30, 2010. The per unit increase in depletion and depreciation is the result of significant additions to the capital base for drilling, completions, facilities and pipelines and increased production for the three and nine months ended September 30, 2011. Costs of approximately $22 million associated with current projects have been excluded from the depletion basis at September 30, 2011.

Depletion and depreciation increased to $4,051,718 ($28.18/boe) for the three months ended September 30, 2011 compared to $2,459,413 ($32.55/boe) for the three months ended June 30, 2011. The increase in depletion and depreciation expense is primarily due to increase in production, and the addition of costs associated with the new well that was brought on production in the third quarter. On a per unit basis, depletion decreased, primarily due to the addition of reserves associated with the drilling activity during the third quarter.

($)	Three Months ended Sept 30 2011	Two Months ended Sept 30 2010	% Change	Nine Months ended Sept 30 2011	Eight months ended Sept 30 2010	% Change
Depletion and depreciation expense[1]	**4,051,718**	**151,719**	**2,571**	**8,236,320**	**404,729**	**1,935**
$ Per boe	28.18	20.87	35	28.69	23.82	20

[1]Depletion and depreciation is a non-cash charge to the statement of comprehensive loss.

NET EARNINGS AND CASH FLOW

Net Earnings

Pinecrest recorded net income of $1,729,757 ($0.01 per basic and diluted share) for the three months ended September 30, 2011; an increase of 1,395% compared to a net loss of $133,608 (loss of $0.00 per basic and diluted share) for the two months ended September 30, 2010. Net income for the nine months ended September 30, 2011 was $2,532,619 ($0.01 per basic and diluted share) compared to a net loss of $2,413,001 (loss of $0.00 per basic and diluted share) for the eight months ended September 30, 2010. The increase in net income for the three months ended September 30, 2011 reflects an increase in operating netbacks, (increased net revenues and reduced operating and transportation expenses) due to higher realized prices and volumes, offset by non-cash charges for exploration expense and depletion and depreciation, increase in share-based payments and the provision for deferred income taxes.

Net earnings for the nine months ended September 30, 2011 was greater than the eight months ended September 30, 2010 due to an increase in operating netbacks, (higher average realized sales prices and volumes less royalty expenses, transportation and operating expenses), which were offset by increased non-cash charges for exploration expense, depletion and depreciation and the provision for deferred income taxes.

Cash Flow

During the three months ended September 30, 2011, Pinecrest increased cash flow from operations by 1,216% to $3,438,707 ($0.02 per basic and diluted share), compared to cash flow used in operations of $308,012 (cash flow use of $0.00 per basic and diluted share). The Company recorded a 1,339% increase in cash flow from operations of $14,814,318 ($0.09 per basic and $0.07 per diluted share) for the nine months ended September 30, 2011 compared to a cash flow used in operations of $1,195,239 (cash flow use of $0.03 per basic and diluted share) for the eight months ended September 30, 2010. Increased cash flow from operations was primarily the result of an increase in petroleum and natural gas revenue, offset, in part by increased operating expenses, a decrease in net cash general and administrative expenses.

Funds Flow from Operations (Non-IFRS Measure)

The Company recorded funds flow from operations for the three months ended September 30, 2011 of $8,378,051 ($0.05 per basic and $0.04 per diluted share) compared to funds flow use of $22,944 ($0.00 per basic and diluted share) for the two months ended September 30, 2010. Funds flow from operations increased to $16,550,356 ($0.10 per basic and $0.08 per diluted share) for the nine months ended September 30, 2011, compared to a funds flow use from operations of $194,113 ($0.00 per basic and diluted share) for the eight months ended September 30, 2010.

Calculation of Funds Flow from Operations*(1)*

$	Three Months ended Sept 30 2011	Two Months ended Sept 30 2010	% Change	Nine Months ended Sept 30 2011	Eight months ended Sept 30 2010	% Change
Cash flow from (used in) operations *(IFRS)*	3,438,707	(308,012)	1,216	14,814,318	(1,195,239)	1,339
Deduct:						
Change in non-cash working capital	(4,939,344)	(330,956)	1,392	(1,736,038)	(1,001,126)	73
Funds flow from (used in) operations *(Non-IFRS)*	**8,378,051**	**22,944**	**36,415**	**16,550,356**	**194,113**	**8,426**
Per Share – Basic	$0.05	$0.00	100	$0.10	$0.00	100
Per Share - Diluted	$0.04	$0.00	100	$0.08	$0.00	100

(1) Funds flow from Operations is a Non-IFRS measure and is defined by the Company as cash flow from operations, less the change in non-cash working capital and expenditures on decommissioning

Netbacks

Pinecrest realized a 49% increase in operating netback to $63.90/boe for the three months ended September 30, 2011, compared to the two months ended September 30, 2010 and an increase of 39%, or $64.51/boe compared to $46.32/boe for the eight months ended September 30, 2010. Increased operating netbacks are due primarily to increased production and commodity prices, and a decrease in per unit operating and transportation expenses for the three and nine months ended September 30, 2011. Operating netbacks for the three months ended September 30, 2011 decreased by 8% to $63.90/boe compared to $69.44/boe for the three months ended June 30, 2011. The decrease in operating netback quarter over quarter as due mostly to a decline in commodity prices for the three month period.

The following table summarizes the net income (loss) on a barrel of oil equivalent for the periods indicated:

$ Per boe	Three Months Sept 30 2011	Two Months Sept 30 2010	% Change	Nine Months Sept 30 2011	Eight months Sept 30 2010	% Change
Average realized price	91.11	71.57	27	93.86	75.11	25
Royalty expenses	(10.08)	(5.88)	71	(10.79)	(7.96)	36
Operating & transportation expenses	(17.13)	(22.86)	(25)	(18.56)	(20.83)	(11)
Operating netback	**63.90**	**42.83**	**49**	**64.51**	**46.32**	**39**
Other income (loss)	0.13	-	100	0.28	(0.05)	660
Cash general & administrative expenses	(4.98)	(39.67)	(87)	(6.62)	(56.35)	(88)
Cash financing	(0.91)	-	100	(0.60)	(0.84)	(29)
Cash flow netback	**58.14**	**3.16**	**1,740**	**57.57**	**(10.92)**	**427**
Exploration expense[(1)]	1.40	-	100	8.10	-	100
Depletion and depreciation	28.18	20.87	35	28.69	23.82	20
Accretion	0.18	1.25	(86)	0.25	0.70	(64)
Share-based payments (net)	9.20	-	100	6.79	115.24	(94)
Income tax expense (recovery)	7.15	(0.59)	1,312	4.91	(8.66)	157
Net income (loss)	**12.03**	**(18.37)**	**165**	**8.83**	**(142.02)**	**106**

[(1)]Exploration expense represents the cost of expired lands acquired in previous property acquisitions

CAPITAL EXPENDITURES, ACQUISITIONS AND CAPITAL RESOURCES

Capital Expenditures

During the three months ended September 30, 2011, Pinecrest spent a total of approximately $30 million compared to approximately $9 million during the two months ended September 30, 2010. Expenditures for the three months ended September 30, 2011 were primarily on drilling and completion costs associated with seven gross (6.4 net) wells that were spud during the period, as compared to three gross (1.5 net) wells spud during the two months ended September 30, 2010. Total capital expenditures for the nine months ended September 30, 2011 increased by 168% to $99 million compared to $37 million for the eight months ended September 30, 2010. The current year to date expenditures reflect costs associated with the drilling program, including completion and well equipping and tie-in costs and major facilities upgrade expenditures in the Greater Red Earth area of Alberta. At September 30, 2011, a total of approximately $21 million of costs were incurred for projects under construction.

$	Three Months ended Sept 30 2011	Two Months ended Sept 30 2010	% Change	Nine Months ended Sept 30 2011	Eight months ended Sept 30 2010	% Change
Evaluation and exploration expenditures						
Undeveloped land	4,859,856	6,003,253	(19)	18,148,459	15,372,729	18
Geological and geophysical	1,058	2,550	(59)	4,375	2,550	72
Drilling	-	-	-	706,687	-	100
Property acquisitions	-	-	-	2,425,590	15,768,034	(85)
	4,860,914	**6,005,803**	**(19)**	**21,285,111**	**31,143,313**	**(32)**
Property, plant and equipment expenditures						
Geological and geophysical	5,370	-	100	26,682	-	100
Drilling and completions	22,537,557	2,819,427	699	53,759,565	2,970,347	1,710
Equipment and facilities	2,281,398	(7,202)	31,777	22,389,898	70,478	31,669
Property acquisitions	89,256	43,439	105	666,326	2,355,246	(72)
Capitalized administrative	270,320	72,039	217	638,348	185,881	243
Corporate assets	4,986	11,450	(56)	41,351	156,689	(74)
	25,188,886	**2,939,153**	**757**	**77,522,170**	**5,738,641**	**1,251**
Total capital expenditures	**30,049,800**	**8,944,956**	**235**	**98,807,281**	**36,881,954**	**168**

Drilling Results

Pinecrest spud a total of 7 gross (6.4 net) horizontal oil wells during the three months ended September 30, 2011. Of these, a total of 5 gross (4.4 net) horizontal oil wells were rig released, and 1 gross (1 net) well was equipped and tied into the Pinecrest oil transportation pipeline and brought on production during the three months ended September 30, 2011.

During the nine months ended September 30, 2011, a total of 13 gross (9.5 net) horizontal wells were drilled and completed, 1 gross (1 net) horizontal oil well and 1 gross (1 net) vertical test well were drilled. A total of 20 gross (11.7 net) horizontal oil wells were equipped and brought on production during the first nine months ended September 30, 2011.
From May 2010 to July 2011, Pinecrest has drilled a total of 26 gross (16.5 net) wells. A total of 21 gross (13.2 net) horizontal oil wells were drilled into the Slave Point formation, and 1 gross (1 net) vertical well into the Banff formation in the Greater Red Earth area of Alberta, and 4 gross (2.3 net) horizontal oil wells in the Bakken formation in southeast Saskatchewan have been drilled. Of the total 26 gross (16.5 net) wells drilled, Pinecrest operated 21 gross (15.5 net) wells. Subsequent to September 30, 2011, Pinecrest has rig released 5 gross (5 net) Slave Point horizontal wells in the Red Earth area.

	Recapitalization to Date (from May 2010)		**Three months ended Sept 30, 2011**		**Six months ended June 30, 2011**		**Five months ended Dec 31, 2010**	
Number	**Gross**	***Net***	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Crude Oil	*24*	*14.6*	4	3.5	9	6.0	11	5.1
Standing	*2*	*1.9*	1	0.9	1	1.0	-	-
Total	***26***	***16.5***	**5**	**4.4**	**10**	**7.0**	**11**	**5.1**
Success rate (%)	*100*	*100*	100	100	100	100	100	100

Land Holdings

At September 30, 2011, Pinecrest owned a total of 103,172 net acres of land, representing a 58% increase compared to the second quarter ended June 30, 2011, and a 124% increase in net acres as at December 31, 2010. Total net undeveloped land at September 30, 2011 increased to 96,356 acres, a 58% increase over the quarter ended June 30, 2011. Pinecrest's ongoing land acquisition strategy is focused on building the land base with a high working interest, through Crown land sales and strategic property acquisitions to facilitate internally generated prospects. Consequently, Pinecrest's average working interest in its land holdings has increased to 91% at September 30, 2011, compared to 85% at June 30, 2011. During the quarter a total of 116 net undeveloped acres of land in a non-core field expired resulting in an exploration expense charge of $200,778 to the statement of comprehensive income.

Pinecrest's land acquisition is concentrated on the emerging Slave Point light oil play in the Greater Red Earth area of Alberta. The majority of the Slave Point rights are encompassed by the same land tenure documents that overlay productive petroleum and natural gas rights, and as such are not technically defined as undeveloped lands.

	As at Sept 30, 2011		As at June 30, 2011		% Change		As at Dec 31, 2010	
(Acres)	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Developed	13,323	6,816	13,163	6,575	1	4	12,189	5,681
Undeveloped	100,290	96,356	63,249	58,590	59	64	48,451	40,309
Total	**113,613**	**103,172**	**76,412**	**65,165**	**49**	**58**	**60,640**	**45,990**
Average working interest		**91%**		**85%**				**76%**

LIQUIDITY AND CAPITAL RESOURCES

Total Debt and Working Capital

$	**As at Sept 30, 2011**	**As at June 30, 2011**	**As at Dec 31, 2010**
Total current assets	50,885,608	12,376,629	62,897,107
Total current liabilities	(26,374,692)	(14,096,127)	(13,430,826)
Working capital surplus (deficiency)	24,510,916	(1,719,498)	49,466,281
Credit facility	-	(8,782,370)	-
Total debt and working capital	**24,510,916**	**(10,501,868)**	**49,466,281**

Working Capital

Pinecrest funded its capital expenditures program during the first nine months of 2011 with a combination of cash flow from operations and bank debt. At September 30, 2011, Pinecrest had a working capital (current assets minus current liabilities) of $24.5 million as compared to a working capital deficit of $10.5 million at June 30, 2011 and a working capital surplus of $49.5 million at December 31, 2010. At September 30, 2011 the major components of working capital included: accounts receivable from joint interest partners for operations and capital programs (55%); accounts receivable from marketers for September sales (33%) which was substantially received in October 2011; accounts receivable from government and other parties (12%), which was offset by trade payables (49%) and accrued capital and operating expenses (51%).

Pinecrest manages its working capital using its cash flow from operations, advances under its credit facility (see below) and the issuance of common shares. During the three months ended September 30, 2011, Pinecrest issued a total 25,000,000 common shares at a price of $2.40 per common share under a bought deal financing. Funds from the financing were used to repay the outstanding credit facility of $18 million and to fund the capital expenditure program.

Credit Facility

On May 18, 2011, Pinecrest amended and restated its $30.0 million credit facility with a Canadian chartered bank to provide supplemental funding for the Company's general operations and capital program. No amounts were outstanding under the credit facility at September 30, 2011.

The following table shows the amount of maximum credit available under the Company's credit facility as at September 30, 2011, June 30, 2011 and December 31, 2010:

	As at Sept 30, 2011	As at June 30, 2011	As at Dec 31, 2010
Maximum borrowing base limit[(1)]	$30,000,000	$30,000,000	$30,000,000
Amount drawn on credit facility	-	(8,850,000)	-
Total available credit facility	**$30,000,000**	**$21,150,000**	**$30,000,000**

[(1)] *The next review of the borrowing base is schedule for November 30, 2011.*

The credit facility is secured by a $100,000,000 general debenture and a general security interest on all of the present and future acquired assets of the Company. The credit facility constitutes a revolving facility for a 364 day term which is extendable annually for a further 364 day revolving period if requested by the Company and accepted by the lender. If the revolving period is not extended, the undrawn portion of the facility will be cancelled and the amount outstanding will convert to a 366 day non-revolving term facility. The amounts outstanding under the non-revolving facility are required to be repaid at the end of the non-revolving term being May 18, 2013. The current term conversion date for the credit facility is May 18, 2012.

Management anticipates that the Company will continue to have adequate liquidity to fund future working capital requirements and capital expenditures through combination of operating cash flow, the availability of the credit facility, and the issuance of common shares, if required.

Share Capital

The Company had the following outstanding common shares and equity instruments:

	Nine months ended Sept 30, 2011	Year ended Dec 31, 2010
Weighted Average Outstanding Common Shares		
Basic	173,679,612	17,071,207
Diluted	202,626,041	17,071,207
Outstanding securities:		
Common Shares	195,626,364	85,315,774
Common Share Purchase Warrants[(1)]	33,771,483	34,758,930
Stock Options	10,240,000	4,975,000
Total outstanding securities	239,637,847	125,049,704

[(1)] *Includes a total of 4,830,000 performance warrants*

Total Market Capitalization

The Company's market capitalization at September 30, 2011 was as follows:

	At Sept 30, 2011	At June 30, 2011	% Change
Common shares –diluted	239,637,847	209,422,847	(14)
Share price [(1)]	$1.90	$2.43	(22)
Market Capitalization	$455,311,909	$508,897,518	(11)

[(1)] *Represents the close price on the TSX Venture Exchange*

At November 8, 2011 Pinecrest had the following equity instruments outstanding: 195,626,364 common shares, 33,771,483 common share purchase warrants, and 10,240,000 stock options.

BUSINESS RISKS

Statements in this document may contain forward-looking information including expectations of future production, components of cash flow and earnings, expected future events and/or financial results that are forward-looking in nature and subject to substantial risks and uncertainties. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. The Company cautions the readers that actual performance will be affected by a number of factors, many of which may respond to changes in economic and political circumstances throughout the world. Events or circumstances may cause actual results to differ materially from those predicted, a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company. These risks include, but are not limited to:

Development and Production Risk: Pinecrest's production and exploration activities are concentrated in the Western Canadian Sedimentary Basin, where activity is highly competitive and includes a variety of different sized companies ranging from smaller junior producers to much larger integrated petroleum companies. Pinecrest is exposed to the following development and production risk factors:

- Finding and developing petroleum and natural gas reserves at economic costs;
- Production of petroleum and natural gas in commercial quantities; and
- Marketability of petroleum and natural gas produced.

In order to reduce exploration risk, the Company strives to employ highly qualified and motivated professional employees with demonstrated ability to generate quality proprietary geological and geophysical prospects. To help maximize drilling success, Pinecrest combines exploration in areas that afford multi-zone prospect potential, targeting a range of low to moderate risk prospects. Pinecrest also explores in areas where the Company's officers and employees have significant drilling and completions experience. The Company mitigates its risk related to producing hydrocarbons through the utilization of the most appropriate technology and information systems. In addition, Pinecrest seeks operational control of its projects, where feasible.

Environmental and Climate Change Risk: Petroleum and natural gas exploration and production can involve environmental risks such as pollution of the environment and destruction of natural habitat, as well as safety risks such as personal injury. In order to mitigate such risks, Pinecrest conducts its operations at high standards and follows safety procedures intended to reduce the potential for personal injury to employees, contractors and the public at large. The Company maintains current insurance coverage for general and comprehensive liability as well as limited pollution liability. The amount and terms of this insurance are reviewed on an ongoing basis and adjusted as necessary to reflect changing corporate requirements, as well as industry standards and government regulations.

Commodity Price Risk: Crude oil prices are affected by worldwide factors such as supply and demand fundamentals, and geopolitical events. Natural gas prices are influenced by the price of alternative fuel sources such as oil or coal, and by North American natural gas supply and demand fundamentals. In accordance with policies approved by our Board of Directors, Pinecrest may, from time to time, manage these risks through the use of physical delivery contracts, swaps, collars or other financial instruments not to exceed 50% of net commodity production (after royalties).

Credit Risk: Credit risk is the risk of loss if purchasers or counterparties default on their financial obligations. The maximum exposure of the Company to credit risk at September 30, 2011 and December 31, 2010 is limited to the cash and accounts receivable balances as reported on the balance sheets. Cash is comprised of bank balances. Currently, the Company does not intend to carry short-term investments. Should this change in the future, counterparties will be selected based on credit ratings and management will monitor all investments to ensure a stable return. Complex investment vehicles with high risk will be avoided.

The Company's accounts receivable are subject to concentration of credit risk as all of the Company's customers are in the oil and gas sector. Management is of the opinion that any risk of loss is reduced due to the financial strength of its operators, and therefore concentration of credit risk is mitigated by having concentrations with credit worthy operators.

Liquidity Risk: Liquidity risk is the risk that the Company will not be able to meet its financial liabilities as they come due. Liquidity risk also includes the risk of the Company not being able to liquidate assets in a timely manner at a reasonable price.

The Company meets its liquidity requirements by anticipating operating, investing and financing activities and ensuring there are enough funds to cover these activities. Liquidity risks may necessitate the need for the Company to conduct equity issues or obtain debt financing. The Company prepares annual and quarterly capital expenditure budgets, which are regularly monitored and updated when necessary to include a review of debt forecasts and working capital requirements. In addition, Pinecrest uses authorizations for expenditures for operated and non-operated capital projects to facilitate monitoring capital programs.

Foreign Currency Risk: World oil prices are quoted in United States (US) dollars and the price received is therefore affected by the Canadian/US dollar exchange rate, which will fluctuate over time. In recent years, the Canadian dollar has increased in value against the US dollar, which negatively impacts commodity prices valued in Canadian dollars, thereby indirectly reducing Pinecrest's oil revenues and future value of reserves, as determined by independent evaluators.

Interest Rate Risk: Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The interest charged on Pinecrest's credit facility fluctuates with the interest rates posted by lenders, plus a margin. The Company has not entered into any mitigating interest rate swaps or hedges as at September 30, 2011. Had the borrowing rate been 100 basis points higher (or lower) for the six months ended September 30, 2011, net income would have been affected by $17,600 based on the average outstanding bank debt balance outstanding for the period.

CRITICAL ACCOUNTING ESTIMATES

Certain accounting policies require management to make decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. A summary of Pinecrest's critical accounting estimates and judgments can be found in Note 3 and a summary of significant accounting policies can be found in Note 4 to the unaudited condensed interim financial statements for the period ended September 30, 2011.

Pinecrest's management reviews its estimates frequently; however, the emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates. Pinecrest attempts to mitigate this risk by employing individuals with the appropriate skill set and knowledge to make reasonable estimates, developing internal control systems and comparing past estimates to actual results.

The Company's financial and operating results include estimates of the following:

- Depletion, depreciation and accretion and tests for impairment are based on estimates of crude oil and natural gas reserves;
- Revenues, operating expenses and royalties for which accruals have been recorded for actual revenues and costs which have been earned or incurred but have not yet been received;
- Capital expenditures on projects that are in progress;
- Decommissioning liability including estimates of future costs and the timing of the costs;
- Deferred income taxes and the recoverability of deferred income tax assets have been recorded based on temporary differences between the carrying value and tax basis of the Company's assets and liabilities. These provisions require estimating the timing of these temporary differences and estimating whether tax assets will be realized before expiry.

ACCOUNTING CHANGES AND PRONOUNCEMENTS

International Financial Reporting Standards ("IFRS")

In February 2008, the AcSB confirmed that IFRS will be required for interim and annual financial Statements effective for fiscal years beginning on or after January 1, 2011, including comparatives for 2010 and an opening balance sheet showing the changes from Canadian GAAP (``GAAP``) to IFRS. For Pinecrest, the date of transition is August 1, 2009 due to the change in fiscal year ends from September 30 to December 31. Securities regulations require that if a change in year-end occurs, and the new year- end stub period is less than nine months, the Company must choose the beginning of the "old reporting year" which is the twelve months ended July 31, 2010, for its transition to IFRS.

Pinecrest has prepared its September 30, 2011 unaudited condensed interim financial statements in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* and are in accordance with International Financial Reporting Standard ("IFRS") 1 *First-time Adoption of International Financial Reporting Standards*. The Company's IFRS accounting policies are provided in Note 4 to the unaudited condensed interim financial statements. In addition, Note 21 to the unaudited condensed interim financial statements presents reconciliations to show how the transition from GAAP to IFRS has affected the Company`s balance sheet, financial performance and cash flows.

Accounting Policy Impacts of IFRS Adoption

Pinecrest's IFRS unaudited interim financial statements have been prepared using IFRS standards that were in effect on September 30, 2011. These unaudited interim financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its December 31, 2011 financial statements. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time.

The Company`s unaudited condensed interim financial statements for the three and nine months ended September 30, 2011 provide the following reconciliations from GAAP to IFRS:

- Equity as at August 1, 2009; September 30, 2010 and December 31, 2010;
- Comprehensive loss for:
    - the two months ended September 30, 2010;
    - the eight months ended September 30, 2010 and;
    - the five months ended December 31, 2010;

.

The following provides a summary reconciliation of net comprehensive loss between the Company's previous GAAP and IFRS, along with a discussion of the significant accounting policy changes:

	Two months ended Sept 30, 2010	**Eight months ended Sept 30, 2010**	**Five months ended Dec 31, 2010**
GAAP - Net loss and comprehensive loss	$ (176,790)	$ (1,241,881)	$ (2,040,648)
Decrease (increase) in net loss:			
Depletion and depreciation	70,279	(16,942)	251,705
Capitalized general and administrative	(13,279)	(13,279)	-
Share-based payments	-	(1,152,702)	286,908
Deferred income tax recovery (expense)	(13,818)	11,804	(147,828)
	43,182	(1,171,119)	390,785
IFRS – Net loss and comprehensive loss	**$ (133,608)**	**$ (2,413,001)**	**$ (1,649,863)**

a) ***Property Plant and Equipment ("PP&E"):*** Under GAAP, Pinecrest followed the full cost method of accounting whereby all costs directly associated with the exploration, acquisition and development of petroleum and natural gas reserves are capitalized on a country-by-country cost center basis. Costs are depleted using the unit-of-production method based on proved reserves determined using estimated future prices and costs. Upon transition to IFRS, Pinecrest was required to adopt new accounting policies for its property, plant and equipment.

Pre-exploration costs, costs incurred before the legal right to explore must be expensed under IFRS. Previously, these costs were capitalized under GAAP and were depleted on a unit of production basis. At August 1, 2009 these costs are not material. Evaluation and exploration costs are those expenditures incurred to assess the technical feasibility and commercial viability of various land holdings. Pinecrest capitalized and reported these costs as evaluation and exploration costs on the balance sheet under IFRS. When an area or project is determined to be technically feasible and commercially viable, these costs will be tested for impairment and transferred to property, plant and equipment. Any unrecoverable exploration and evaluation costs will be expensed.

IFRS permits the option to measure PP&E using either the cost model or the revaluation model for each class of PP&E. Pinecrest uses the cost model to account for all PP&E. Development costs include those expenditures that are incurred to bring reserves to commercial production and include drilling, completion and equipping costs. These costs are capitalized under IFRS within property, plant and equipment on the balance sheet. Pinecrest depletes these costs over proved plus probable reserves using the unit-of-production method, by unit of account (specific areas) instead of the country cost center level currently utilized under GAAP.

Under IFRS, divestitures of PP&E will generally result in a gain or loss recognized in net earnings. Under GAAP, proceeds from divestitures are deducted from the full cost pool unless the deduction would result in a change in the depletion rate by more than 20%, in which case the gain or loss would be recorded in net earnings. In addition, Pinecrest is required to perform an impairment test on exploration and evaluation expenditures when there is a determination that the expenditures have resulted in a technically feasible and commercially viable project. At that time, the expenditures would be tested for impairment, and then transferred to the developed and producing assets category.

Pinecrest adopted the IFRS 1 exemption, which allows the Company to deem its August 1, 2009 IFRS petroleum and gas properties costs to be equal to its GAAP historical net book value. On August 1, 2009 the IFRS exploration and evaluation assets were $154,589, which is equal to the GAAP unproved properties balance. The IFRS development costs are equal to the full cost pool balances under GAAP. These costs have been allocated over the proved plus probable reserves to establish the area level depletion units of account.

As at December 31, 2010 the Company's exploration and evaluation assets were $84,733,613 (July 31, 2010 - $25,297,075). For the five months ended December 31, 2010, the application of IFRS resulted in a decrease of $251,705 of depletion (for the twelve months ended July 31, 2010 – a decrease of $43,209; for the six months ended July 31, 2010 – an increase of $87,222; and for the three months ended July 31, 2010 – an increase of $163,786).

b) ***Impairment of Assets:*** Under GAAP, Pinecrest is required to perform an impairment test on its property, plant and equipment at each reporting date, using the undiscounted cash flow from proved reserves for a country level cost center. If the carrying amount of the assets is less than the cash flows, the impairment is measured using the sum of the fair values of the proved and probable reserves, plus the costs of unproved properties. Impairments recognized under GAAP are not reversed.

Under IFRS, Pinecrest is not permitted to test for asset impairment at the cost center level (country level) as permitted under the GAAP full cost guideline. IFRS requires impairment testing to be performed at the cash generating unit level, which is at a lower level than the current cost center level. IFRS uses a one-step approach for testing and measuring asset impairments, with asset carrying values being compared to the higher of value-in-use and fair value less costs to sell. Value in use is defined as the amount equal to the present value of future cash flows expected to be derived from the asset. In the absence of an active market, fair value less costs to sell may also be determined using discounted cash flows. The use of discounted cash flows under IFRS to test and measure asset impairment differs from GAAP, which uses undiscounted cash flows. This may result in more frequent write-downs in the carrying amounts of assets under IFRS because the asset carrying amounts previously supported under GAAP were based on undiscounted cash flows. However under IFRS, impairment losses that were previously recognized may be reversed where circumstances change such that the impairment is reduced. Pinecrest did not recognize asset impairment on the IFRS opening balance sheet at August 1, 2009.

c) ***Asset Retirement Costs:*** Pinecrest is required to recognize asset retirement obligations under GAAP and IFRS. However, under IFRS, the recognition criteria for contingent liabilities are much more explicit than Canadian GAAP and may potentially require the booking of additional liabilities associated with the asset retirement obligations of Pinecrest's petroleum and natural gas assets. Liabilities for decommissioning and restoration are recognized for both legal and constructive obligations. Under IFRS, the estimated liability is re-measured at each reporting period using estimates of credit adjusted risk-free rates to adjust future cash outflows, whereas under GAAP the estimated liability is not re-measured using current discount rates. Pinecrest continues to use its credit adjusted risk-free discount rate to determine its decommissioning liabilities under IFRS, and has performed its preliminary calculation for decommissioning costs at August 1, 2009.

Pinecrest did not have any change to the liability on transition date. There was also no change to the liability at December 31, 2010 or July 31, 2010.

d) ***Stock-based Compensation:*** Similar to GAAP, share-based payments under IFRS require that the expense be measured at fair value. However, IFRS requires the expense related to share-based payments to be recognized as the options or warrants vest, each tranche of options must be recognized separately and requires that forfeitures are estimated at time of grant. Because Pinecrest recognized the expense associated with stock-based compensation using the graded-vesting method under GAAP, the adjustment from GAAP to IFRS was the result of the change in calculation from determining the expense on a single grant basis to multiple tranches.

Pinecrest has taken the IFRS 1 exemption for share-based payments, and consequently there was no impact to its opening balance sheet at August 1, 2009. For the three months ended December 31, 2010, the application of IFRS resulted in a decrease of $286,908 of share-based compensation expense, and a reduction of $98,120 of capitalized share-based payments to property, plant and equipment. There was no impact for the twelve, six or three months ended July 31, 2010.

e) ***Flow-through Shares:*** Under IFRS, proceeds from a flow-through share offering are allocated between the sale of the shares and the sale of the tax benefit. The allocation is made based on the difference between the quoted market price of the existing shares and the amount the investor pays for the flow through shares. A liability is established for the difference that is reversed upon renunciation of the tax benefit and the difference between the liability and the deferred tax liability is recorded as an income tax expense or recovery, if applicable.

Prior to August 1, 2009 the Company issued flow-through shares for proceeds of $271,650. The provision for the tax benefit of $67,912 was established at date of transition, with an increase to provisions for liabilities and other charges and a reduction to share capital. The expenditures were renounced to investors for the year ended July 31, 2010 and the full amount of the provision was reversed against the deferred tax asset.

During the year ended July 31, 2010, Pinecrest issued flow-through units to various officers, directors and employees of the company at a cost of $0.375 per unit. Under IFRS 2 – Share-based payments, the Company is required to record a share-based payment expense for an amount that is the deemed fair value benefit from the sale of the shares. Accordingly, the Company recorded a $1.2 million share-based payment expense associated with the sale of the flow-through units in the twelve months ended July 31, 2010 (six months ended July 31, 2010 - $1.2 million; three months ended July 31, 2010 - $1.2 million) with a provision for the sale of the tax benefit.

Recent Pronouncements Issued

All accounting standards effective for periods beginning on or after September 30, 2011 have been adopted as part of the transition to IFRS. The following new IFRS pronouncements have been issued but are not yet effective. Management is currently assessing the impact of these new standards on the Company's accounting policies and financial statement presentation:

- ***IFRS 7 Financial Instruments: Disclosures-Transfers of Financial Assets -*** was amended in October 2010 to require additional disclosure on the transfer of financial assets to: (i) understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities, and (ii) to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets. IFRS 7 is effective for annual periods beginning on or after July 1, 2011.

- ***IFRS 9 Financial Instruments:*** is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted. IFRS 9 was issued by the IASB in November 2009 and amended in October 2010 and is the first step to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

- ***IAS 12 Income Taxes:*** IAS 12 was amended in December 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. The amendment to IAS 12 is effective for annual periods beginning on or after January 12, 2012 with early adoption permitted.

- ***IFRS 13 Fair Value Measurement:*** IFRS 13 was issued in May 2011 and replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. IFRS 13 is effective for annual periods beginning on or after January 13, 2015 and is to be applied prospectively.

INTERNAL CONTROLS

During the three months ended September 30, 2011, Pinecrest hired additional staff, which will enhance the Company's segregation of duties and internal controls. There have been no other changes to the Company's internal controls since year end December 31, 2010.

OFF BALANCE SHEET ARRANGEMENTS

No off balance sheet arrangements existed at September 30, 2011.

RELATED PARTY TRANSACTIONS

The Company has retained the law firm of Burnet, Duckworth and Palmer to provide legal services. The current Chairman of the Board and Corporate Secretary are partners at the law firm. During the nine months ended September 30, 2011, the Company incurred legal fees and disbursements of $162,867 related to general matters and equity financings, of which $97,684 was outstanding at September 30, 2011. The related party transactions were conducted in the normal course of business and have been measured at the fair value amount.

COMMITMENTS

The Company has the following commitments as at September 30, 2011:

a) ***Office lease:*** During the nine months ended September 30, 2011 the Company entered into a new lease agreement, effective October 1, 2011 which expires September 30, 2014 which commits Pinecrest to make lease payments over the next 3 years of $230,160 plus operating costs.

b) ***Equipment purchases***: During the nine months ended September 30, 2011, the Company has entered into commitments to purchase well equipment, which will be delivered over the next 12 months, totaling $3,784,100. The equipment purchase commitments all have cancellation clauses, which require the Company to give 30-day's notice should the equipment not be required.

c) ***Farm-in agreement****:* During the nine months ended September 30, 2011, the Company has a drilling commitment pursuant to a farm-in agreement to drill and complete one horizontal well in the Slave Point formation in the Greater Red Earth Area. The spud commitment date is November 15, 2011. Capital costs of approximately $2.2 million are expected which will earn Pinecrest a 100% working interest in the well.

SUBSEQUENT EVENTS

Subsequent to September 30, 2011, Pinecrest entered into a fixed price swap, effective January 1, 2012 and terminating on December 31, 2012. The swap fixes the price received by the Company at $92.20 Cdn per barrel based on 500 barrels of oil per day.

Subsequent to September 30, 2011, the Company entered into a commitment which secures camp space for the drilling and completions crews covering the period from October 2011 to February 2012 for a total commitment of approximately $1.2 million.

SUPPLEMENTAL QUARTERLY INFORMATION

The following summarizes key financial and operating information by quarter, IFRS basis:

	Q3	Q2	Q1	Q4	Q3	Q4	Q3
	Sep. 30 2011	**Jun. 30 2011**	**Mar. 31 2011**	**Dec. 31 2010 (1)**	**Sep. 30 2010(1)**	**Jul. 31 2010 (1)**	**Apr. 30 2010(1)**
	Three months	Three months	Three months	Three months	Two months	Three months	Three months
FINANCIAL ($ except per share amounts)							
Petroleum and natural gas sales (2)	13,101,023	7,747,513	6,099,936	1,386,045	520,308	561,351	194,464
Funds flow from (used in) operations (3)	8,378,051	4,579,331	3,592,975	(237,131)	22,944	(263,623)	46,568
Change in non-cash working capital	(4,939,344)	4,448,929	(1,245,625)	(319,870)	(330,956)	(678,850)	8,680
Cash flow from (used in) operating activities	3,438,707	9,028,260	2,347,350	(557,001)	(308,012)	(942,474)	55,248
Per share - basic	$0.02	$0.05	$0.01	($0.00)	($0.00)	($0.01)	$0.01
Per share - diluted	$0.02	$0.05	$0.01	($0.00)	($0.00)	($0.01)	$0.01
Net income (loss)	1,729,757	1,129,484	(326,621)	(1,156,225)	(133,608)	(2,188,915)	(90,478)
Per share - basic	$0.01	$0.01	($0.00)	($0.01)	($0.00)	($0.04)	($0.02)
Per share - diluted	$0.01	$0.01	($0.00)	($0.01)	($0.00)	($0.04)	($0.02)
Capital expenditures	30,049,800	21,269,803	47,487,678	78,232,897	8,944,956	27,641,369	296,583
Total assets	260,029,480	195,335,939	211,968,939	184,693,215	87,520,307	51,086,261	3,330,740
Working capital (deficit)	22,463,696	(1,719,498)	5,894,512	49,466,279	41,617,140	17,531,301	(729,287)
Debt	-	8,782,370	-	-	-	-	-
OPERATING							
Number of producing days	*92*	*91*	*90*	*92*	*61*	*92*	*89*
Average Daily Production(2)							
Crude oil (bbls/d)	1,554	810	748	183	111	71	26
Natural gas (mcf/d)	21	63	1	32	23	20	9
Natural gas liquids (bbls/d)	5	9	5	2	4	4	1
Total (boe/d – 6:1)	1,563	830	753	190	119	78	28
Average Price Received							
Crude oil (bbls/d)	91.35	104.00	90.30	80.88	74.01	82.12	79.73
Natural gas (mcf/d)	4.12	4.17	(18.99)	4.19	3.75	4.62	4.93
Natural gas liquids (bbls/d)	62.24	63.16	58.56	46.21	50.93	49.59	54.98
Combined ($/boe)	91.11	102.55	90.03	78.54	71.57	78.24	76.37
Royalties ($/boe)	(10.08)	(11.35)	(11.67)	(13.64)	(5.88)	(8.56)	(12.20)
Operating and transportation expenses ($/boe)	(17.13)	(21.76)	(18.04)	(16.32)	(22.86)	(18.54)	(21.46)
Operating netback ($/boe)	63.90	69.44	60.32	48.58	42.83	51.14	42.71

(1) Quarters are restated to reflect the transition to IFRS.
(2) Amounts are before royalties.
(3) Funds flow from operations is a NON_IFRS measure

ADDITIONAL INFORMATION

Additional information about Pinecrest is available on at www.sedar.com; at the Company's website at www.pinecrestenergy.com; or by contacting the Company at Pinecrest Energy Inc. Suite 500, 255 5th Avenue SW, Calgary, Alberta, T2P 3G6.