Pine Cliff Energy Ltd.

Value
Experience
Opportunity
DISCIPLINE

Annual Report 2013

The 2013 year was a very busy and eventful year at Pine Cliff resulting in a significant transformation as we grew our asset base and operational team. We now operate approximately 90% of our production and have executed on several transactions that support and validate our strategy of building a base of high quality, low decline assets that are highly levered towards increases in natural gas prices.

Highlights of 2013

- $208.2 million market cap at December 31, 2013 as compared to $134.9 million at December 31, 2012;
- 775% increase in fourth quarter 2013 production of 6,443 boe per day as compared to 832 boe per day during the same period of 2012;
- 172% increase in average daily production per share;
- 121% increase in proved plus probable (2P) reserves per share;
- 281% increase in funds flow from operations per share; and
- Corporate netback of $8.40 per boe.

Proven Acquisition Track Record

The year commenced with the completion of a key transaction in the growth of our company whereby we became the sole shareholder of Skope Energy Inc. in February 2013 through the Companies' Creditors Arrangement Act (CCAA) process. The Skope assets included a package of high-quality, low-decline producing shallow gas assets in southern Alberta and southern Saskatchewan, creating Pine Cliff's second core area that we refer to as our Southern Assets. With production of approximately 3,500 boe per day and a purchase price of $28.0 million, the transaction metrics on this deal were some of the lowest seen in our industry in recent times.

Pine Cliff was able to increase its Southern Assets core area in July 2013 with the acquisition of an additional 52% working interest in the Monogram unit in the Southern Assets and related infrastructure for $34.0 million, prior to adjustments. This acquisition added approximately 1,600 boe per day of production.

On August 30, 2013, we closed a third shallow gas acquisition of a further working interest in the Southern Assets for $13.25 million, prior to adjustments. With this acquisition, Pine Cliff's working interest in the Southern Assets increased to approximately 95% and added approximately 850 boe per day of production. Pine Cliff also became the operator of all of its Southern Assets. This transaction provided a high degree of operational control for the company as it enables us to better manage costs and efficiently invest capital through the strategic scheduling of development programs, well workovers and facility upgrades.

Growth of Drilling Inventory

In addition to our active acquisition strategy, Pine Cliff also executed a drilling program during the year in our liquids rich Carrot Creek core area by drilling three gross (1.4375 net) wells. To increase Pine Cliff's land base and add future drilling inventory, the company entered into a farm-in deal that has earned Pine Cliff 5.75 gross (3.375 net) additional sections of land in the Carrot Creek core area. Pine Cliff's finding, development and acquisition costs in 2013 were $8.74 per boe for proved reserves and $7.45 per boe for 2P reserves. During the year we increased our 2P reserves by 502% to 19.3 million boe and added over $93.5 million in net present value (2P reserves discounted at 10% before tax).

Pine Cliff's 2014 guidance includes drilling one gross (0.15 net) wells in the Sundance area in the first quarter of 2014 and seven gross (1.93 net) wells in the Carrot Creek area in the latter half of 2014 for a total capital expenditure program of approximately $13.6 million. This program is anticipated to be substantially less than the Company's estimated 2014 funds flow from operations, which remains dependent on natural gas prices, preserving the excess funds flow from operations to be directed towards future acquisitions. Without any further acquisitions, Pine Cliff's 2014 production is expected to average approximately 6,100 to 6,500 boe per day.

High Quality Assets

Pine Cliff's assets are characterized by low operating costs and low decline rates. The average decline rate on our base assets is less than 12%, which will continue to provide Pine Cliff with free funds flow from operations for years to come. Operating expenses in 2013 averaged $9.39 per boe ($1.57 per mcf).

Highly Levered to Increases in Natural Gas Prices

Pine Cliff reported funds flow from operations of $14.7 million in 2013 with natural gas prices during this period averaging only $3.01 per mcf. Pine Cliff's high natural gas weighting provides significant leverage to any increases in natural gas prices. For example, using our fourth quarter 2013 volumes annualized for twelve months, a Cdn $0.10 increase per mcf in AECO pricing would improve annual funds flow from operations by $1.4 million.

Balance Sheet Strength
Pine Cliff's balance sheet is a strength of the company and the company ended 2013 with no net debt and positive working capital at December 31, 2013 of $13.6 million.

Access to Capital to Take Advantage of Opportunities
Although gas prices have increased in 2014, Pine Cliff continues to see opportunities and remains committed to our strategy of growing through acquisitions. Our recent transactions have given the company the critical mass where we can now consider larger transactions and our strong balance sheet provides us with a competitive advantage over many of our peers when it comes to negotiating with potential sellers of assets. This advantage was evidenced by the fact that despite 2013 being a difficult year for junior oil and gas companies to raise equity capital Pine Cliff completed two common share issuances in 2013 for gross proceeds of $45.1 million.

Management Alignment with Shareholders
Pine Cliff's management and board collectively own approximately 20% of the shares outstanding and as such we are highly motivated and aligned with shareholders to increase share value and generate above average returns.

We hope that shareholders share our excitement with our progress to date and on behalf of our team, I would like to reinforce to you our unequivocal commitment to continue to use conservative fiscal management and capital discipline to pursue transactions and projects that will deliver per share growth. We look forward to updating you in the near future on the next stage of our development.

Yours truly,

Phil Hodge
President and Chief Executive Officer
March 20, 2014

Please refer to the attached Management's Discussion and Analysis for Reader Advisories regarding forward-looking information, non-IFRS measures and oil and gas measurements. This President's Message should be read in conjunction with the audited consolidated financial statements of Pine Cliff Energy Ltd. together with Management's Discussion and Analysis for the year ended December 31, 2013, which can be found on www.sedar.com and is subject to the same cautionary statements as set out therein.

March 20, 2014

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") is a review of the operations and current financial position for the year ended December 31, 2013 for Pine Cliff Energy Ltd. ("Pine Cliff" or the "Company") and should be read in conjunction with the audited consolidated financial statements as at and for the years ended December 31, 2013 and 2012, together with the notes related thereto (the "Financial Statements"). 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 are listed and posted for trading on the Toronto Stock Exchange Venture ("TSX-V") under the symbol "PNE".

READER ADVISORIES

This MD&A contains financial measures that are not defined under International Financial Reporting Standards ("IFRS") and forward-looking statements. Readers are cautioned that the MD&A should be read in conjunction with the Company's disclosure under "Non-IFRS Measures" and "Forward-Looking Information" included at the end of the MD&A.

Other Measurements

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

Where amounts are expressed in a barrel of oil equivalent ("boe" or daily equivalent of "boe/d"), natural gas volumes have been converted to barrels of oil equivalent on the basis that six thousand cubic feet of natural gas ("mcf" or daily equivalent of "mcf/d") is equal to one barrel of oil ("bbl" or daily equivalent of "bbl/d"). This conversion ratio is based on energy equivalence primarily at the burner tip and does not represent a value equivalency at the wellhead. The term boe may be misleading, particularly if used in isolation.

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 and interest rates. 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 funds flow from operations [1]	
	Change	$000s	$ per share [3]
Crude oil price - Edmonton par ($/bbl) [2]	$1.00	160	0.00
Natural gas price - AECO ($/mcf) [2]	$0.10	1,410	0.01
Foreign exchange (CAD/USD)	1.0%	0.00	0.00
Interest rate on variable rate debt	1.0%	0.00	0.00

[1] This analysis does not adjust for changes in working capital and uses current royalty rates.
[2] Pine Cliff has prepared this analysis using its fourth quarter 2013 daily sales volumes annualized for twelve months.
[3] Based on 2013 basic weighted average shares outstanding of 172,493,778.

SELECTED ANNUAL INFORMATION

($000s, unless otherwise indicated)	**Year ended December 31, 2013** [1]	Year ended December 31, 2012 [2]	Year ended December 31, 2011
FINANCIAL			
Oil and gas sales	**36,882**	7,547	866
Total revenue	**34,695**	7,061	830
Cash flow from operating activities	**16,062**	1,773	333
Funds flow from operations [3]	**14,700**	1,702	353
Basic per share ($/share)	**0.09**	0.02	0.01
Diluted per share ($/share)	**0.08**	0.02	0.01
Earnings (loss)	**10,910**	(1,071)	(207)
Basic per share ($/share)	**0.06**	(0.01)	(0.00)
Diluted per share ($/share)	**0.06**	(0.01)	(0.00)
Total assets	**180,486**	80,689	2,388
Total long term liabilities	**42,685**	2,818	82
Net debt [4]	**(13,621)**	(7,077)	(432)
OPERATIONS			
Production [5]			
Natural gas (mcf/d)	**27,042**	3,638	597
Crude oil (bbls/d)	**64**	27	-
Natural gas liquids (bbls/d)	**216**	142	1
Total (boe/d)	**4,787**	775	101
Netback ($/boe)			
Operating netback [6]	**9.70**	12.43	15.51
Corporate netback [7]	**8.40**	6.01	9.67

[1] The results of 2013 include the results of the Skope Acquisition for the period of February 19, 2013 to December 31, 2013, the results of the Monogram Asset Acquisition for the period of July 24, 2013 to December 31, 2013 and the results of the Additional Interests Acquisition for the period of August 30, 2013 to December 31, 2013.
[2] The results of 2012 include the results of the Carrot Creek Assets for the period of March 1 to December 31, 2012 and the results of the Geomark Oil and Gas Assets for the period of October 19, 2012 to December 31, 2012.
[3] Funds flow from operations is a non-IFRS measure that represents the total of funds provided by operating activities, before adjusting for changes in non-cash working capital.
[4] Net debt is a non-IFRS measure calculated as the sum of bank debt and trade and other payables less trade and other receivables, cash, prepaid expenses and deposits and liquid investments.
[5] The production for the year ended December 31, 2013 includes the results of the Skope Acquisition for the 316 day period of February 19, 2013 to December 31, 2013, the results of the Monogram Asset Acquisition for the 160 day period of July 24, 2013 to December 31, 2013 and the results of the Additional Interests Acquisition for the 123 day period of August 30, 2013 to December 31, 2013. The production for the year ended December 31, 2012 includes the results of the Carrot Creek Assets for the 306 day period of March 1 to December 31, 2012 and the results of the Geomark Oil and Gas Assets for the 73 day period of October 19, 2012 to December 31, 2012, averaged over 274 days.
[6] Operating netback is a non-IFRS measure calculated as the Company's oil and gas sales, less royalties and operating expenses, averaged over the per boe production of the Company.
[7] Corporate netback is a non-IFRS measure calculated as the Company's oil and gas sales, less royalties, operating expenses, general and administrative expenses and interest and bank charges plus finance income and dividend income averaged over the per boe production of the Company.

Annual 2013 highlights

During 2013, Pine Cliff reports that it:

- Closed the acquisition of Skope Energy Inc. ("Skope") in the first quarter of 2013 adding low decline, dry gas assets in southern Alberta and southern Saskatchewan to Pine Cliff`s portfolio. These assets contributed approximately 3,500 boe/d of sales volumes to Pine Cliff`s results subsequent to closing;
- Maintained a strong balance sheet ending the year with no net debt and positive working capital of $13.6 million;
- Completed two common share issuances for gross proceeds of $45.1 million;
- Closed the acquisition of an additional interest in the Monogram Unit, as defined herein, in the third quarter of 2013, which added approximately 1,600 boe/d of production;
- Closed the acquisition of additional interests in and the assumption of operatorship of our Southern Assets, as defined herein, in the third quarter of 2013. This acquisition added approximately 850 boe/d of production;

- Closed its option to purchase a 100% interest on a claim block on the King`s Canyon gold property for US$0.2 million in the fourth quarter of 2013;
- Entered into an option agreement with Nighthawk Gold Corp. ("Nighthawk") for the disposition of our Kim gold property for a 2.5% net smelter royalty and $1.6 million in the fourth quarter of 2013, of which Pine Cliff received $0.1 million in cash and 1,768,345 common shares of Nighthawk;
- Achieved record oil and gas sales volumes of 4,787 boe/d as compared to 775 boe/d in 2012, mainly as a result of our acquisitions;
- Achieved annual funds flow from operations of $14.7 million (2012 – $1.7 million), due to increased revenues from the Southern Assets and finance and dividend income, offset by higher royalties, operating, general and administration and interest expenses; and
- Realized earnings of $10.9 million (2012 – loss of $1.1 million), mainly a result of a non-cash gain on recognized on the acquisition of Skope.

PINE CLIFF'S STRATEGIC OBJECTIVES AND ACQUISITIONS

Pine Cliff is a growth oriented oil and gas exploration and production company seeking to acquire material asset positions in the Western Canadian Sedimentary Basin ("WCSB") to enlarge its current core areas and create new core areas of production with significant reserves and drilling inventories. The Company's vision is to deliver long-term value to shareholders by building a portfolio of high-return assets for future growth focusing on counter cyclical natural gas opportunities while also accelerating current oil and liquids drilling and optimization opportunities.

The Company has executed five key transactions in the past two years:

On March 1, 2012, Pine Cliff acquired certain oil and natural gas assets in the Carrot Creek area of Alberta (the "Carrot Creek Assets") for cash consideration of $22.7 million. The acquisition had an effective date of January 1, 2012 and provided Pine Cliff with its first core area in the WCSB. The results of the Carrot Creek Assets have been included in the financial results of the Company effective March 1, 2012.

On October 19, 2012, Pine Cliff combined its operations with those of Geomark Exploration Ltd. ("Geomark"), a related party, in an all share transaction which resulted in the issuance of 81,767,641 common shares of Pine Cliff valued at $60.5 million (the "Geomark Transaction"). Geomark became a wholly-owned subsidiary and its strong working capital position, no debt and highly liquid investments in a related party added significant strength to the combined Company.

On November 9, 2012, Pine Cliff completed the purchase from a Canadian financial institution of all of the outstanding indebtedness and liabilities owing by Skope and all of the security documents granted by Skope to the financial institution (the "Skope Debt Purchase"), for cash consideration of $28 million. On November 27, 2012, Skope obtained an initial order granting relief under the *Companies' Creditors Arrangement Act* ("CCAA") and on February 19, 2013, the restructuring of Skope pursuant to the CCAA was completed and Pine Cliff became the sole shareholder of Skope (the "Skope Acquisition"). Skope holds an 80% working interest in a package of high quality, low decline shallow gas assets (the Southern Assets, as defined below) that have provided Pine Cliff with increased cash flow and shareholders with considerable upside with any increase in natural gas prices. The Skope Acquisition added approximately 3,500 boe/d of production to Pine Cliff's production base.

On July 24, 2013, Pine Cliff completed the acquisition of an additional approximate 52% working interest in the Monogram unit (the "Monogram Unit") that is a portion of the Southern Assets and related infrastructure (the "Monogram Asset Acquisition"). The Monogram Unit is located near the City of Medicine Hat, Alberta and produces dry natural gas mainly from the Milk River, Medicine Hat and Second White Specks zones. The Monogram Asset Acquisition added approximately 1,600 boe per day of production to Pine Cliff's production base.

On August 30, 2013, Pine Cliff completed the acquisition of additional interests in the Southern Assets (the "Additional Interests Acquisition"). As part of the Additional Interests Acquisition, the asset management agreement that previously governed Pine Cliff's interests in the Southern Assets was terminated and Pine Cliff became the operator of the Southern Assets. The Additional Interests Acquisition included a further approximate 7% working interest in the Monogram Unit, a further approximate 20% working interest in the Pendor, Black Butte and Eagle Butte areas in the Province of Alberta and a further approximate 18% working interest in the Vidora, Cadillac and Wymark areas in the Province of Saskatchewan. Subsequent to this acquisition, Pine Cliff owns approximately 91% of the Monogram Unit. The Additional Interests Acquisition added approximately 850 boe per day of production to Pine Cliff's production base.

Management is pleased with its progress and believes that the assets that have been assembled to date provide Pine Cliff with significant opportunities for returns correlated with the recovery of natural gas prices. In the near-term, Pine Cliff will continue to maintain a strong balance sheet and drill selected strategic wells. Pine Cliff fully intends to continue to aggressively pursue, evaluate, and when warranted, execute accretive business opportunities in 2014 and beyond.

PINE CLIFF'S OPERATIONS

Pine Cliff's reportable segments are determined based on the Company's operations as follows:

Oil and Gas Division – includes the exploration, development and production of natural gas, crude oil and natural gas liquids ("liquids" or "NGLs"). Pine Cliff's main areas of production are as follows:

- Carrot Creek – Pine Cliff holds a working interest in the Carrot Creek Assets which are located southeast of the town of Edson, Alberta and produces liquids rich natural gas as well as a small amount of oil. In addition to the producing assets, Pine Cliff has, in aggregate, 15.5 gross (7.01 net) sections of undeveloped land in this area. Pine Cliff increased its land position in the Carrot Creek area in the third quarter of 2013 through a farm-in deal that has earned Pine Cliff 5.75 gross (3.375 net) sections of land. The Carrot Creek area has multi-zone potential which can be further exploited using horizontal drilling technology. Pine Cliff is the operator of approximately 90% of the Company's production in the area;

- Southern Assets – At December 31, 2013, Pine Cliff holds an approximate 95% working interest in a package of high-quality, low decline, producing shallow gas assets in southeast Alberta and southwest Saskatchewan (collectively, the "Southern Assets"). The majority of the producing zones in these properties are from the upper Cretaceous Milk River, Medicine Hat and Second White Specks sands, which together constitute a small interest for Pine Cliff in one of the largest Canadian gas fields in Western Canada. These fields are characterized by their shallow depths, low-permeability and clay-rich sands; and

- Other – the balance of Pine Cliff's 2013 production comes from non-operated properties in the Sundance area in northwest Alberta (the "Sundance Assets") and from non-operated properties in the Harmatten, Garrington and Carstairs areas in central Alberta (the "Central Alberta Assets") however the Company does not currently have large enough land positions or working interests in these areas to consider them significant core areas.

Minerals Division – includes the exploration for precious metals in Utah, Ontario, Nunavut and the Northwest Territories.

Unless otherwise noted, the discussion in this MD&A will focus on the oil and gas division, as the minerals division does not have any revenue in 2013 and incurred expenditures of $1.0 million on capital and $0.5 million on general and administrative expenses in 2013.

GUIDANCE FOR 2014

The 2014 guidance provides information as to management's expectation for results of operations for 2014. Readers are cautioned that the 2014 guidance may not be appropriate for other purposes. The Company's expected results are sensitive to fluctuations in the business environment and may vary accordingly. This guidance contains forward-looking information and should be read in conjunction with the Company's disclosure under "Forward-Looking Information" included on the final page of the MD&A.

Production

	2014 Guidance	Year ended December 31, 2013
Barrels of oil equivalent per day	6,100 - 6,500	4,787

Pine Cliff is projecting productions volumes to average in 2014 between 6,100 boe/d and 6,500 boe/d, representing an increase of 32% over the 2013 average production (percent change based on the mid-point of the guidance). Pine Cliff's 2013 production was within its 2013 budgeted production range of 4,350 to 4,850 boe/d.

Capital Expenditures

	2014 Guidance	Year ended December 31, 2013
($000's)		
Total	13,600	11,813

Pine Cliff remains committed to an accretive acquisition program in 2014 while continuing to focus on maintaining a strong balance sheet, which includes minimal or no debt. Pine Cliff's Board of Directors has approved a 2014 capital program of $13.6 million, primarily to drill seven gross wells (1.9 net wells) in the Carrot Creek area in the latter half of 2014 and one gross well

(0.15 net well) in the Sundance area. In addition to the drilling program, Pine Cliff has identified two gross wells (1.6 net wells) in the Carrot Creek area for recompletions in 2014 and will spend approximately $3.0 million on facilities and optimization. This program is anticipated to be substantially less than the Company's estimated 2014 funds flow from operations, which remains dependent on natural gas prices.

Pine Cliff does not plan to spend any capital on its Minerals Division in 2014.

Strategy
It has been a busy and active year for Pine Cliff. Management is pleased with its progress to date and the assets that we have assembled provide Pine Cliff with significant opportunities for returns especially with the recovery of natural gas prices during the year. We will continue to aggressively pursue, evaluate, and when warranted, execute accretive business opportunities in 2014 and beyond.

SELECTED QUARTERLY FINANCIAL INFORMATION

	2013				2012			
($000s, unless otherwise indicated)	**Q4**	Q3 [1]	Q2	Q1 [2]	Q4 [3]	Q3	Q2	Q1 [4]
Average sales volumes (boe/d)	**6,443**	5,784	4,335	2,536	832	895	972	401
Operating netback ($/boe) [5]	**10.91**	7.32	10.75	10.26	11.94	13.36	11.78	13.11
Oil and gas sales	**12,621**	9,719	9,084	5,458	2,319	2,197	2,130	901
Oil and gas sales, net of royalties	**11,634**	8,595	8,546	4,584	1,894	1,824	1,735	750
Total revenue	**11,839**	8,783	8,727	5,346	2,752	1,824	1,735	750
Cash flow (deficiency) from operating activities	**6,631**	2,579	3,751	3,101	660	246	1,198	(331)
Funds flow (deficiency) from operations [6]	**5,564**	3,014	3,721	2,401	775	442	520	(35)
Per share - basic ($/share)	**0.03**	0.02	0.02	0.02	0.01	0.01	0.01	(0.00)
Per share - diluted ($/share)	**0.02**	0.02	0.02	0.02	0.01	0.01	0.01	(0.00)
Earnings (loss)	**3,531**	(709)	(183)	8,271	(862)	(472)	(450)	713
Per share - basic ($/share)	**0.01**	0.00	0.00	0.05	(0.01)	(0.01)	(0.01)	0.01
Per share - diluted ($/share)	**0.01**	0.00	0.00	0.05	(0.01)	(0.01)	(0.01)	0.01

[1] The results for Q3-2013 include the results of the Monogram Asset Acquisition for the period of July 24 to September 30, 2013 and the Additional Interests Acquisition for the 31 day period of August 30 to September 30, 2013.
[2] The results for Q1-2013 include the results of the Southern Assets Acquisition for the 40 day period of February 19 to March 31, 2013.
[3] The sales volumes for Q4-2012 includes the results of the Geomark Oil and Gas Assets for the 73 day period of October 19 to December 31, 2012.
[4] The results for Q1-2012 include the results of the Carrot Creek Assets for the 31 day period of March 1 to March 31, 2012.
[5] Operating netback is a non-IFRS measure calculated as the Company's oil and gas sales, less royalties and operating expenses, averaged over the boe production of the Company.
[6] Funds flow from operations is a non-IFRS measure that represents the total of funds provided by operating activities, before adjusting for changes in non-cash working capital.

Fourth quarter 2013 highlights
During the fourth quarter of 2013, Pine Cliff reports that it:

- Completed a common share issuance of 18.2 million shares for gross proceeds of $20.0 million;
- Achieved record oil and gas sales volumes of 6,443 boe/d as compared to 832 boe/d in the fourth quarter of 2012, mainly as a result of the acquisition of the Southern Assets;
- Achieved quarterly funds flow from operations of $5.6 million (fourth quarter of 2012 – funds flow from operations of $0.8 million), due to increased revenues from the Southern Assets and finance and dividend income, offset by higher royalties, operating, general and administration and interest expenses; and
- Realized quarterly earnings of $3.5 million (fourth quarter of 2012 – loss of $0.9 million), mainly a result of increased revenues from the Southern Assets.

SALES VOLUMES

Total sales volumes by product	Three months ended December 31 2013	2012	Year ended December 31 2013	2012
Natural gas (mcf)	**3,368,440**	356,947	**9,870,229**	1,331,359
Crude oil (bbls)	**4,751**	3,506	**23,520**	9,820
NGLs (bbls)	**26,562**	13,567	**78,988**	52,134
Barrels of oil equivalent	**592,720**	76,564	**1,747,546**	283,847
Oil and liquids weighting	**5%**	22%	**6%**	22%

Average daily sales volumes by product	Three months ended December 31 2013	2012	Year ended December 31 2013	2012
Natural gas (mcf/d)	**36,613**	3,880	**27,042**	3,638
Crude oil (bbls/d)	**52**	38	**64**	27
NGLs (bbls/d)	**289**	147	**216**	142
Total (boe/d)	**6,443**	832	**4,787**	775

Average daily sales volumes by property	Three months ended December 31 2013	2012	Year ended December 31 2013	2012
(boe/d)				
Carrot Creek	**874**	677	**855**	678
Sundance	**20**	72	**56**	76
Central Alberta	**174**	83	**130**	21
Southern Assets	**5,375**	-	**3,746**	-
Total	**6,443**	832	**4,787**	775

Pine Cliff's sales volumes increased by 674% in the fourth quarter of 2013 to 6,443 boe/d as compared to 832 boe/d in the fourth quarter of 2012. Pine Cliff's sales volumes increased by 518% in the year ended December 31, 2013 to 4,787 boe/d as compared to 775 boe/d in the year ended December 31, 2012. The significant increase was a result of the acquisition of the Central Alberta Assets on October 19, 2012, the Skope Acquisition on February 19, 2013, the Monogram Asset Acquisition on July 24, 2013 and the Additional Interest Acquisition on August 30, 2013. Pine Cliff experienced dew point issues on a portion of its Southern Assets in the fourth quarter of 2013. These issues were resolved in December 2013 and production in this area was restored. Additionally, extreme cold weather deferred some production as a result of freeze-offs.

Pine Cliff began operating its Carrot Creek Assets in the fourth quarter of 2012 and the Company is evaluating long-term optimization opportunities for its wells in this area. Pine Cliff began operating its Southern Assets in the third quarter of 2013 and is evaluating opportunities to minimize the production declines.

OPERATING AND CORPORATE NETBACKS

The components of the operating and corporate netback are summarized as follows:

	Three months ended December 31 2013	2012	Year ended December 31 2013	2012
($ per boe)				
Oil and gas sales	**21.29**	30.30	**21.11**	26.59
Royalties	**(1.67)**	(5.55)	**(2.02)**	(4.74)
Operating expenses	**(8.71)**	(12.81)	**(9.39)**	(9.42)
Operating netback	**10.91**	11.94	**9.70**	12.43
General and administrative expense	**(1.69)**	(11.86)	**(1.85)**	(7.34)
Interest and bank charges	**(0.25)**	(1.15)	**(0.20)**	(2.11)
Finance and dividend income	**0.28**	11.21	**0.75**	3.03
Corporate netback	**9.25**	10.14	**8.40**	6.01

Pine Cliff generated an operating netback of $10.91 and $9.70 per boe for the three months and year ended December 31, 2013, respectively, as compared to $11.94 and $12.43 per boe for the three months and year ended December 31, 2012, respectively. This reduction is a result of lower liquids weighting and lower operating expenses per boe offset by lower royalties per boe.

Overall, Pine Cliff generated a corporate netback of $9.25 and $8.40 per boe for the three months and year ended December 31, 2013, respectively, as compared to $10.14 and $6.01 per boe in the same periods of 2012.

OIL AND GAS SALES

	Three months ended December 31				Year ended December 31			
	2013		2012		**2013**		2012	
(000s, except per boe amounts)	**$**	**$ per boe**	$	$ per boe	**$**	**$ per boe**	$	$ per boe
Natural gas [1]	**11,082**	**3.30**	1,324	3.64	**30,063**	**3.04**	3,580	2.67
Crude oil	**458**	**96.33**	271	77.36	**2,189**	**93.08**	772	78.57
NGLs	**1,081**	**40.71**	724	55.37	**4,630**	**58.62**	3,195	61.28
Realized gain on risk management contract	**37**	**-**	-	-	**37**	**-**	-	-
Total sales	**12,658**	**21.29**	2,319	30.30	**36,919**	**21.11**	7,547	26.59

[1] Per unit values are expressed in $ per mcf.

Oil and gas sales increased by 446% from $2.3 million in the fourth quarter of 2012 to $12.7 million in the fourth quarter of 2013, reflecting increased sales volumes from the Skope acquisition that closed on February 19, 2013, the Monogram Acquisition that closed on July 24, 2013 and the Additional Assets Acquisition that closed on August 30, 2013.

Oil and gas sales increased by 389% from $7.5 million for the year ended December 31, 2012 to $36.9 million for the year ended December 31, 2013, reflecting increased sales volumes from the Skope acquisition that closed on February 19, 2013, the Monogram Acquisition that closed on July 24, 2013 and the Additional Assets Acquisition that closed on August 30, 2013.

The lower liquids weighting in 2013 resulted in a lower average overall realized price that was partially offset by an overall higher commodity price environment in 2013. Pine Cliff's realized price in the three months and year ended December 31, 2013 was $21.29 and $21.11 per boe, respectively, as compared to $30.30, and $26.59 per boe in the three months and year ended December 31, 2012, respectively.

Commodity prices and foreign exchange rates

Pine Cliff's financial results are significantly influenced by fluctuations in commodity prices, including price differentials. The following table shows select market benchmark 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.

	Q4-2013	Q3-2013	Q2-2013	Q1-2013	Q4-2012	Q3-2012	Q2-2012	Q1-2012
Natural gas								
NYMEX (US$/mmbtu) [1]	**3.63**	3.60	4.09	3.35	3.36	2.81	2.26	2.77
AECO (C$/mcf)	**3.52**	2.43	3.52	3.18	3.20	2.31	1.89	2.15
Crude oil								
WTI (US$/bbl)	**97.44**	105.82	94.22	94.37	88.18	92.22	93.49	102.93
Edmonton light (C$/bbl)	**86.75**	105.18	93.03	88.65	84.47	84.79	84.42	92.70
Foreign exchange								
C$/US$	**1.0498**	1.0385	1.0234	1.0089	0.9913	0.9948	1.0102	1.0012

[1] mmbtu is the abbreviation for millions of British thermal units. One mcf of natural gas is approximately 1.02 mmbtu.

The average NYMEX gas price in the United States has increased by 8% in the fourth quarter of 2013 as compared to the fourth quarter of 2012, while benchmark AECO natural gas prices in Canada increased by 10% in the same period. The differential between NYMEX and AECO reduced substantially in the fourth quarter of 2013. The natural gas market is facing tough structural challenges and Pine Cliff's short-term view is that there will be continued pressure on AECO gas prices and that the differential between NYMEX and AECO will remain volatile. To mitigate this risk, in the fourth quarter of 2013, Pine Cliff locked in the differential between NYMEX and AECO at US$0.36 per mmbtu for the months of November and December 2013 for approximately 40% of the Company's natural gas production. A derivative transaction of this nature exposes these Pine Cliff volumes to price fluctuations of the NYMEX price curve as opposed to the AECO price curve. The total realized gain on this risk management contract was $0.04 million. Prices differentials have continued to be volatile in the first few months of 2014 and may affect Pine Cliff's funds from operations and rates of return on its capital programs. Pine Cliff may consider taking steps to mitigate these risks and protect its strong financial position.

WTI oil prices averaged US$97.44 per bbl in the fourth quarter of 2013 as compared to US$88.18 per bbl in the fourth quarter of 2012. Canadian crude prices are based upon refiner postings at Edmonton, Alberta and are linked to WTI through transportation tariffs to common markets and the foreign exchange rate. In 2012, the price differentials between Edmonton light oil prices and WTI substantially increased, due in part to refinery outages and seasonal turnarounds as well as transportation capacity issues. The disconnect between the indices largely evaporated by the end of 2012. There remains potential for the price differentials to remain volatile in future periods. In the three months and year ended December 31, 2013, the realized price of Pine Cliff's oil was $96.33 and $93.08 per bbl, respectively, as a result of quality adjustments to the average posted Edmonton light crude oil price of $86.75 and $93.40 per bbl for the same periods, respectively.

Historically, the average price of NGLs has tracked the price of oil. However, beginning in the latter part of the second quarter of 2012, changes in the supply and demand for certain NGLs such as ethane, propane and butane affected the relationship between the price of NGLs and the price of oil. In the three months ended December 31, 2013, the realized price of Pine Cliff's NGLs was $40.71 per bbl, representing approximately 47% of the Edmonton light crude oil prices as compared to 68% in the year ended December 31, 2013.

ROYALTIES

	Three months ended December 31				Year ended December 31			
	2013		2012		**2013**		2012	
(000s, except per boe amounts)	**$**	**$ per boe**	$	$ per boe	**$**	**$ per boe**	$	$ per boe
Total	**988**	**1.67**	425	5.55	**3,523**	**2.02**	1,344	4.73
% of oil and gas sales	**8%**		18%		**10%**		18%	

Royalties for the three months and year ended December 31, 2013 were $1.67 and $2.02 per boe, respectively, as compared to $5.55 and $4.73 per boe for the three months and year ended December 31, 2012, respectively. As a percentage of oil and gas sales, royalties averaged 10% in 2013 (three months ended December 31, 2013 – 8%) as compared to 18% in 2012 (three months ended December 31, 2012 – 18%). The decrease in royalties on a per boe basis and as a percentage of oil and gas sales is due to a lower royalty rate on the Southern Assets, higher than anticipated royalty credits and lower royalty rates on newly drilled wells.

OPERATING EXPENSES

	Three months ended December 31				Year ended December 31			
	2013		2012		**2013**		2012	
(000s, except per boe amounts)	**$**	**$ per boe**	$	$ per boe	**$**	**$ per boe**	$	$ per boe
Operating expenses	**5,162**	**8.71**	981	12.81	**16,408**	**9.39**	2,676	9.42
% of oil and gas sales	**41%**		42%		**44%**		35%	

As compared to the same periods in 2012, operating expenses per boe decreased 32% and 1% in the three months and year ended December 31, 2013, respectively, to $8.71 and $9.39 per boe, respectively. The decrease is due to lower inherent operating expenses associated with the shallow gas Southern Assets as compared to the liquids rich Carrot Creek Assets.

Pine Cliff is committed to seeking ways to increase efficiencies in the field on its operated properties and is working with its partners on its non-operated to attempt to decrease the operating expenses per boe in future periods.

GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended December 31				Year ended December 31			
	2013		2012		**2013**		2012	
(000s, except per boe amounts)	**$**	**$ per boe**	$	$ per boe	**$**	**$ per boe**	$	$ per boe
Total	**1,000**	**1.69**	908	11.86	**3,234**	**1.85**	2,083	7.34
Less: non-recurring transaction costs	**-**	**-**	398	5.20	**194**	**0.11**	776	2.73
	1,000	**1.69**	510	6.66	**3,040**	**1.74**	1,307	4.60
% of oil and gas sales	**8%**		22%		**8%**		17%	

General and administrative expenses ("G&A"), excluding non-recurring transaction costs, decreased on a per boe basis to $1.74 per boe in the year ended December 31, 2013 as compared to $4.60 per boe in the year ended December 31, 2012. G&A expenses, excluding non-recurring transaction costs in the three months ended December 31, 2013 were $1.69 per boe as compared to $6.66

per boe in the same period of 2012. In the year ended December 31, 2013, Pine Cliff incurred $0.4 million of G&A related to its minerals division which has been included in the consolidated total above. On an absolute dollar basis, G&A has increased considerably due to the revitalized strategic focuses of the Company which has, most notably, increased costs for additional staff. To keep G&A at a low level, Pine Cliff shares some common expenses with Bonterra Energy Corp. ("Bonterra"), a related party.

In the year ended December 31, 2013, Pine Cliff incurred $0.2 million in transaction costs related to the acquisition of Skope, the Monogram Asset Acquisition and the Additional Interests Acquisition. The transaction costs are comprised of legal, accounting, consulting and regulatory expenses associated with those business transactions.

SHARE-BASED PAYMENTS

	Three months ended December 31				Year ended December 31			
	2013		2012		**2013**		2012	
(000s, except per boe amounts)	**$**	**$ per boe**	$	$ per boe	**$**	**$ per boe**	$	$ per boe
Total	**525**	**0.89**	467	6.10	**2,201**	**1.26**	983	3.46
% of oil and gas sales	**4%**		20%		**6%**		13%	

The Company has an equity settled stock-based compensation plan. Stock options are granted to certain officers, directors, employees and consultants, with the term and vesting period of the options granted being determined at the discretion of the Company's board of directors. An option's maximum term is five years.

In 2013, Pine Cliff granted stock options to purchase 5,268,000 common shares, at a weighted average exercise price of $1.05 per share. As at December 31, 2013, the Company had 14,478,000 stock options outstanding (December 31, 2012 – 10,240,000). In the three months and year ended December 31, 2013, Pine Cliff recorded share-based payment expense of $0.5 million and $2.2 million, respectively, (three months and year ended December 31, 2012 – $0.5 million and $1.0 million, respectively), related to the stock options issued. In the three months and year ended December 31, 2013, Pine Cliff incurred $0.03 million and $0.1 million, respectively, of share-based payment expense related to its minerals division, which has been included in the consolidated totals above.

DEPLETION AND DEPRECIATION

	Three months ended December 31				Year ended December 31			
	2013		2012		**2013**		2012	
(000s, except per boe amounts)	**$**	**$ per boe**	$	$ per boe	**$**	**$ per boe**	$	$ per boe
Oil and gas assets	**5,946**	**10.03**	829	10.83	**16,035**	**9.18**	2,823	9.95
Office furniture and equipment	**46**	**0.08**	-	-	**104**	**0.06**	-	-
Total	**5,992**	**10.11**	829	10.83	**16,139**	**9.24**	2,823	9.95
% of oil and gas sales	**47%**		36%		**44%**		37%	

Pine Cliff's depletion and depreciation expense decreased 7% and 8% on a per boe basis in the three months and year ended December 31, 2013, as compared to the same periods in 2012, respectively. The reduction in depletion and depreciation expense per boe in 2013 is a result of the Southern Assets, added in 2013, which realize a lower depletion rate per boe than the Carrot Creek Assets due to a higher reserve base.

FINANCE EXPENSES

	Three months ended December 31				Year ended December 31			
	2013		2012		**2013**		2012	
(000s, except per boe amounts)	**$**	**$ per boe**	$	$ per boe	**$**	**$ per boe**	$	$ per boe
Unwinding of the discounted value of decommissioning liabilities	**315**	**0.53**	16	0.21	**904**	**0.52**	46	0.16
Interest and bank charges	**147**	**0.25**	88	1.15	**353**	**0.20**	600	2.11
Total	**462**	**0.78**	104	1.36	**1,257**	**0.72**	646	2.28
% of oil and gas sales	**4%**		4%		**3%**		9%	

In the three months and year ended December 31, 2013, Pine Cliff incurred finance expenses of $0.5 million and $1.3 million, respectively, as compared to $0.1 million and $0.6 million in the three months and year ended December 31, 2012, respectively. Finance expenses in 2013 primarily relate to the unwinding of the discounted value of the decommissioning liabilities, which has increased as a result of the significant decommissioning liabilities associated with the Southern Assets. Conversely, finance expenses in 2012 predominately consist of interest on the related party note payable which was repaid on October 31, 2012, interest on Pine Cliff's revolving demand credit facility and bank charges incurred as a result of the implementation of the revolving demand credit facility. Interest expense in 2013 relates to interest on Pine Cliff's revolving demand credit facility, bank charges incurred as a result of increasing Pine Cliff's borrowing base on the revolving demand credit facility to $40.0 million and fees related to a letter of credit. Amounts drawn under the revolving demand credit facility are in the form of Canadian prime lending rate based loans, guaranteed notes or letters of credit. The revolving demand credit facility bears interest at the prime lending rate plus 0.75% per annum. Overall, Pine Cliff realized an effective interest rate of 3.75% for the year ended December 31, 2013.

FINANCE AND DIVIDEND INCOME

	Three months ended December 31				Year ended December 31			
	2013		2012		**2013**		2012	
(000s, except per boe amounts)	**$**	**$ per boe**	$	$ per boe	**$**	**$ per boe**	$	$ per boe
Finance income	**-**	**-**	731	9.55	**624**	**0.36**	731	2.58
Dividend income	**168**	**0.28**	127	1.66	**675**	**0.39**	127	0.45
Total	**168**	**0.28**	858	11.21	**1,299**	**0.75**	858	3.03
% of oil and gas sales	**1%**		37%		**4%**		11%	

Finance income in the year ended December 31, 2013 is mainly a result of interest received from the Skope Debt Purchase (December 31, 2012 – $0.73 million). During the period of November 9, 2012 to February 19, 2013, Pine Cliff collected 8.2% interest on the face value of debt, being $53.5 million, purchased from the financial institution. Pine Cliff received interest on the Skope Debt Purchase until February 19, 2013 at which time Pine Cliff became the sole shareholder of Skope and as a result the interest payments on the loan receivable ceased.

In the three months and year ended December 31, 2013, Pine Cliff received $0.2 million and $0.7 million, respectively, in dividends from its investment in Bonterra (December 31, 2012 – $0.1 million). The investment in Bonterra common shares was acquired through the Geomark Transaction.

INCOME TAXES

	Three months ended December 31				Year ended December 31			
	2013		2012		**2013**		2012	
(000s, except per boe amounts)	**$**	**$ per boe**	$	$ per boe	**$**	**$ per boe**	$	$ per boe
Deferred tax expense (recovery)	**(1,518)**	**(2.56)**	75	0.98	**(1,101)**	**(0.63)**	(1,329)	(6.77)
Total	**(1,518)**	**(2.56)**	75	0.98	**(1,101)**	**(0.63)**	(1,329)	(6.77)
% of oil and gas sales	**-12%**		3%		**-3%**		-18%	

During the fourth quarter of 2013, a deferred tax recovery of $1.5 million was recorded, as compared to a deferred tax expense of $0.08 million in the fourth quarter of 2012. Pine Cliff recognized a deferred tax recovery of $1.1 million in the year ended December 31, 2013, as compared to a deferred tax recovery of $1.3 million in the year ended December 31, 2012. The 2013 recovery is primarily related to temporary differences arising from the book basis of Pine Cliff's assets and liabilities relative to the tax basis.

Pine Cliff has approximately $195.4 million in tax pools at December 31, 2013 (December 31, 2012 – $39.4 million) available for future use as deductions from taxable income. The significant increase in tax pools is a result of tax pools that were acquired in the Skope acquisition.

EARNINGS

Year to date to year to date variance analysis:	
($000s)	
Loss for the year ended December 31, 2012	**(1,071)**
Price variance	(1,555)
Volume variance	30,890
Royalties	(2,179)
Operating expenses	(13,732)
General and administrative	(1,151)
Share-based payments	(1,218)
Depletion and depreciation	(13,316)
Finance expenses	(611)
Gain on disposal of exploration and evaluation assets	204
Gain on acquisition	14,161
Realized gain on risk management contract	37
Dividend income	548
Finance income	(107)
Deferred tax expense (recovery)	(228)
Impairment of investment	238
Earnings for the year ended December 31, 2013	**10,910**

In the year ended December 31, 2013, earnings increased by $12.0 million to $10.9 million as compared to the year ended December 31, 2012. The increase in earnings is mainly due to the non-cash gain of $14.2 million recognized on the acquisition of Skope and a positive volume variance resulting in increased oil and gas sales as a result of the acquisition of the Southern Assets. The positive variances were mainly offset by higher operating expenses, depletion and depreciation and deferred tax expense.

Other comprehensive earnings
Other comprehensive earnings relates to the increase and decrease in fair value of Pine Cliff's investment in Bonterra. At December 31, 2013, Pine Cliff's investment in Bonterra has a fair value of $11.1 million as compared to $9.3 million at December 31, 2012.

FUNDS FLOW FROM OPERATIONS

	Three months ended December 31		Year ended December 31	
	2013	2012	**2013**	2012
($000s, except per boe amounts)				
Earnings (loss)	**3,531**	(862)	**10,910**	(1,071)
Adjustments for:				
Share-based payments	**525**	467	**2,201**	983
Depletion and depreciation	**5,992**	829	**16,139**	2,823
Unwinding of the discount on decommissioning	**315**	16	**904**	46
Gain on disposal of exploration and evaluation assets	**(204)**	-	**(204)**	-
Gain on acquisition	**(3,044)**	**-**	**(14,161)**	-
Deferred tax expense (recovery)	**(1,518)**	75	**(1,101)**	(1,329)
Funds flow from operations	**5,564**	775	**14,700**	1,702
Funds flow from operations ($/boe)	**9.38**	10.12	**8.40**	6.00

Funds flow from operations, which represents cash flow from operating activities before changes in non-cash working capital was $5.6 million and $14.7 million in the three months and year ended December 31, 2013, respectively, as compared to $0.8 million and $1.7 million in the same periods of 2012, respectively. The increase in funds flow from operations in both periods is primarily due to the increase in activity of the Company with the acquisition of the Carrot Creek Assets and Southern Assets in addition to finance and dividend income.

SHARE CAPITAL

As of December 31, 2013, a total of 200,192,759 Pine Cliff shares were issued and outstanding. On June 19, 2013, Pine Cliff completed a short form prospectus offering and issued 28,500,000 Pine Cliff shares at a price of $0.88 for gross proceeds of $25.1 million. On October 17, 2013, Pine Cliff completed a short form prospectus offering and issued 18,200,000 Pine Cliff shares at a price of $1.10 for gross proceeds of $20.0 million. During 2013, Pine Cliff issued 161,000 common shares as a result of stock option exercises.

ADDITIONS TO PROPERTY AND EQUIPMENT AND EXPLORATION AND EVALUATION ASSETS

($000s)	**Year ended December 31, 2013**	Year ended December 31, 2012
Exploration and evaluation assets - oil and gas division	**170**	92
Exploration and evaluation assets - minerals division	**990**	248
Oil and gas assets	**10,468**	1,961
Furniture and office equipment	**185**	3
Acquistions	**94,348**	32,007
Dispositions	**(1,202)**	-
Capitalized asset retirement costs	**5,148**	169
Total	**110,107**	34,480

In the year ended December 31, 2013, Pine Cliff added $110.1 million in capital assets to its balance sheet as compared to $34.5 million in the year ended December 31, 2012. The Skope Acquisition, the Monogram Asset Acquisition and the Additional Interests Acquisition included property, plant and equipment of $89.7 million and exploration and evaluation assets of $4.7 million.

Pine Cliff participated in one gross oil well (0.30 net) in December 2012 in the Rock Creek zone which was brought on production in April 2013. Pine Cliff participated in one gross gas well drill (0.1875 net) in January 2013 in the Wilrich zone which was brought on production in March 2013. The initial flow rates from the Wilrich gas well were disappointing and Pine Cliff and its partners chose to shut in the well in May 2013 and continue to review their alternatives for this well. Pine Cliff participated in one Lower Manville gas well drill (0.25 net) in August 2013 which was brought on production on November 1, 2013 and drilled one gross (1.0 net) Wilrich gas well in September 2013 on lands acquired in a farm-in deal, which was brought on production on November 15, 2013. During 2013, Pine Cliff also acquired a section of prospective land at a crown land sale, installed a choke plant on its Southern Assets and recompleted an existing wellbore targeting a secondary zone and successfully reworked an underperforming well.

Minerals division

As part of its Minerals Division, Pine Cliff spent $1.0 million during the year to complete the first and second phases of the drilling program on the King's Canyon gold property in Utah that was initiated in 2012. On December 18, 2013 Pine Cliff exercised its option to purchase a 100% interest on a claim block (which includes the historical, but presently non-compliant National Instrument 43-101 *Standards for Disclosure for Mineral Projects*, 200,000 ounces of gold mineral resource in the Crown Zone). The Option was purchased for US$0.2 million after negotiating a reduced purchase price from the original US$1.0 million exercise price. Additional exploration activities will be necessary to justify a commercially viable heap leach project and due to the current low price of gold, the Company does not plan to incur any further capital expenditures on the property in 2014.

On December 18, 2013, Pine Cliff entered into an option agreement with Nighthawk for the disposition of its Kim gold property, located approximately 200 kilometers north of the City of Yellowknife, Northwest Territories. Pine Cliff received a 2.5% net smelter royalty (of which 1.5% can be repurchased by Nighthawk for $1.5 million) and $1.6 million, with payments to be spread out over the next three years. The first payment of $0.3 million was received on December 18, 2013 ($0.1 million cash and 1,768,345 common shares of Nighthawk). Nighthawk will not earn an interest in the property until all amounts have been paid. At the sole option of Nighthawk, one-half of the payments may be satisfied by issuing common shares, which are listed and posted for trading on a recognized stock exchange in Canada.

RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of the consideration established and agreed to by the related parties.

Related party note payable

On February 28, 2012, the Company's Executive Chairman of the Board and major shareholder loaned the Company $7.0 million. The promissory note bore interest at 5% per annum and was repayable on August 31, 2013 or at any time prior to that without penalty. Security under the promissory note was over all of the Company's assets and was subordinated to any and all claims in favour of the lender providing a credit facility to the Company. On October 31, 2012, Pine Cliff repaid the entire amount of the promissory note plus interest. Interest paid on this note during the year ended December 31, 2012 was $0.2 million.

Management services agreement

Pine Cliff has a management services agreement with Bonterra, an oil and gas corporation that is publicly traded on the Toronto Stock Exchange with some common directors and management, to provide executive services, technical services, accounting services, oil and gas administration and office administration for Pine Cliff. Total fees for each of the years ended December 31, 2013 and 2012 were $0.06 million, plus certain administrative costs. The management services agreement may be cancelled by either party with 90 days notice. As at December 31, 2013, Pine Cliff owed Bonterra $0.2 million (December 31, 2012 – $0.05 million).

Investment in Bonterra

As at December 31, 2013, Pine Cliff owns 204,633 common shares in Bonterra (December 31, 2012 – 204,633) representing less than 1% of the outstanding shares of Bonterra at that date. The shares, as of December 31, 2013, have a fair value of $11.1 million (December 31, 2012 – $9.3 million). For the year ended December 31, 2013, Pine Cliff received dividend income of $0.7 million from this investment (December 31, 2012 – $0.1 million).

Loan to Bonterra

At the time of the business combination with Geomark, Geomark had loaned Bonterra a total of $20.0 million. The loan was secured and bore interest at Canadian chartered bank prime less 5/8 of a percent and had no set repayment terms. Security under the debenture was over all of Bonterra's assets and was subordinated to any and all claims in favour of Bonterra's syndicate of senior lenders providing credit facilities to Bonterra. The loan was payable upon demand subject to availability under Bonterra's line of credit. Pine Cliff demanded the repayment of the entire loan balance on November 6, 2012 and the loan plus accrued interest was repaid on November 9, 2012. There was a nominal amount of interest earned on the loan between October 19, 2012 and November 9, 2012.

Business Combination with Geomark

On October 19, 2012 Geomark and Pine Cliff combined their operations pursuant to an arrangement agreement. Geomark had some common directors and some common management with Pine Cliff. At the time of the Geomark Transaction, Geomark owned 432,812 common shares of Pine Cliff which were subsequently sold in the public market for a loss on sale of investment of $0.03 million, net of tax.

LIQUIDITY

Liquidity describes a company's ability to access cash. Growth companies operating in the upstream oil and gas business, such as Pine Cliff, require sufficient cash to fund exploration and development projects, to increase production and reserves, to acquire strategic oil and gas assets and to repay debt.

The following table highlights Pine Cliff's sources and uses of cash for the three months and years ended December 31, 2013 and 2012:

	Three months ended December 31		Year ended December 31	
	2013	2012	**2013**	2012
($000s)				
Funds flow from operations	**5,564**	775	**14,700**	1,702
Bank debt proceeds (repayment)	**(20,285)**	(8,881)	**(2,837)**	3,037
Proceeds from related party note payable	**-**	-	**-**	7,000
Repayment of related party note payable	**-**	(7,000)	**-**	(7,000)
Purchase of term deposit	**-**	-	**(21,500)**	-
Maturity of term deposit	**-**	-	**21,500**	-
Issuance of common shares, net of share issue costs	**18,992**	5,545	**42,699**	8,430
Restricted cash	**-**	(33)	**-**	(33)
Exercise of stock options	**21**	-	**67**	-
Disposition of exploratio and evaluation assets	**125**	-	**125**	-
Purchase of loan receivable	**-**	(28,000)	**-**	(28,000)
Loan to a related party from acquisition	**-**	20,000	**-**	20,000
Cash from acquisitions	**-**	19,887	**1,477**	19,887
Changes in non-cash working capital	**(487)**	273	**(203)**	504
Increase in cash	**(985)**	(817)	**(488)**	(540)
Total capital expenditures, including acquisitions	**2,945**	1,749	**55,540**	24,987
Capital expenditures, including acquisitions:				
Oil and gas division	**2,750**	1,501	**54,550**	24,739
Mining division	**195**	248	**990**	248

In 2013, Pine Cliff funded its capital expenditures from funds flow from operations and funds raised through two issuances of shares completed in the second and fourth quarters for a combined total of $45.1 million ($42.7 million net of share issue costs). The existing banking arrangements at December 31, 2013 are comprised of a revolving demand credit facility in the amount of $40.0 million, of which $0.2 million is drawn at December 31, 2013. The current revolving period will end on March 31, 2014 and if the revolving demand credit facility is not renewed any amounts owing will become payable in full on demand. Pine Cliff also has a $4.9 million letter of credit issued against its revolving term credit facility in connection with is limited liability rating in the Province of Saskatchewan. The Company was in compliance with its quantitative bank debt covenants during the year ended December 31, 2013 and will take steps to ensure that it remains in compliance with its covenants in future periods and anticipates renewing the credit facility at the end of the revolving period.

Funds flow from operations and the unused portion of the credit facility will allow Pine Cliff to meet its short-term financial liabilities, as well as future capital requirements, at a reasonable cost. The Company believes it has sufficient funding and access to capital to meet its obligations as they come due and, if required, will consider additional short-term financing or issuing equity in order to meet its future liabilities.

Working capital is calculated as current assets minus current liabilities and represents the ability of a company to satisfy both maturing short-term debt and upcoming operational expenses. The capital intensive nature of the oil and gas business may result in working capital deficiencies from time to time. Pine Cliff manages its working capital ratio to ensure that it has sufficient unused funds under its credit facility and access to capital to accommodate such circumstances. Additionally, the revolving demand credit facility requires Pine Cliff to maintain a working capital ratio, computed as current assets less current liabilities, excluding the current portion of bank debt and inclusive of unused funds under the credit facility, of greater than 1:1. As at December 31, 2013, the Company had working capital of $13.6 million (December 31, 2012 –$35.1 million).

COMMITMENTS AND CONTINGENCIES

In the normal course of business, Pine Cliff has entered into arrangements and incurred obligations that will impact the Company's future operations and liquidity. The maturity dates of the Company's commitments are as follows:

($000s)	Total	< 6 months	6 - 12 months	> 12 months
Trade and other payables	8,579	8,579	-	-
Bank loan - principal	200	200	-	-
Bank loan - future interest	4	4	-	-
Total commitments and contingencies	8,783	8,783	-	-

OFF BALANCE SHEET TRANSACTIONS

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company faces both financial and non-financial risks inherent in the oil and gas business. Financial risks include: commodity price risk, foreign exchange risk, interest rate risk, and credit risk. 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. In the remainder of this section, the principal risks and how they have been addressed will be discussed.

Commodity Price Risk

In principle, management and the board of directors believe that Pine Cliff's shareholders buy its shares for, among other reasons, the opportunity to benefit from increases in commodity prices. Therefore, whenever possible, management and the board of directors will implement commodity price risk management strategies which do not remove this opportunity for shareholders, specifically Pine Cliff may purchase put options which set floors for such indices as WTI and AECO. There will be times when management and the board of directors believe that Pine Cliff's liquidity may be insufficient to acquire the level and type of protection considered ideal, or that Pine Cliff requires liquidity for other more immediate opportunities to create value, and in those instances Pine Cliff may consider alternatives such as collars or swaps. Pine Cliff monitors its commodity price risk and will continue to evaluate its risk and potential program on a regular basis. The use of derivative instruments is governed under formal policies and is subject to limits established by the board of directors and the revolving credit facility.

Foreign Exchange

Of the financial risks which can be managed through the use of financial instruments, foreign exchange is second in importance to commodity prices. Most of this exposure is related to the revenues, which are directly or indirectly (in the case of natural gas), affected by the rate of exchange between Canadian dollars and US dollars. When the Canadian dollar is relatively strong, as it has been recently, Pine Cliff's revenue stream as expressed in Canadian dollars is adversely impacted.

The Canadian dollar has become a petro-currency as it tends to move in accordance with the variance in international crude prices denominated in US dollars. As a result, for a company with Canadian dollar as its reporting currency, the exchange rate has become a dampening factor for variance in commodity prices. As crude prices strengthen, for example, the currency tends to strengthen as well, which offsets at least in part the benefit of the increase in the commodity price. Conversely, the negative impact of falling prices can be reduced to the extent that the exchange rate weakens in harmony.

Foreign exchange risk can be managed through financial instruments such as forward foreign exchange contracts, cross-currency swaps, and various types of options strategies. Pine Cliff continues to review its overall financial outlook with the board of directors.

Interest Rates

Interest rates are third in the hierarchy of risks to oil and gas companies which can be managed through financial instruments and they tend to be a material consideration only for companies with significant leverage. In Pine Cliff's case, management will balance its free funds flow from operations to capital expenditures in order to minimize amounts outstanding on the revolving credit facility.

If interest rates applicable to Pine Cliff's bank debt at December 31, 2013 were to have increased or decreased by one percent it is estimated that Pine Cliff's annual funds flow from operations would decrease or increase, respectively, by less than $0.1 million. We have not seen this risk as sufficiently material to warrant an active program of risk management in the short-term.

Credit Risk
Credit risk is the risk that Pine Cliff will suffer a financial loss as a result of counterparty default under a financial or commercial arrangement. Examples include failure of a financial institution to honor obligations under a financial instrument, or failure of a purchaser of Pine Cliff's hydrocarbon production to meet its obligations to pay Pine Cliff for the production. Additionally, a joint venture partner might be unable to fund its commitments to a capital program with which Pine Cliff wishes to proceed; however, this risk is limited due to Pine Cliff's high working interest properties. Accounts receivable, cash and cash equivalents, and derivative financial instruments are subject to credit risk exposure and the carrying values reflect management's assessment of the associated maximum exposure to such credit risk.

With respect to Pine Cliff's product sales, its exposure is short-term in nature as the Company generally receives payment, in accordance with industry practices, on the 25th day of the month following production. Pine Cliff's contractual arrangements are with reputable and creditworthy counterparties, are short-term in nature, and do not include fixed prices, which helps to further mitigate risk. Pine Cliff is in active discussions with other counterparties of comparable credit quality to diversify as its production base grows and the Company's potential requirements for risk management services increases.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to generate enough cash or obtain financing to meet its financial obligations as they come due. Companies operating in the upstream oil and gas industry require sufficient cash in order to fund capital programs necessary to maintain and increase production and proved reserves, to acquire strategic oil and gas assets and to repay debt. Pine Cliff actively maintains a revolving term credit facility to ensure it has sufficient funds available to meet its financial liabilities, as well as its capital requirements, at a reasonable cost. The existing banking arrangements at December 31, 2013 consist of a revolving term credit facility of $40 million of which $0.2 million is drawn. Pine Cliff also has a $4.9 million letter of credit issued against its revolving term credit facility in connection with is limited liability rating in the Province of Saskatchewan. The Company will consider issuing equity in order to meet future capital requirements or fund acquisitions, if required. Management believes it has sufficient funding to meet its obligations as they come due.

Pine Cliff will prudently manage our liquidity position, and the Company has designed its capital program to be scalable in the sense that capital can be deferred into future years, if required. In this regard, Pine Cliff monitors its liquidity position relative to budget monthly and in a detailed formal review quarterly. As at the date of this MD&A, Pine Cliff is in line with respect to our funding capacity target levels.

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 designed 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.

Reserves
The Company retains independent reserve evaluators and had 100% of the reserves reviewed. The methodologies used assess the certainty of recovery on reserve categories under National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). As per NI 51-101, there is a 90% probability of attaining proven reserves and a 50% probability of attaining the proven plus probable reserves assigned. The Company plans to fund additional drilling and infrastructure expenditures from internal funds flows from operations, as well as its credit facility, in order to achieve the reserve assignments. There remains a probability that for technical or economic reasons, the reserves assigned may not be attained. In our case, Pine Cliff believes the risk is moderate to low as we are operating in well-established environments. As with operational risk, however, Pine Cliff again cautions investors that reserve risk is endemic and cannot be eliminated.

Environmental and Regulatory Risks
Both the oil and gas and mining industries activities entail numerous environmental impacts which can be detrimental. Even normal operations can generate carbon emissions. Wells can blow out, or pipelines can fail with consequent contamination of soil, air, and water. Some of Pine Cliff's wells produce natural gas with a high content of hydrogen sulphide, which is poisonous and can be fatal, thus requiring the highest standards of operational responsibility and emergency response practices and procedures.

The industries are subject to extensive environmental legislation and regulations at Federal, Provincial, and Municipal levels. Thus, the Company is at risk not only to the cost of the incidents themselves, but to various sanctions which can be imposed by governments or government instrumentalities. The Company fully expects that environmental legislation and regulations will become only stricter over time, and that the costs of compliance will grow. The international, and domestic, debate upon controls of greenhouse gas emissions will continue, with unpredictable but potentially material consequences for the industry.

To mitigate environmental risk the Company conducts its operations to ensure compliance with government regulations and guidelines. Monitoring and reporting programs for environmental health and safety performance in day-to-day operations, as well as inspections and assessments, are designed to provide assurance that environmental and regulatory standards are met.

Staffing
Pine Cliff functions in a very competitive environment for professional staff, and this staff is key to our ultimate success. Recognizing this, our board of directors approved a competitive compensation program including: bonuses based on the annual performance of the Company, benefits and a stock option program to provide for long-term incentive and retention.

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.

Fiscal Environment
The oil and gas and minerals industry 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. The 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 royalty regime in Alberta and Saskatchewan and corresponding changes in the royalty regimes in other jurisdictions where Pine Cliff may operate has created uncertainty surrounding the ability to accurately estimate future 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 geographic diversification.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgments, assumptions and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses for the period reported. The significant accounting policies used by the Company are disclosed in the notes to the consolidated financial statements. 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 estimates.

Reserves base
Oil and gas property and equipment is depreciated on a unit of production basis at a rate calculated by reference to proved and probable reserves determined in accordance with NI 51-101 and incorporating the estimated future development costs associated with extracting those reserves. Proved and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of oil, natural gas and NGLs which geological, geophysical and engineering data demonstrate with a degree of certainty to be recoverable in future years from reservoirs and which are considered commercially producible. The level of estimated reserves is also a key determinant in assessing whether the carrying value of any of the Company's property and equipment has been impaired.

Impairment Indicators and Discount Rate
The recoverable amounts of the Company's cash generating units and individual assets have been determined based on the higher of the present value of value-in-use calculations and discounted fair values less costs to sell. These calculations require the use of estimates and assumptions, including the discount rate. It is reasonably possible that the commodity price assumptions may change, which may then impact the estimated life of the field and economical reserves recoverable and may then require a material adjustment to the carrying value of property and equipment. The Company monitors internal and external indicators of impairment relating to its tangible assets.

Decommissioning Costs
Decommissioning costs will be incurred by the Company at the end of the operating life of the Company's facilities and properties. The ultimate decommissioning costs 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 risk-free discount rate. The expected timing and amount of expenditure 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.

Income Taxes
The Company recognizes the net future tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

Business Combinations
Business combinations are viewed from the acquirer's perspective and it is assumed that one of the parties can be identified as the acquirer. The determination of the acquirer requires judgment as to which entity has obtained control or the power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities. A judgment is reached through a combination of quantitative and qualitative factors.

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

The accounting policies and method of computation followed in the preparation of the Financial Statements are the same as those followed in the preparation of Pine Cliff's 2012 Annual Financial Statements, except for the adoption of new standards and interpretations effective as of January 1, 2013.

The nature and impact of each new standard or amendment is described below:

IFRS 10 *Consolidated Financial Statements* ("IFRS 10"), IAS 28 *Investments in Associates and Joint Ventures* ("IAS 28"), IFRS 11 *Joint Arrangements* ("IFRS 11") and IFRS 12 *Disclosure of Interests in Other Entities* ("IFRS 12") - As disclosed in the 2012 Annual Financial Statements, effective January 1, 2013, the Company adopted, as required, IFRS 10, IAS 28 and IFRS 12. Pine Cliff reviewed its consolidation methodology and determined that the adoption of IFRS 10 did not result in a change in the consolidation status of its subsidiaries.

Under IFRS 11, interests in joint arrangements are classified as either joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. Pine Cliff performed a review of its interest in other entities and did not identify any significant interests for which it shares joint control.

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The adoption of IFRS 12 and IAS 28 did not result in any changes to disclosures.

IFRS 13 *Fair Value Measurement* ("IFRS 13") - Effective January 1, 2013, the Company adopted, as required, IFRS 13 and applied the standard prospectively as required by transitional provisions. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. There has been no change to Pine Cliff's methodology for determining the fair value for its financial assets and liabilities and, as such, the application of IFRS 13 has not resulted in any adjustments to the fair value measurements carried out by the Company. The disclosures related to fair value measurement can be found in Note 17 to the consolidated financial statements.

IAS 1 *Presentation of Financial Statements* ("IAS 1") **-** Effective January 1, 2013, the Company applied the amendment to IAS 1 requiring items within other comprehensive earnings to be grouped into two categories: items that will not be subsequently reclassified to earnings or loss and items that may be subsequently reclassified to earnings or loss when specific conditions are met. The amendment has been applied retrospectively and, as such, the presentation of items in other comprehensive earnings has been modified. The application of IAS 1 did not result in any adjustments to other comprehensive earnings or accumulated other comprehensive income.

IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7") - Effective January 1, 2013, the Company complied with the amended disclosure requirements, regarding offsetting financial assets and financial liabilities, found in IFRS 7, *Financial Instruments: Disclosures* issued in December 2011. The compliance of this amended did not have an impact on the Company's consolidated financial statements.

Future accounting pronouncements

The IASB intends to replace IAS 39, *Financial Instruments*: *Recognition and Measurement* ("IAS 39") with IFRS 9, *Financial Instruments* ("IFRS 9"). IFRS 9 will be published in three phases, of which two phases have been published. Phases one and two address accounting for financial assets and financial liabilities, and hedge accounting, respectively. The third phase will address impairment of financial instruments.

A mandatory effective date for IFRS 9 in its entirety will be announced when the project is closer to completion. Early adoption of the two completed phases is permitted only if adopted in their entirety at the beginning of a fiscal period. The Company is currently evaluating the impact of adopting IFRS 9 on the Financial Statements.

IAS 32 *Financial Instruments: Presentation* - in December 2011, the IASB issued amendments to clarify certain of the criteria required to be met in order to permit the offsetting of financial assets and financial liabilities. The standard is required to be adopted retrospectively for periods beginning January 1, 2014. Adoption of this standard is not expected to have a significant impact on the Financial Statements.

IAS 39 *Financial Instruments: Recognition and Measurement* - in June 2013, the IASB issued amendments to IAS 39 under which there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application being permitted. Adoption of this standard is not expected to have a significant impact on the Financial Statements.

IAS 36 *Impairment of Assets* ("IAS 36") - in May 2013, the IASB issued amendments to IAS 36 that require retrospective application and was adopted by the Company for periods beginning on or after January 1, 2014. The Company is currently assessing the impact the adoption of these amended standards will have on the Financial Statements.

SUBSEQUENT EVENTS

Subsequent to December 31, 2013, Pine Cliff granted 300,000 stock options to an employee with an exercise price of $1.04 per share, based on the market price immediately preceding the date of grant. The options vest between one and three years and expire between July 2, 2015 and July 2, 2017.

Subsequent to December 31, 2013, Pine Cliff issued 865,000 common shares to employees as a result of stock option exercises completed at a weighted average exercise price of $0.62.

NON-IFRS MEASURES

This MD&A uses the terms "funds flow from operations", "operating netbacks" and "net debt" which are not recognized 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, as well as to assess potential acquisitions.

The Company considers funds flow from operations 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. Funds flow from operations and funds flow from operations per share should not be considered as an alternative to, or more meaningful than, cash flow from operating activities as per the statement of cash flows which is considered the most directly comparable measure under IFRS. Funds flow from operations is calculated as cash flow from operating activities before changes in non-cash working capital. Funds flow from operations per share is calculated using the same weighted average number of shares outstanding as in the case of the earnings per share calculation for a reporting period.

	Three months ended December 31		Year ended December 31	
	2013	2012	**2013**	2012
($000s)				
Cash flow from operating activities	**6,631**	660	**16,062**	1,773
Less:				
Change in non-cash working capital	**1,067**	(115)	**1,362**	71
Funds flow from operations	**5,564**	775	**14,700**	1,702

The Company considers operating netback to be a key indicator of profitability relative to current commodity prices. Operating netback and operating netback per boe are calculated as oil and gas sales, less royalties and operating expenses on an absolute and a per boe basis, respectively.

Net debt is a term used in the context of liquidity in this MD&A. Net debt is the total of bank debt and trade and other payables, less trade and other receivables, cash, prepaid expenses and deposits and liquid investments. There is no IFRS measure that is reasonably comparable to net debt.

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 development, results and events which will or may occur in the future, constitute "forward-looking information" within the meaning of applicable Canadian securities legislation and are based on certain assumptions and analysis made by us derived from our experience and perceptions. Forward-looking information in this MD&A includes, but is not limited to: expected production levels; future capital expenditures, including the amount and nature thereof; oil and natural gas prices and demand; expansion and other development trends of the oil and natural gas industry; business strategy and outlook; expansion and growth of our business and operations; maintenance of existing customer, supplier and partner relationships; supply channels; accounting policies; credit risks; 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 operations to meet current and future obligations; increased competition; stock market volatility; opportunities available to or pursued by us; and other factors, many of which are beyond our control. The foregoing factors are not exhaustive.

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

The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

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

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

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

"Signed"

Robb D. Thompson, Chief Financial Officer and Secretary

"Signed"

Philip B. Hodge, President and Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Pine Cliff Energy Ltd.

We have audited the accompanying consolidated financial statements of Pine Cliff Energy Ltd., which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of earnings (loss), consolidated statements of comprehensive earnings (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pine Cliff Energy Ltd. as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"Signed"

Chartered Accountants
March 20, 2014
Calgary, Canada

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

	Note	**As at December 31, 2013**	As at December 31, 2012
ASSETS			
Current assets			
Cash		**1,305**	817
Trade and other receivables		**9,217**	3,499
Prepaid expenses and deposits		**591**	193
Loan receivable	4	**-**	28,000
Investments	5	**11,287**	9,418
Total current assets		**22,400**	41,927
Exploration and evaluation assets	6	**7,415**	2,790
Property, plant and equipment	7	**120,016**	30,673
Restricted cash		**33**	33
Goodwill	8	**3,535**	3,535
Deferred taxes	9	**27,087**	1,731
Total assets		**180,486**	80,689
LIABILITIES			
Current liabilities			
Trade and other payables	10	**8,579**	3,813
Bank debt	11	**200**	3,037
Total current liabilities		**8,779**	6,850
Decommissioning liabilities	12	**42,685**	2,818
Total liabilities		**51,464**	9,668
SHAREHOLDERS' EQUITY			
Share capital	13	**127,002**	83,542
Contributed surplus		**3,856**	1,749
Accumulated other comprehensive earnings		**1,567**	43
Deficit		**(3,403)**	(14,313)
Total shareholders' equity		**129,022**	71,021
Total liabilities and shareholders' equity		**180,486**	80,689

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

The consolidated financial statements were approved by the Board of Directors and signed on its behalf by:

"Signed" "Signed"

George F. Fink, Director F. William Woodward, Director

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
(Canadian dollars, 000s except per share data)

	Note	Year ended **December 31, 2013**	December 31, 2012
Oil and gas sales		**36,882**	7,547
Royalties		**(3,523)**	(1,344)
Realized gain on risk management contract		**37**	-
Dividend income	5	**675**	127
Finance income	14	**624**	731
REVENUE		**34,695**	7,061
EXPENSES			
Operating		**16,408**	2,676
General and administration	15	**3,234**	2,083
Depletion and depreciation	7	**16,139**	2,823
Share-based payments	13	**2,201**	983
Impairment of investment		**12**	250
Finance expenses	14	**1,257**	646
Total expenses		**39,251**	9,461
Loss before other income and income taxes		**(4,556)**	(2,400)
Gain on disposal of exploration and evaluation assets	6	**204**	-
Gain on acquisition	4	**14,161**	-
Earnings (loss) before income taxes		**9,809**	(2,400)
Deferred tax expense (recovery)		**(1,101)**	(1,329)
EARNINGS (LOSS) FOR THE YEAR		**10,910**	(1,071)
Earnings (loss) per share ($)	13		
Basic		**0.06**	(0.01)
Diluted		**0.06**	(0.01)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)
(Canadian dollars, 000s)

	Year ended **December 31, 2013**	December 31, 2012
Earnings (loss) for the year	**10,910**	(1,071)
OTHER COMPREHENSIVE EARNINGS (LOSS)		
Unrealized gain (loss) on investments	**1,748**	(46)
Deferred taxes on unrealized gain (loss) on investments	**(224)**	6
Impairment of investment transferred to net earnings (loss)	**-**	250
Deferred taxes on impairment of investment transferred to earnings (loss)	**-**	(31)
OTHER COMPREHENSIVE EARNINGS (LOSS) FOR THE YEAR, NET OF TAX	**1,524**	179
TOTAL COMPREHENSIVE EARNINGS (LOSS) FOR THE YEAR	**12,434**	(892)

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

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

	Note	Year ended December 31, 2013	December 31, 2012
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Earnings (loss) for the year		**10,910**	(1,071)
Items not affecting cash:			
Share-based payments		**2,201**	983
Depletion and depreciation		**16,139**	2,823
Finance expenses		**1,257**	646
Gain on disposal of exploration and evaluation assets		**(204)**	-
Gain on acquisition	4	**(14,161)**	-
Deferred tax recovery		**(1,101)**	(1,329)
Impairment of investment		**12**	250
Changes in non-cash working capital accounts	18	**1,362**	71
Interest and bank charges paid		**(353)**	(600)
Cash provided by operating activities		**16,062**	1,773
INVESTING ACTIVITIES			
Expenditures on property and equipment	7	**(10,653)**	(1,963)
Expenditures on exploration and evaluation assets	6	**(1,160)**	(340)
Acquisitions, net of working capital acquired	4	**(42,250)**	(22,684)
Disposition of exploration and evaluation assets		**125**	-
Purchase of loan receivable	4	**-**	(28,000)
Purchase of term deposit		**(21,500)**	-
Maturity of term deposit		**21,500**	-
Cash and cash equivalents from acquisition	4	**-**	19,887
Restricted cash		**-**	(33)
Changes in non-cash working capital accounts	18	**(1,505)**	433
Cash used in investing activities		**(55,443)**	(32,700)
FINANCING ACTIVITIES			
Issuance of common shares, net of share issue costs	13	**42,699**	8,430
Exercise of stock options		**67**	-
Proceeds from related party note payable	5	**-**	7,000
Repayment of related party note payable	5	**-**	(7,000)
Bank debt		**(2,837)**	3,037
Repayment of loan from related party	4	**-**	20,000
Changes in non-cash working capital accounts	18	**(60)**	-
Cash provided by financing activities		**39,869**	31,467
Increase in cash		**488**	540
Cash - beginning of year		**817**	277
CASH - END OF YEAR		**1,305**	817

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Canadian dollars, 000s)

	Note	Share capital	Contributed surplus [1]	Accumulated other comprehensive earnings [2]	Deficit	Total equity
BALANCE AT JANUARY 1, 2012		**14,819**	**766**	**(136)**	**(13,242)**	**2,207**
Shares issued pursuant to a rights offering	13	1,961	-	-	-	1,961
Shares issued pursuant to a private placements	13	6,600	-	-	-	6,600
Shares issued to Geomark shareholders	4	60,508	-	-	-	60,508
Share issue costs, net of tax	13	(312)	-	-	-	(312)
Comprehensive earnings (loss) for the year		-	-	179	(1,071)	(892)
Share-based payments	13	-	983	-	-	983
Cancellation of shares		(280)	-	-	-	(280)
Issuance of shares		246	-	-	-	246
BALANCE AT DECEMBER 31, 2012		**83,542**	**1,749**	**43**	**(14,313)**	**71,021**
Issuance of shares	13	45,100	-	-	-	45,100
Share issue costs, net of tax	13	(1,801)	-	-	-	(1,801)
Comprehensive earnings for the year		-	-	1,524	10,910	12,434
Share-based payments	13	-	2,201	-	-	2,201
Exercise of options	13	161	(94)	-	-	67
BALANCE AT DECEMBER 31, 2013		**127,002**	**3,856**	**1,567**	**(3,403)**	**129,022**

[1] Contributed surplus is comprised of share-based payments.
[2] Accumulated other comprehensive earnings is comprised of unrealized gains and losses on available-for-sale investments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2013 and 2012 and for the years then ended
(all tabular amounts in Canadian dollars 000s, unless otherwise indicated)

1. NATURE OF BUSINESS

Pine Cliff Energy Ltd. ("Pine Cliff" or the "Company") is a public company listed on the TSX Venture Exchange and incorporated under the Business Corporations Act (Alberta). The address of the Company's registered office is Suite 850, 1015 4th Street SW, Calgary, Alberta, T2R 1J4.

Pine Cliff is engaged in the exploration, development and production of oil and natural gas in the Western Canadian Sedimentary Basin and conducts many of its activities jointly with others; these consolidated financial statements (the "Financial Statements") reflect only the Company's proportionate interest in such activities. The Company is also involved in the exploration for precious metals through its subsidiaries.

2. BASIS OF PREPARATION

a) Statement of compliance
The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Financial Statements were authorized for issue by the Company's board of directors on March 20, 2014.

b) Basis of measurement
The Financial Statements have been prepared on a historical cost basis, except for certain financial instruments and share-based payment transactions which are measured at fair value.

c) Use of judgments and estimates
The timely preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities as at the date of the statement of financial position. Actual results could differ materially from estimated amounts and affect the results reported in the Financial Statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about significant areas of estimation uncertainty in applying accounting principles that have the most significant effect on the amounts recognized in the Financial Statements are included in the following notes:

Note 4 – Acquisitions
Note 6 – Valuation of exploration and evaluation assets ("E&E")
Note 7 – Valuation of property, plant and equipment ("PP&E")
Note 8 – Valuation of goodwill
Note 12 – Provisions for decommissioning costs
Note 13 – Measurement of share-based payments
Note 17 – Valuation of financial instruments

Judgments
In the process of applying Pine Cliff's accounting policies, judgments, apart from those involving estimates, have been made, of which the following may have the most significant effect on the amounts recognized in the Financial Statements:

Reserves base
PP&E assets 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* and incorporating the estimated future cost of developing and extracting those reserves. Proved and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainly to be recoverable in future years from known reservoirs and which are considered commercially producible. Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is 90% likely that the actual remaining quantities recovered will exceed the estimated proved reserves. Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved and probable reserves. The level of estimated reserves is a key determinant in assessing whether the carrying value of any of the Company's PP&E assets has been impaired.

Impairment indicators and discount rate

The recoverable amounts of Pine Cliff's cash generating units ("CGUs") and individual assets have been determined based on the higher of the present value of value-in-use calculations and discounted fair values less costs to sell. These calculations require the use of estimates and assumptions, including the discount rate. It is quite likely that the commodity price assumptions may change, which would then impact the estimated life of the field and economical reserves recoverable and may then require a material adjustment to the carrying value of PP&E. The Company monitors internal and external indicators of impairment relating to its tangible assets.

Decommissioning costs

Decommissioning costs will be incurred by the Company at the end of the operating life of the Company's facilities and properties. The ultimate decommissioning costs 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 risk-free discount rate. The expected timing and amount of expenditure 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.

Business combinations

Business combinations are viewed from the acquirer's perspective and it is assumed that one of the parties can be identified as the acquirer. The determination of the acquirer requires judgment as to which entity has obtained control or the power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities. A judgment is reached through a combination of quantitative and qualitative factors.

Income taxes

The Company recognizes the net deferred tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

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.

d) Presentation currency

The Company's functional and presentation currency is the Canadian dollar. Monetary assets and liabilities are translated into Canadian dollars at the rates prevailing on the reporting date. Non-monetary assets and liabilities are translated into Canadian dollars at the rates prevailing on the transaction dates. Exchange gains and losses are recorded as income or expense in the period in which they occur.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The Financial Statements include the accounts of Pine Cliff and its subsidiary companies, Geomark Exploration Ltd. ("Geomark"), Geomark Minerals USA Inc., and WMC International Limited. All subsidiary companies are wholly owned. All intercompany balances, transactions and earnings or losses are eliminated upon consolidation.

b) Revenue recognition

Revenues from the sale of petroleum and natural gas are recorded when the significant risks and rewards of ownership have been transferred to the customer. This generally occurs when product is physically transferred into a third-party pipeline or when the delivery truck arrives at a customer's receiving location. Revenue represents Pine Cliff's share and is recorded net of royalty obligations to governments and other mineral interest owners.

Finance and dividend income is recorded when earned.

c) Foreign currency translation

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the Functional Currency of an entity are recognized in the consolidated statement of earnings (loss).

d) Jointly controlled operations and jointly controlled assets
Significant portions of the Company's oil and gas operations are conducted jointly with other parties and accordingly the Financial Statements reflect only the Company's proportionate interest in such activities. The Company has no interests in jointly controlled entities. The Company has no material individual capital commitments in any joint venture interests or in a joint venture.

e) Investments
Investments consist of equity securities classified on initial recognition as available-for-sale and are carried at fair value. Fair value is determined by multiplying the period end trading price of the investments by the number of equity securities held as at period end. Unrealized holding gains and losses are recognized in other comprehensive income. Net gains and losses arising on disposal are recognized in net earnings.

f) Exploration and evaluation assets
E&E expenditures incurred prior to acquiring the legal right to explore are charged to expense as incurred.

E&E expenditures represent undeveloped land costs and license and exploration well costs. Undeveloped land costs, licenses and exploration well costs are initially capitalized and, if subsequently determined to have not found sufficient reserves to justify commercial production, are charged to expense. E&E assets continue to be capitalized as long as sufficient progress is being made to assess the reserves and economic viability of the well and/or related project. Once technical feasibility and commercial viability has been established, E&E assets are transferred to PP&E. E&E assets are assessed for impairment either annually, upon transfer to PP&E or where indicators arise to ensure they are not carried above their recoverable amounts.

No depletion is charged on E&E assets.

g) Property, plant and equipment
PP&E assets include transferred-in E&E costs, development drilling and other subsurface expenditures. PP&E assets are carried at cost less accumulated depletion and depreciation and impairment losses. The initial cost of an asset is comprised of its purchase price or construction cost, including expenditures such as drilling costs, the present value of the initial and changes in the estimate of any decommissioning obligation associated with the asset, finance expenses on qualifying assets and costs that are directly attributable to bringing the asset to the location and condition necessary to operate as intended by management and which result in an identifiable future benefit. Improvements that increase capacity or extend the useful lives of the assets are capitalized.

Expenditures on major maintenance of producing assets include the cost of replacement assets or parts of assets, inspection costs or overhaul costs. Where an asset, or part of an asset that was separately depreciated, is replaced and it is probable that there are future economic benefits associated with the item, the expenditure is capitalized and the carrying amount of the replaced item is derecognized. Inspection costs associated with major maintenance programs and necessary for continued operation of the asset are capitalized and amortized over the period to the next inspection. All other maintenance costs are expensed as incurred.

h) Depletion and depreciation
When commercial production has commenced in an area, PP&E assets, including estimated future development costs, are depleted using the unit-of-production method over their proved plus probable reserve life ("Proved plus Probable Method"). Furniture, fixtures and other equipment are depreciated over their estimated useful lives. Depletion and depreciation is recognized in the consolidated statement of earnings (loss).

Depletion and depreciation methods, useful lives and residual values are reviewed annually, with any amendments considered to be changes in estimates and accounted for prospectively.

i) Impairment of PP&E
The carrying amounts of the Company's PP&E assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If such indication exists, then the assets' carrying amounts are assessed for impairment. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash flows of other assets or groups of assets, CGUs.

The recoverable amount of an asset or a CGU is the greater of its value-in-use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. In assessing the carrying value of its unproved properties, the Company takes into account future plans for those properties, the remaining terms of the leases and other factors that may be indicators of potential impairment. Impairment losses are recognized in the consolidated statement of earnings (loss). Impairment losses recognized in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets of the CGU on a pro-rata basis.

For assets excluding goodwill, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

j) Goodwill
Goodwill acquired in a business combination is initially recorded at cost, and for impairment testing purposes, is allocated to each of the CGUs that are expected to benefit from the expenditure. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The Company tests goodwill for impairment at least annually, or more frequently if events or circumstances indicate that goodwill may be impaired. The Company bases its test on the assessment of the recoverable amount of the CGU. Where the recoverable amount of the CGU is less than the carrying amount, the Company reduces the carrying value to the estimated recoverable amount and a goodwill impairment loss is included in the consolidated statement of earnings (loss). An impairment loss in respect of goodwill cannot be reversed.

k) Impairment of financial assets
A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

All impairment losses are recognized in the statement of earnings (loss). An impairment loss is reversed if there is an indicator that the impairment reversal can be related objectively to an event occurring after the impairment loss was recognized. Any subsequent recovery of an impairment loss in respect of an investment in an equity instrument classified as available-for-sale is reversed through other comprehensive loss instead of the statement of earnings (loss). For financial assets measured at amortized cost, the reversal is recognized in the statement of earnings (loss).

l) Decommissioning liabilities
The Company recognizes a decommissioning liability, with a corresponding increase to the carrying amount of the related PP&E, in the period in which a reasonable estimate of the fair value can be made of the statutory, contractual, constructive or legal liabilities associated with the retirement and reclamation of the Company's oil and gas properties, facilities and pipelines. The amount recognized is the estimated cost of decommissioning, discounted to its present value using a risk free rate. The estimated future decommissioning liabilities may be adjusted for risks such as project, physical, regulatory and timing. The estimates are reviewed periodically. Changes in the provision as a result of changes to the timing of expenditures, costs or risk free rates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to PP&E. The unwinding of the discount on the decommissioning provision is charged to the consolidated statement of earnings (loss).

Actual costs incurred upon settlement of the obligations are charged against the provision to the extent of the liability recorded and the remaining balance of the actual costs is recorded in the consolidated statement of earnings (loss).

m) Income taxes
Tax expense comprises current and deferred taxes. Tax is recognized in the consolidated statement of earnings (loss) except to the extent that it relates to items recognized directly in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that are substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognized using the liability method, providing for unused tax losses, unused tax credits and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which unused tax loses, unused tax credits and temporary differences can be utilized. Deferred tax assets are reviewed at the end of each period and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

n) Share-based payments

The Company accounts for share-based payments using the fair-value method of accounting for stock options granted to officers, directors, employees and service providers using the Black-Scholes option pricing model. Share-based payments are recognized through the consolidated statement of earnings (loss) over the vesting period with a corresponding amount reflected in contributed surplus in equity. For awards issued in tranches that vest at different times, the fair value of each tranche is recognized over its respective vesting period.

At the grant date and at the end of each reporting period, the Company assesses and reassesses for subsequent periods its estimate of the number of awards that are expected to vest and recognizes the impact of the revisions in the consolidated statement of earnings (loss). Upon exercise of share-based options, the proceeds received net of any transaction costs and the fair value of the exercised share-based options is credited to share capital.

o) Financial instruments

Financial instruments are measured at fair value on initial recognition of the instrument and are classified into one of the following five categories: fair-value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial liabilities at amortized cost.

Cash is classified as fair-value through profit or loss. Trade and other receivables and loan receivables are classified as loans and receivables which are measured at amortized cost. Investments are classified as available-for-sale which are measured at fair value. Trade and other payables and bank debt are classified as financial liabilities at amortized cost.

Subsequent measurement of financial instruments is based on their initial classification. Fair-value through profit or loss financial instruments are measured at fair value and changes in fair value are recognized in the consolidated statement of earnings (loss). Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired at which time the cumulative loss that had been recognized in other comprehensive income is reclassified to earnings or loss. The remaining categories of financial instruments are recognized at amortized cost using the effective interest method.

p) Risk management contracts

The Company is exposed to market risks resulting from fluctuations in commodity prices, foreign currency exchange rates and interest rates in the normal course of its business. The Company may use a variety of instruments to manage these exposures. For transactions where hedge accounting is not applied, the Company accounts for such instruments using the fair value method by initially recording an asset or liability, and recognizing changes in the fair value of the instruments in earnings as unrealized gains or losses on risk management contracts. Fair values of financial instruments are based on third party quotes or valuations provided by independent third parties. Any realized gains or losses on risk management contracts are recognized in net earnings in the period they occur.

The Company may elect to use hedge accounting when there is a high degree of correlation between the price movements in the financial instruments and the items designated as being hedged and the Company has documented the relationship between the instruments and the hedged item as well its risk management objective and strategy for undertaking hedge transactions. During the year ended December 31, 2013, the Company did not designate any of its financial instruments as hedges. There were no risk management contracts outstanding as at December 31, 2013.

q) Earnings (loss) per share

Basic per share amounts are calculated by dividing the earnings or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period.

Diluted per share amounts are calculated similar to basic per share amounts except that the weighted average common shares outstanding are increased to include additional common shares from the assumed exercise of dilutive share options. The number of additional outstanding common shares is calculated by assuming that the outstanding in-the-money share options were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period.

r) Finance income and expense

Finance expenses are comprised of interest expenses and bank charges on borrowings and the unwinding of the discount on provisions. Interest expenses and bank charges are considered operating expenses on the statement of cash flows. Borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. Qualifying assets are those assets that necessarily take a substantial period of time to get ready for their intended use. All other borrowing costs are recognized in earnings or loss. The capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Company's outstanding borrowings during the period.

Interest income is recognized as the interest accrues, using the effective interest method. The effective interest method uses the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

s) Segment reporting
The Company has two operating segments being oil and gas exploration and production and mineral exploration. The chief operating decision maker of both segments is Pine Cliff's President and Chief Executive Officer.

t) Recent and future pronouncements issued
The accounting policies and method of computation followed in the preparation of the Financial Statements are the same as those followed in the preparation of Pine Cliff's 2012 Annual Financial Statements, except for the adoption of new standards and interpretations effective as of January 1, 2013.

The nature and impact of each new standard or amendment is described below:

IFRS 10 *Consolidated Financial Statements* ("IFRS 10"), IAS 28 *Investments in Associates and Joint Ventures* ("IAS 28"), IFRS 11 *Joint Arrangements* ("IFRS 11") and IFRS 12 *Disclosure of Interests in Other Entities* ("IFRS 12") **-** As disclosed in the 2012 Annual Financial Statements, effective January 1, 2013, the Company adopted, as required, IFRS 10, IAS 28 and IFRS 12. Pine Cliff reviewed its consolidation methodology and determined that the adoption of IFRS 10 did not result in a change in the consolidation status of its subsidiaries.

Under IFRS 11, interests in joint arrangements are classified as either joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. Pine Cliff performed a review of its interest in other entities and did not identify any significant interests for which it shares joint control.

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The adoption of IFRS 12 and IAS 28 did not result in any changes to disclosures.

IFRS 13 *Fair Value Measurement* ("IFRS 13") **-** Effective January 1, 2013, the Company adopted, as required, IFRS 13 and applied the standard prospectively as required by transitional provisions. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. There has been no change to Pine Cliff's methodology for determining the fair value for its financial assets and liabilities and, as such, the application of IFRS 13 has not resulted in any adjustments to the fair value measurements carried out by the Company. The disclosures related to fair value measurement can be found in Note 17 to the consolidated financial statements.

IAS 1 *Presentation of Financial Statements* ("IAS 1") - Effective January 1, 2013, the Company applied the amendment to IAS 1 requiring items within other comprehensive earnings to be grouped into two categories: items that will not be subsequently reclassified to earnings or loss and items that may be subsequently reclassified to earnings or loss when specific conditions are met. The amendment has been applied retrospectively and, as such, the presentation of items in other comprehensive earnings has been modified. The application of IAS 1 did not result in any adjustments to other comprehensive earnings or accumulated other comprehensive income.

IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7") **-** Effective January 1, 2013, the Company complied with the amended disclosure requirements, regarding offsetting financial assets and financial liabilities, found in IFRS 7, *Financial Instruments: Disclosures* issued in December 2011. The compliance of this amended did not have an impact on the Company's consolidated financial statements.

The following standards and interpretations have not been adopted as they apply to future periods. They may result in future changes to Pine Cliff's existing accounting policies and other note disclosures. Pine Cliff is evaluating the impacts that these standards may have on its results of operations, financial position and disclosure.

The IASB intends to replace IAS 39, *Financial Instruments*: *Recognition and Measurement* ("IAS 39") with IFRS 9, *Financial Instruments* ("IFRS 9"). IFRS 9 will be published in three phases, of which two phases have been published. Phases one and two address accounting for financial assets and financial liabilities, and hedge accounting, respectively. The third phase will address impairment of financial instruments.

A mandatory effective date for IFRS 9 in its entirety will be announced when the project is closer to completion. Early adoption of the two completed phases is permitted only if adopted in their entirety at the beginning of a fiscal period. The Company is currently evaluating the impact of adopting IFRS 9 on the Financial Statements.

IAS 39 *Financial Instruments: Recognition and Measurement* - in June 2013, the IASB issued amendments to IAS 39 under which there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application being permitted. Adoption of this standard is not expected to have a significant impact on the Financial Statements.

IAS 32 *Financial Instruments: Presentation* - in December 2011, the IASB issued amendments to clarify certain of the criteria required to be met in order to permit the offsetting of financial assets and financial liabilities. The standard is required to be adopted retrospectively for periods beginning January 1, 2014. Adoption of this standard is not expected to have a significant impact on the Financial Statements.

Impairment of Assets ("IAS 36") - in May 2013, the IASB issued amendments to IAS 36 that require retrospective application and was adopted by the Company for periods beginning on or after January 1, 2014. The Company is currently assessing the impact the adoption of these amended standards will have on the Company's Financial Statements.

4. ACQUISITIONS

Skope Energy Inc.

On November 9, 2012, Pine Cliff completed the purchase from a Canadian financial institution of all of the outstanding indebtedness and liabilities owing by Skope Energy Partners ("Skope" will collectively refer to Skope Energy Partners, Skope Energy Inc. and Skope Energy International Inc.) and all of the security documents granted by Skope to the financial institution (the "Skope Debt Purchase"). The security documents included a $200.0 million demand debenture secured by a first floating charge over all of Skope's assets. Consideration for the Skope Debt Purchase was $28.0 million which was funded with cash acquired in the Geomark Transaction of $20.0 million and a drawdown of $8.0 million on Pine Cliff's Credit Facility.

On February 19, 2013, the Court of Queen's Bench of Alberta approved the Plan of Compromise and Arrangement (the "Plan") filed under the Companies' Creditors Arrangement Act ("CCAA") by Pine Cliff. The purpose of the Plan was to restructure Skope's debt and to effect a compromise of the claims of all unsecured creditors of Skope. In addition to restructuring Skope's unsecured claims, the implementation of the Plan resulted in the redemption, without compensation, of all of the outstanding shares of Skope (and the cancellation, without compensation, of all related options, warrants and other rights to acquire such shares) and the creation of a new class of Class A Voting Shares, 100 of which were issued to Pine Cliff (the "Skope Shares"). Accordingly, Pine Cliff became the sole shareholder of Skope Energy Inc. on February 19, 2013. Consideration for Skope Shares was $28 million, representing the amount that Pine Cliff paid to a Canadian financial institution for the Skope Debt Purchase, less $0.2 million received during the CCAA process as consideration for Pine Cliff's unsecured claim. Skope's assets include an 80% working interest in a package of producing shallow gas assets located in southeast Alberta and southwest Saskatchewan. This transaction has been accounted for as a business combination with Pine Cliff identified as the acquirer.

The results of Skope's assets have been included in the financial statements since February 19, 2013. Skope's assets contributed oil and gas sales, net of royalties, of $23.9 million and operating expenses of $11.3 million for the period from February 19, 2013 to December 31, 2013. If the acquisition had occurred on January 1, 2013, total oil and gas sales, net of royalties, would have been approximately $35.9 million and operating expenses would have been approximately $17.4 million for the year ended December 31, 2013. Pine Cliff does not believe it is practical to estimate the effect on future periods.

The acquisition has been accounted for using the acquisition method and the purchase price was allocated to the assets acquired and the liabilities assumed as follows:

Net assets acquired:	
Property and equipment	41,638
Exploration and evaluation assets	3,565
Decommissioning provision	(30,428)
Working capital, including cash of $1,275	3,313
Deferred tax asset	23,871
Total net assets acquired	41,959

Consideration:	
Realization of security of the Skope Debt Purchase	28,000
Less: cash consideration for Pine Cliff's unsecured claim	(202)
Total purchase price	27,798
Gain on acquisition	14,161

As the total net assets acquired are greater than the purchase price of the assets, Pine Cliff has recognized a gain on the acquisition of Skope. The gain on acquisition is attributed to the unique nature of this transaction whereby Pine Cliff purchased Skope's debt and security from a Canadian financial institution and realized on its security through the CCAA process to acquire Skope.

Transaction costs of $0.1 million have been expensed in the year ended December 31, 2013 and are included in general and administrative expenses in the statement of earnings (loss) and are part of operating cash flows in the consolidated statement of cash flows. In addition to the transaction costs incurred in 2013, Pine Cliff incurred transaction costs of $0.4 million in the three months ended December 31, 2012.

Additional interest in Monogram unit

On July 24, 2013, Pine Cliff completed the acquisition of an additional approximate 52% working interest in the Monogram unit and related infrastructure (the "Monogram Assets"). The Monogram Assets are located near the City of Medicine Hat, Alberta and produce dry natural gas mainly from the Milk River, Medicine Hat and Second White Specks zones. The total consideration paid was $32.2 million.

The results of the additional interest in the Monogram Assets have been included in the financial statements since July 24, 2013. The Monogram Assets have contributed oil and gas sales, net of royalties, of $6.0 million and operating expenses of $1.3 million for the period from July 24, 2013 to December 31, 2013. If the acquisition had occurred on January 1, 2013, total oil and gas sales, net of royalties, would have been approximately $39.2 million and operating expenses would have been approximately $17.7 million for the year ended December 31, 2013. Pine Cliff does not believe it is practical to estimate the effect on future periods.

The acquisition has been accounted for using the acquisition method and the purchase price was allocated to the assets acquired and the liabilities assumed as follows:

Net assets acquired:	
Property and equipment	33,121
Decommissioning provision	(963)
Total net assets acquired	32,158

Consideration:	
Cash	32,158
Total purchase price	32,158

Transaction costs of $0.02 million have been expensed and are included in general and administrative expenses in the statements of earnings (loss) and are part of operating cash flows in the consolidated statements of cash flows.

Acquisition of interest in shallow gas assets

On August 30, 2013, Pine Cliff completed the acquisition of an additional interest in the Southern Alberta and Southern Saskatchewan properties ("Southern Assets") that Pine Cliff had originally acquired an interest in through the acquisition of Skope in February 2013. As part of the acquisition, the current asset management agreement governing Pine Cliff's current and additional interests in the Southern Assets was terminated and Pine Cliff became the operator of the Southern Assets. The acquisition includes a further approximate 7% working interest in the Monogram unit in the Province of Alberta, a further approximate 20% working interest in the Pendor, Black Butte and Eagle Butte areas in the Province of Alberta and a further approximate 18% working interest in the Vidora, Cadillac and Wymark areas in the Province of Saskatchewan. The total consideration paid was approximately $13.6 million.

The results of the additional interest in the Southern Assets have been included in the financial statements since August 30, 2013. The Southern Assets have contributed oil and gas sales, net of royalties, of $3.4 million and operating expenses of $1.4 million for the period from August 30, 2013 to December 31, 2013. If the acquisition had occurred on January 1, 2013, total oil and gas sales, net of royalties, would have been approximately $36.6 million and operating expenses would have been approximately $18.5 million for the year ended December 31, 2013. Pine Cliff does not believe it is practical to estimate the effect on future periods.

The acquisition has been accounted for using the acquisition method and the purchase price was allocated to the assets acquired and the liabilities assumed as follows:

Net assets acquired:	
Property and equipment	14,922
Exploration and evaluation assets	1,102
Decommissioning provision	(2,417)
Total net assets acquired	13,607

Consideration:	
Cash	13,607
Total purchase price	13,607

Transaction costs of $0.04 million have been expensed and are included in administrative expenses in the income statement and are part of operating cash flows in the consolidated statement of cash flows.

Information on prior year acquisitions

On March 1, 2012, Pine Cliff acquired certain oil and natural gas assets in the Carrot Creek area of Alberta (the "Carrot Creek Assets") for cash consideration of $23 million. The results of the Carrot Creek Assets have been included in the Financial Statements since that date. The Carrot Creek Assets contributed oil and gas sales, net of royalties, of $5.5 million and operating expenses of $2.4 million for the period from March 1, 2012 to December 31, 2012. If the acquisition had occurred on January 1, 2012, total oil and gas sales, net of royalties, would have been approximately $7.7 million and total operating expenses would have been approximately $3.3 million for the year ended December 31, 2012.

On October 19, 2012, Pine Cliff acquired 100% of the issued and outstanding common shares of Geomark (the "Geomark Shares"), a related party, pursuant to an arrangement agreement (the "Geomark Transaction"). Geomark was a public oil and gas and mineral company with oil and gas properties in Alberta and mineral assets in Utah, Ontario, Nunavut and the Northwest Territories.

Geomark became a wholly-owned subsidiary of Pine Cliff on October 19, 2012 and its shares were delisted from the TSX Venture Exchange on October 22, 2012. The assets of Geomark, including the working capital position, no debt and liquid investments, are expected to provide Pine Cliff with increased cash flow and financial flexibility. Consideration for each of the Geomark Shares was 1.5 voting common shares of Pine Cliff (the "Pine Cliff Shares"), which amounted to the issuance of 81,767,641 Pine Cliff Shares valued at $60.5 million, using the closing share price of $0.74 per share on the date of the Geomark Transaction. The exchange ratio of 1.5 was based on the 30-day average closing price of the Pine Cliff Shares for the period ended September 5, 2012, one day prior to the arrangement agreement being announced to the public. The exchange ratio for the transaction represents a deemed price of $1.01 per Geomark Share.

Geomark's assets contributed revenue of $0.4 million and expenses of $0.2 million for the period from October 19, 2012 to December 31, 2012. If the acquisition had occurred on January 1, 2012, total revenue would have been approximately $9.5 million and total expenses would have been approximately $11.8 million for the year ended December 31, 2012.

5. TRANSACTIONS WITH RELATED PARTIES

Management services agreement

Pine Cliff has a management services agreement with Bonterra Energy Corp. ("Bonterra"), an oil and gas corporation that is publicly traded on the Toronto Stock Exchange with some common directors and management, to provide executive services, technical services, accounting services, oil and gas administration and office administration for Pine Cliff. Total fees for each of the years ended December 31, 2013 and 2012 were $0.06 million, plus certain administrative costs. The management services agreement may be cancelled by either party with 90 days notice. As at December 31, 2013, Pine Cliff owed Bonterra $0.2 million (December 31, 2012 – $0.05 million).

Investment in Bonterra
As at December 31, 2013, Pine Cliff owns 204,633 common shares in Bonterra (December 31, 2012 – 204,633) representing just less than 1% of the outstanding shares of Bonterra at that date. The shares as of December 31, 2013 have a fair value of $11.1 million (December 31, 2012 $9.3 million). For the year ended December 31, 2013, Pine Cliff received dividend income of $0.7 million from this investment (December 31, 2012 - $0.1 million).

Loan to Bonterra
At the time of the business combination with Geomark (Note 4), Geomark had loaned Bonterra a total of $20 million. The loan was secured and bore interest at Canadian chartered bank prime less 5/8 of a percent and had no set repayment terms. Security under the debenture was over all of Bonterra's assets and was subordinated to any and all claims in favour of Bonterra's syndicate of senior lenders providing credit facilities to Bonterra. The loan was payable upon demand subject to availability under Bonterra's line of credit. Pine Cliff demanded the repayment of the entire loan balance on November 6, 2012 and the loan plus accrued interest was repaid on November 9, 2012. There was a nominal amount of interest earned on the loan between October 19, 2012 and November 9, 2012.

Business Combination with Geomark
On October 19, 2012 Geomark and Pine Cliff combined their operations pursuant to an arrangement agreement. Geomark had some common directors and some common management with Pine Cliff. At the time of the Geomark Transaction, Geomark owned 432,812 common shares of Pine Cliff which were subsequently sold in the public market for a loss on sale of investment of $0.03 million, net of tax.

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of the consideration established and agreed to by the related parties.

6. EXPLORATION AND EVALUATION ASSETS

The following table reconciles Pine Cliff's exploration and evaluation assets:

Cost:	Oil and gas properties	Minerals properties	Total
Balance at December 31, 2011	-	-	-
Additions	92	248	340
Acquisitions	507	1,943	2,450
Balance at December 31, 2012	599	2,191	2,790
Additions	170	990	1,160
Acquisitions	4,667	-	4,667
Dispositions	-	(1,202)	(1,202)
Balance at December 31, 2013	**5,436**	**1,979**	**7,415**

During the year ended December 31, 2013, $0.01 million (December 31, 2012 – $0.03 million) of directly attributable general and administration costs related to mineral exploration and evaluation assets were capitalized.

On December 18, 2013, Pine Cliff entered into an option agreement with Nighthawk Gold Corp. for the disposition of its Kim gold property located in the Northwest Territories. Pine Cliff received a 2.5% net smelter royalty (of which 1.5% can be repurchased by Nighthawk for $1.5 million) and $1.6 million, with payments payable over the next three years. The first payment of $0.3 million was received on December 18, 2013 ($0.1 million cash and 1,768,345 common shares of Nighthawk). Nighthawk will not earn an interest in the property until all amounts have been paid. The present value of future payments has been recorded as a receivable from Nighthawk. Pine Cliff has recognized a gain of $0.2 million on the disposition of these assets.

The Company, as part of its impairment analysis, evaluates its mineral exploration assets or mineral properties based on management's thresholds of whether a property is technically feasible and potential commercial viability exists. No impairment provision has been recorded for the years ended December 31, 2013 and 2012.

7. PROPERTY, PLANT AND EQUIPMENT

The following table reconciles Pine Cliff's PP&E assets:

Cost:	Oil and gas properties	Office equipment	Total
Balance at December 31, 2011	4,600	2	4,602
Additions	2,130	3	2,133
Acquisitions	29,557	-	29,557
Balance at December 31, 2012	36,287	5	36,292
Additions	15,616	185	15,801
Acquisitions	89,333	348	89,681
Balance at December 31, 2013	**141,236**	**538**	**141,774**

Accumulated depletion and depreciation:	Oil and gas properties	Office equipment	Total
Balance at December 31, 2011	(2,796)	-	(2,796)
Depletion and depreciation	(2,823)	-	(2,823)
Balance at December 31, 2012	(5,619)	-	(5,619)
Depletion and depreciation	(16,035)	(104)	(16,139)
Balance at December 31, 2013	**(21,654)**	**(104)**	**(21,758)**

Carrying value at:	Oil and gas properties	Office equipment	Total
December 31, 2012	30,668	5	30,673
December 31, 2013	**119,582**	**434**	**120,016**

Impairment

The impairment of PP&E assets and any subsequent reversal of such impairment losses are recognized in the statement of earnings (loss). There were no impairment losses or reversals recorded in the statement of earnings (loss) for the years ended December 31, 2013 and 2012.

Management has determined that the Company has two CGUs. As part of its annual impairment analysis, the Company assessed its property and equipment assets of each CGU for possible impairment on the basis of the discounted expected future cash flows based on the Company's plans to continue to produce proved plus probable reserves.

At December 31, 2013, a Canadian-based, independent reserves evaluator's report confirmed that the Company does not require a reduction in total proved plus probable reserve estimates. Expected future cash flows from the sale of these volumes are calculated based on the Company's best estimate of future oil and natural gas prices. Prices for oil and natural gas used for future cash flow projections are based on quality and Edmonton par for oil and Alberta Energy Company or AECO for natural gas forward prices. Management used past experience to estimate the required capital and operating expenditures to extract oil and natural gas and adjusted the costs for inflation at 2% per annum.

Projected estimates of cash flows from each CGU have been determined based on the economic life of the reserves. The impairment testing undertaken concluded that the value in use is greater than the carrying amount of each CGU and no impairment provision has been recorded for the years ended December 31, 2013 and 2012.

8. GOODWILL

Carrying value:	
Balance at December 31, 2011	-
Acquisitions	3,535
Balance at December 31, 2012	3,535
Acquisitions	-
Balance at December 31, 2013	**3,535**

Goodwill is attributable to the oil and gas segment which has been allocated for impairment testing purposes to the CGUs that reflect the lowest level at which goodwill is attributable. The recoverable amounts are based on cash flow projections with assumptions regarding commodity prices, discount rates, production volumes, capital investment and operating costs. No impairment provision has been recorded for the years ended December 31, 2013 and 2012.

9. DEFERRED TAXES

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

	Year ended December 31	
	2013	2012
Earnings (loss) before income taxes	**9,809**	(2,400)
Corporate income tax rate	**25.0%**	25.0%
Computed income tax expense (recovery)	**2,452**	(600)
Increase (decrease) resulting from:		-
Gain on acquisition	**(3,658)**	-
Non-taxable dividends	**49**	-
Non-deductible compensation expense	**551**	-
Changes in tax rates and other	**(118)**	(3)
Changes in the unrecorded benefit of tax pools	**(377)**	(726)
Deferred income tax expense (recovery)	**(1,101)**	(1,329)

Deferred income tax recovery varies from the amount that would be computed by applying federal and provincial income tax rates as follows:

	December 31, 2013	December 31, 2012
Deferred income tax assets (liabilities):		
Share issue costs	**1,031**	95
Investment	**(487)**	(269)
Decommissioning provision	**10,680**	704
Property and equipment	**12,130**	144
Capital loss carry forward	**104**	103
Non-capital losses carry forward	**5,345**	2,030
Exploration and evaluation assets	**(1,714)**	(697)
Asset before the unrecorded benefit of tax pools	**27,089**	2,110
Less: unrecorded benefit of tax pools	**(2)**	(379)
Net deferred income tax asset	**27,087**	1,731

Pine Cliff has approximately $195.4 million in tax pools at December 31, 2013 (December 31, 2012 – $39.4 million) available for future use as deductions from taxable income. Included in these pools are estimated non-capital loss carry forwards of $21.4 million (December 31, 2012 – $8.1 million) that expire between the years 2026 and 2032.

10. TRADE AND OTHER PAYABLES

Total trade and other payables comprises the following categories:

	December 31, 2013	December 31, 2012
Trade payables	**7,041**	2,139
Accrued payables	**1,538**	1,674
Trade and other payables	**8,579**	3,813

11. BANK DEBT

On August 29, 2013, Pine Cliff increased the borrowing base of its revolving demand credit facility (the "Credit Facility") with a Canadian chartered bank from $15.0 million to $40.0 million, of which $0.2 million was drawn at December 31, 2013 (December 31, 2012 - $3.0 million). The Credit Facility is considered a current liability at December 31, 2013 as the current revolving period will end on March 31, 2014 and if the Credit Facility is not renewed it will become payable in full on demand. Amounts drawn under this Credit Facility are in the form of Canadian prime lending rate based loans, guaranteed notes or letters of credit. The Credit Facility bears interest at the prime lending rate plus 0.75% per annum and Pine Cliff realized an effective interest rate of 3.75% for the period ended December 31, 2013. The Credit Facility is secured by a first priority security interest on all present and after acquired property of the Company.

The Credit Facility requires Pine Cliff to maintain a working capital ratio, excluding the related party note payable and the current portion of the bank debt and inclusive of unused funds under the Credit Facility, of greater than 1:1. The Company was in compliance with its quantitative bank debt covenants during the year ended December 31, 2013 and will take steps to ensure that it remains in compliance with its covenants in future periods and anticipates renewing the credit facility at the end of the revolving period.

Pine Cliff also has $4.9 million of letters of credit issued against its revolving term credit facility in connection with is limited liability rating in the Province of Saskatchewan.

12. DECOMMISSIONING LIABILITIES

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

At December 31, 2013, the estimated total undiscounted amount required to settle the decommissioning liabilities was $90.9 million (December 31, 2012 - $5.5 million). The provision has been calculated assuming a 1.6% inflation rate (December 31, 2012 – 1.7%). These obligations will be settled based on the useful lives of the underlying assets which extend up to 56 years into the future. This amount has been discounted using a risk-free interest rate of 3.2% (December 31, 2012 – 2.2%).

Changes to decommissioning liabilities were as follows:

	December 31, 2013	December 31, 2012
Decommissioning provision, beginning of year	**2,818**	82
Provisions acquired through acquisitions	**33,808**	2,521
Provisions incurred during the year	**7**	26
Revisions (change in estimate and discount rate)	**5,148**	143
Accretion expense during year	**904**	46
Decommissioning provision, end of year	**42,685**	2,818

13. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares without nominal or par value. The Company is also authorized to issue, in one or more series, an unlimited number of Class B Preferred Shares without nominal or par value.

Issued

Issued and outstanding share capital continuity:	Common shares (000s)	Share capital
Balance at January 1, 2012	46,146	14,819
Shares issued pursuant to a rights offering	11,536	1,961
Shares issued pursuant to private placements	13,882	6,600
Shares issued to Geomark shareholders	81,768	60,508
Cancellation of shares	(433)	(280)
Issuance of shares	433	246
Share issue costs, net of tax	-	(312)
Balance at December 31, 2012	153,332	83,542
Shares issued pursuant to public share offerings	46,700	45,100
Exercise of options	161	161
Share issue costs, net of tax	-	(1,801)
Balance at December 31, 2013	**200,193**	**127,002**

Per share calculations

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding. In calculating the weighted average number of diluted shares outstanding for the year ended December 31, 2013, the Company excluded 3,974,000 options as their effect is anti-dilutive. For December 31, 2012, all options were excluded as there was a loss in the year then ended.

Loss per share calculation:	Year ended December 31 2013	2012
Numerator		
Earnings (loss) for the year	**10,910**	(1,071)
Denominator (000s)		
Weighted-average common shares outstanding - basic	**172,494**	79,247
Effect of options outstanding	**7,213**	-
Weighted-average common shares outstanding - diluted	**179,707**	79,247
Earnings (loss) per share - basic ($)	**0.06**	(0.01)
Earnings (loss) per share - diluted ($)	**0.06**	(0.01)

Share-based payments

The Company provides an equity settled stock option plan (the "Option Plan") for its directors, employees and consultants. Under the Option Plan, the Company may grant options for up to 10% of outstanding common shares at December 31, 2013. The term and vesting period of the options granted are determined at the discretion of the board of directors. The exercise price of each option granted equals the market price of the Company's stock immediately preceding the date of grant and the option's maximum term is five years.

A summary of the status of the Company's stock option plan as at December 31, 2013 and changes during the year then ended is presented as follows:

Stock options issued and outstanding:	Options (000s)	Weighted-average exercise price ($ per share)
Outstanding, December 31, 2011	-	-
Granted	10,400	0.58
Forfeited or expired	(160)	0.38
Outstanding, December 31, 2012	10,240	0.58
Granted	5,268	1.05
Exercised	(161)	0.41
Forfeited	(869)	0.88
Outstanding, December 31, 2013	14,478	0.73
Exercisable as at December 31, 2013	4,012	0.57

The following table summarizes information about stock options outstanding:

	December 31, 2013		December 31, 2013	
Exercise price:	Stock options outstanding (000s)	Weighted-average remaining term (years)	Stock options exercisable (000s)	Weighted-average remaining term (years)
$0.38	2,674	2.3	1,104	2.0
$0.50 - $0.65	6,915	1.3	2,683	0.4
$0.66 - $1.07	1,551	1.8	225	1.1
$1.08 - $1.12	3,338	2.3	-	-
	14,478	1.8	4,012	0.9

The Company records share-based payment expense over the vesting period, which ranges between one to three years, based on the fair value of the options granted to employees, directors and consultants. In the year ended December 31, 2013, the Company granted 5,268,000 stock options with an estimated fair value of $0.48 per option using the Black-Scholes option pricing model with the following key assumptions (weighted-average):

Assumptions:	Year ended December 31, 2013
Exercise price ($)	1.05
Estimated volatility of underlying common shares (%)	88
Weighted average expected life (years)	2.3
Risk-free rate (%)	1.0
Forfeiture rate (%)	3.8
Expected dividend yield (%)	0.0

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

14. FINANCE INCOME AND EXPENSES

Finance income and expenses are comprised of:

	Year ended December 31	
	2013	2012
Finance income:		
Interest income	**624**	731
Finance expenses:		
Interest expense and bank charges	**(353)**	(600)
Unwinding of the discount on decommissioning liabilities	**(904)**	(46)
Total finance expenses	**(1,257)**	(646)
Net finance income and expenses	**(633)**	85

15. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses by nature were as follows:

	Year ended December 31	
General and administration expenses:	**2013**	2012
Staff expenses	**1,790**	917
Consultants	**332**	-
Public company expenses	**74**	104
Professional fees	**495**	977
Intercompany administration	**56**	60
Business development	**30**	36
Office and other costs	**610**	42
Capitalized G&A and overhead recoveries	**(153)**	(53)
	3,234	2,083

16. KEY MANAGEMENT REMUNERATION

Key management personnel are those persons, including all directors and officers, having authority and responsibility for planning, directing and controlling the activities of the Company. In addition to their salaries, the Company also provides non-cash benefits to its directors and officers. Directors and officers also participate in the Company's option program. Director and officer compensation was as follows:

	Year ended December 31	
Key management remuneration:	**2013**	2012
Short-term benefits [1]	**420**	388
Share-based payments [2]	**952**	567
	1,372	955

[1] Short-term benefits includes the salary and other non-cash short-term benefits of Pine Cliff's President and Chief Executive Officer as well as director fees paid through Pine Cliff. Other officers are not paid through Pine Cliff as their services are included in the management fee charged by Bonterra (Note 5).

[2] Share-based payments computed for officers and the board of directors as described in Note 13 includes the change in fair value of outstanding awards.

17. FINANCIAL INSTRUMENTS

Financial instruments and fair value measurement

Financial instruments of the Company consist of cash, restricted cash, term deposit, trade and other receivables, investments, trade and other payables and bank debt. The carrying values of the financial instruments presented in the Financial Statements approximate their respective fair values due to their short-term to maturity.

Assets and liabilities that are measured at fair value are classified into levels, reflecting the method used to make the measurements. Level 1 fair value measurements are based on quoted prices that are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Pine Cliff has no level 2 or level 3 financial instruments. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

The following table sets out the Company's classification, carrying value and fair value of financial assets and liabilities as at December 31, 2013 and December 31, 2012:

		December 31, 2013		December 31, 2012	
Description:	Level	**Carrying value**	**Fair value**	Carrying value	Fair value
Cash	1	**1,305**	**1,305**	817	817
Trade and other receivables		**9,217**	**9,217**	3,499	3,499
Loan receivable		**-**	**-**	28,000	28,000
Investments [1]	1	**11,287**	**11,287**	9,418	9,418
Trade and other payables		**(8,579)**	**(8,579)**	(3,813)	(3,813)
Bank debt		**(200)**	**(200)**	(3,037)	(3,037)

[1] One investment was determined to be permanently impaired and the cumulative loss of $250,000 that had been recognized in other comprehensive income was reclassified from other comprehensive income to earnings (loss) in the year ended December 31, 2012 and included with impairment of investment.

18. SUPPLEMENTAL CASH FLOW INFORMATION

	Year ended December 31	
	2013	2012
Operating activities		
Changes in non-cash working capital:		
Trade and other receivables	**3,900**	(3,225)
Prepaid expenses and deposits	**54**	(136)
Trade and other payables and accrued liabilities	**(2,592)**	3,432
	1,362	71
Investing activities		
Changes in non-cash working capital:		
Trade and other receivables	**863**	(167)
Prepaid expenses and deposits	**(7)**	(7)
Trade and other payables and accrued liabilities	**(2,361)**	607
	(1,505)	433
Financing activities		
Changes in non-cash working capital:		
Trade and other payables and accrued liabilities	**(60)**	-
	(60)	-

Interest paid in the year ended December 31, 2013 was $0.2 million (December 31, 2012 – $0.6 million). Interest received in the year ended December 31, 2013 was $0.6 million (December 31, 2012 – nil). Dividends received during the year ended December 31, 2013 was $0.7 million (December 31, 2012 – $0.08 million).

19. RISK MANAGEMENT

The Company is exposed to a number of risks associated with its financial assets and liabilities. These risks include commodity price risk, interest rate risk, equity price risk, foreign exchange risk, credit risk and liquidity risk. The Company has several practices and policies in place to help mitigate these risks.

Market risk

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

Commodity Price Risk

The Company is exposed to commodity price risk since its revenues are dependent on the prices of crude oil and natural gas. Commodity prices have fluctuated widely during recent years due to global and regional factors including, but not limited to, supply and demand, inventory levels, weather, economic and geopolitical factors. Changes in oil and natural gas prices may have a significant effect, positively or negatively, on the ability of the Company to meet its obligations, capital spending targets and expected operational results. To mitigate this risk, in the fourth quarter of 2013, Pine Cliff locked in the differential between NYMEX and AECO at US$0.36 per mmbtu for the months of November and December 2013 for approximately 40% of the Company's natural gas production. A derivative transaction of this nature exposes these Pine Cliff volumes to price fluctuations of the NYMEX price curve as opposed to the AECO price curve. The total realized gain on this risk management contract was $0.04 million. Currently, the Company does not have any risk management contracts to sell its oil and gas commodities. Commodities are sold at market prices at the date of sale.

Interest Rate Risk

The Company is principally exposed to interest rate risk to the extent it draws on its variable rate debt. Changes in market interest rates could affect the cash flow associated with the credit facility. If interest rates applicable to Pine Cliff's credit facility increased or decreased by one percent it is estimated that Pine Cliff's earnings for the year ended December 31, 2013 would have increased or decreased, respectively, by less than $0.1 million.

Equity price risk

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

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

Credit Risk
Credit risk is the risk that a third party will not complete its contractual obligations under a financial instrument and cause the Company to incur a financial loss. Pine Cliff's maximum exposure to credit risk is the sum of the carrying values of its trade and other receivables, loan receivable and cash. The carrying values of these financial assets reflect management's assessment of the associated maximum exposure to such credit risk.

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

The Company's trade and other receivables balance at December 31, 2013 of $9.3 million (December 31, 2012 – $3.5 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. There are no material financial assets that Pine Cliff considers past due.

Pine Cliff assesses its financial assets quarterly to determine if there has been any impairment. No impairment provision was required on the Company's financial assets.

Liquidity Risk
Liquidity risk includes the risk that, as a result of Pine Cliff's operational liquidity requirements, the Company will not have sufficient funds or ability to obtain financing to settle a transaction on the due date or continue to fund its exploration and development projects. This could result in Pine Cliff being forced to sell assets at a value which is less than what they are worth or the Company may be unable to settle or recover financial assets.

In 2013, Pine Cliff raised $43.0 million (net of share issue costs) through two public share offerings and increased the revolving demand credit facility. The existing banking arrangements at December 31, 2013 comprise of a revolving demand credit facility in the amount of $40 million, of which $0.2 million is drawn at December 31, 2013. The unused portion of the credit facility and cash provided by operating activities are expected to allow Pine Cliff to meet its financial liabilities, as well as future capital requirements, at a reasonable cost. Pine Cliff will also consider additional short-term financing or issuing equity in order to meet its future liabilities, if required.

Commitments
The Company believes it has sufficient funding and access to capital to meet its obligations as they come due. The maturity dates of the Company's financial liabilities are as follows:

Maturity dates of financial liabilities	Financial Statements	Total	< 6 months	6 - 12 months	> 12 months
Trade and other payables	Yes - Liability	8,579	8,579	-	-
Bank loan - principal	Yes - Liability	200	200	-	-
Bank loan - future interest	No	4	4	-	-
		8,783	8,783	-	-

Pine Cliff also has insignificant commitments relating to office equipment leases that are due over the next twelve months.

20. CAPITAL STRUCTURE

The Company's objectives when managing capital, which the Company defines to include shareholders' equity and net debt, is to ensure that it has the financial capacity, liquidity and flexibility to fund its capital program and acquisitions. As it is not unusual for capital expenditures and acquisitions to exceed cash flow from operating activities in a given period, the Company is required to maintain financial flexibility and liquidity to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may issue debt, new shares or a combination thereof and make adjustments to its capital investment programs.

The Company's defines and computes its capital as follows:

	December 31, 2013	December 31, 2012
Bank debt	**200**	3,037
Trade and other payables and accrued liabilities	**8,579**	3,813
Less:		
Trade and other receivables	**(9,217)**	(3,499)
Cash and cash equivalents	**(1,305)**	(817)
Prepaid expenses and deposits	**(591)**	(193)
Investments	**(11,287)**	(9,418)
Net debt	**(13,621)**	(7,077)
Equity	**129,022**	71,021

The Company monitors the leverage in its capital structure and the strength of its balance sheet by reviewing its net debt to equity ratio and its debt-to- funds flow from operations (cash flow from operating activities before changes in non-cash working capital) ratio. Debt-to-funds flow from operations and net debt do not have a specified meaning under IFRS and may not be comparable to measures used by other companies.

As Pine Cliff's oil and gas production increases, cash provided by operating activities is expected to increasingly provide the necessary capital for oil and gas exploration and development activities. However, due to the potential impact of adverse changes in commodity prices, production rates, capital efficiencies and material and service costs, Pine Cliff may not generate sufficient cash from operating activities to entirely fund its planned oil and gas capital programs, minerals exploration programs or future acquisitions. Accordingly, the Company will continually evaluate the stage of development of its proved and producing oil reserves, the results of the minerals exploration program and the expected return on investment of acquisitions and consider issuing equity and/or debt to provide additional financing to maintain appropriate net debt and equity levels. The Company sets the amount of capital in proportion to risk and manages to ensure the Company's net debt to equity ratio is less than one. Net debt to equity is computed as follows:

Net debt to equity ratio:	**December 31, 2013**	December 31, 2012
Net debt	**(13,621)**	(7,077)
Equity	**129,022**	71,021
Net debt to equity	**(0.11)**	(0.10)

The Company considers funds flow from operations to be a key performance measure as it demonstrates the Company's ability to generate funds necessary to repay debt and to fund future growth through capital investment. Debt-to-funds flow from operations is computed as follows:

	Trailing twelve months ended	
Debt-to-funds flow from operations calculation:	**December 31, 2013**	December 31, 2012
Cash provided by operating activities	**16,062**	1,773
Changes in non-cash working capital	**1,362**	(71)
Funds flow from operations	**14,700**	1,702
Bank debt	**200**	3,037
Debt-to-funds flow from operations	**0.0**	1.8

The Company's financial objectives and strategy as described above have remained substantially unchanged over the reporting periods. These objectives and strategy are reviewed on an annual basis. The Company believes its ratios are within reasonable limits, in light of the relative size of the Company, the growth of the Company in the year ended December 31, 2013 and its capital management objectives.

21. BUSINESS SEGMENT INFORMATION

Pine Cliff's activities for the years ended December 31, 2013 and 2012 are represented by two industry segments comprised of oil and gas exploration and production and mineral exploration.

			2013			2012
	Oil and gas	Minerals	**Total**	Oil and gas	Minerals	Total
Oil and gas sales	36,882	-	**36,882**	7,547	-	7,547
Royalties	(3,523)	-	**(3,523)**	(1,344)	-	(1,344)
Realized gain on risk management contract	37	-	**37**	-	-	-
Dividend income	675	-	**675**	127	-	127
Finance income	624	-	**624**	731	-	731
REVENUE	34,695	-	**34,695**	7,061	-	7,061
EXPENSES						
Operating	16,408	-	**16,408**	2,676	-	2,676
General and administration	2,868	366	**3,234**	2,032	51	2,083
Depletion and depreciation	16,139	-	**16,139**	2,823	-	2,823
Share-based payments	2,084	117	**2,201**	957	26	983
Impairment of investment	12	-	**12**	250	-	250
Finance expenses	1,255	2	**1,257**	646	-	646
Total expenses	38,766	485	**39,251**	9,384	77	9,461
Loss before other income and income taxes	(4,071)	(485)	**(4,556)**	(2,323)	(77)	(2,400)
Gain on disposal of E&E asset	204	-	**204**	-	-	-
Gain on acquisition	14,161	-	**14,161**	-	-	-
Earnings (loss) before income taxes	10,294	(485)	**9,809**	(2,323)	(77)	(2,400)
Deferred tax expense (recovery)	(1,101)	-	**(1,101)**	(1,329)	-	(1,329)
EARNINGS (LOSS) FOR THE YEAR	11,395	(485)	**10,910**	(994)	(77)	(1,071)

			2013			2012
	Oil and gas	Minerals	**Total**	Oil and gas	Minerals	Total
TOTAL ASSETS	178,507	1,979	**180,486**	78,498	2,191	80,689
TOTAL LIABILITIES	51,152	312	**51,464**	9,592	76	9,668

22. SUBSEQUENT EVENTS

Subsequent to December 31, 2013, Pine Cliff granted 300,000 stock options to an employee with an exercise price of $1.04 per share, based on the market price immediately preceding the date of grant. The options vest between one and three years and expire between July 2, 2015 and July 2, 2017.

Subsequent to December 31, 2013, Pine Cliff issued 865,000 common shares as a result of stock option exercises completed at a weighted average exercise price of $0.62.

BOARD OF DIRECTORS

George F. Fink
Philip B. Hodge
Gary J. Drummond
Randy M. Jarock
Carl R. Jonsson
F. William Woodward

OFFICERS

George F. Fink
Executive Chairman of the Board

Philip B. Hodge
President and Chief Executive Officer

Robb D. Thompson
Chief Financial Officer and Secretary

Kristi L. Barr
Vice President, Finance and Controller

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Olympia Trust Company
Calgary, Alberta

AUDITORS

Deloitte LLP
Calgary, Alberta

SOLICITORS

Borden Ladner Gervais LLP
Calgary, Alberta

BANKERS

Alberta Treasury Branch
Calgary, Alberta

STOCK EXCHANGE LISTING

TSX Venture Exchange
Trading Symbol: PNE

WEBSITE

www.pinecliffenergy.com

Pine Cliff Energy Ltd.