*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities in those jurisdictions. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any state securities laws, and may not be offered or sold in the United States (as such term is defined in Regulation S under the U.S. Securities Act) except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of these securities within the United States. See "Plan of Distribution".*

***Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada**. Copies of the documents incorporated herein by reference may be obtained on request, without charge, from the Chief Financial Officer of Pine Cliff Energy Ltd. at Suite 850, 1015 – 4th Street S.W., Calgary, Alberta T2R 1J4, telephone: (403) 269-2289, and are also available electronically at www.sedar.com.*

**Short Form Prospectus**

**New Issue** **September 18, 2014**

# PINE CLIFF ENERGY LTD.

## $60,065,000

## 29,300,000 COMMON SHARES

This short form prospectus qualifies for distribution 29,300,000 common shares (the "**Offered Shares**") in the capital of Pine Cliff Energy Ltd. ("**Pine Cliff**" or the "**Corporation**") at a price (the "**Offering Price**") of $2.05 per Offered Share (the "**Offering**").

The common shares of Pine Cliff (the "**Common Shares**") are listed on the TSX Venture Exchange (the "**TSXV**") under the symbol "PNE". On August 29, 2014, the last trading day prior to the public announcement of the Offering, the closing price of the Common Shares on the TSXV was $2.11. On September 17, 2014, the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSXV was $1.89 per Common Share. The TSXV has conditionally approved the listing of the Offered Shares. Listing is subject to Pine Cliff fulfilling all of the listing requirements of the TSXV.

## Price: $2.05 per Offered Share

| | Offering Price | Underwriters' Fee(1) | Net Proceeds to Pine Cliff (2) |
|---|---|---|---|
| Per Offered Share | $2.05 | $0.09225 | $1.95775 |
| Total Offering(3) | $60,065,000 | $2,702,925 | $57,362,075 |

**Notes:**

(1) Pine Cliff has agreed to pay the Underwriters (as defined herein) a fee equal to 4.5% of the gross proceeds of the Offering, equal to $0.09225 per Offered Share.

(2) Before deducting expenses of the Offering estimated at $250,000, which will be paid from the gross proceeds of the Offering.

(3) Assuming that the Over-Allotment Option (as defined herein) is not exercised.

(4) Pine Cliff has also granted to the Underwriters (as defined herein) an over-allotment option (the "**Over-Allotment Option**"), exercisable at any time and from time to time, in whole or in part, commencing on the Closing Date (as defined herein) and ending at 5:00 p.m. (Calgary time) on the date that is 30 days following the Closing Date, to purchase up to an additional 4,395,000 Common Shares at the Offering Price and on the same terms and conditions as the Offering, for the purposes of covering the Underwriters' over-allotments, if any, and for market stabilization purposes. A purchaser who acquires Offered Shares forming any part of the Underwriters' over-allotment position acquires those securities under this short form prospectus, regardless of whether the Underwriters' over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Over-Allotment Option is exercised in full, the Total Offering, Underwriters' Fee and Net Proceeds to Pine Cliff (before deducting expenses of the Offering) will be $69,074,750,

$3,108,363.75 and $65,966,386.25, respectively. This short form prospectus also qualifies for distribution the grant of the Over-Allotment Option and the issuance of securities pursuant to the exercise thereof. See "*Plan of Distribution*".

| **Underwriters' Position** | **Maximum Size** | **Exercise Period** | **Exercise Price** |
|---|---|---|---|
| Over-Allotment Option | 4,395,000 Offered Shares | On or before 5:00 p.m. on the date that is 30 days after closing of the Offering | $2.05 per Offered Share |

FirstEnergy Capital Corp. ("**FirstEnergy**"), GMP Securities L.P. and Haywood Securities Inc., (collectively, the "**Co-Lead Underwriters**"), on their own behalf and on behalf of Clarus Securities Inc., Paradigm Capital Inc., Canaccord Genuity Corp., National Bank Financial Inc., AltaCorp Capital Inc., Jennings Capital Inc. and Scotia Capital Inc. (collectively, the "**Underwriters**"), as principals, conditionally offer the Offered Shares, subject to prior sale, if, as and when issued by Pine Cliff and accepted by the Underwriters in accordance with the conditions contained in the underwriting agreement referred to under "*Plan of Distribution*" and subject to the approval of certain legal matters by Bennett Jones LLP on behalf of Pine Cliff and by Dentons Canada LLP on behalf of the Underwriters.

The terms of the Offering, including the Offering Price, were determined by negotiation between Pine Cliff and the Co-Lead Underwriters, on their own behalf and on behalf of the other Underwriters. See "*Plan of Distribution*".

**The Underwriters propose to offer the Offered Shares initially at the Offering Price. After a reasonable effort has been made to sell all of the Offered Shares at the price specified, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Offered Shares remaining unsold. Any such reduction will not affect the net proceeds received by Pine Cliff pursuant to the Offering. The Underwriters will inform the Corporation if the offering price is reduced. See "*Plan of Distribution*".**

Subject to applicable laws, in connection with the distribution of the Offered Shares, the Underwriters may conduct transactions intended to stabilize or maintain the market price for the Common Shares at levels other than those which otherwise might prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

In the opinion of Bennett Jones LLP, counsel to Pine Cliff, and Dentons Canada LLP, counsel to the Underwriters, based on the legislation in effect on the date of this short form prospectus, the Offered Shares are qualified investments for certain tax exempt plans as set forth herein under the heading "*Eligibility for Investment*". See "*Eligibility for Investment*".

Subscriptions for the Offered Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The closing of the Offering is expected to take place on or about September 23, 2014, and, for greater certainty, the Offered Shares (other than any Offered Shares issuable pursuant to the exercise of the Over-Allotment Option) are to be taken up by the Underwriters, if at all, on or before a date not later than 42 days after the date of the receipt for the final short form prospectus (the "**Closing Date**").

The Offered Shares sold under the Offering will be represented by a global certificate issued in registered form to CDS Clearing and Depositary Services Inc. ("**CDS**") or its nominee, or will be directly deposited with CDS. A subscriber for Offered Shares will receive only a customer confirmation from the registered dealer who is a CDS participant and through whom the Offered Shares are purchased. See "*Depository Services*".

As at the date hereof, approximately $22.6 million is outstanding under the Credit Facility (as defined herein), which indebtedness was primarily incurred in connection with the Carrot Creek/Edson Acquisition (as defined herein) as well as certain capital expenditures of the Corporation. See "*Recent Developments – Carrot Creek/Edson Acquisition*". The net proceeds of the Offering will be used to pay down outstanding debt and to fund a portion of the purchase price of the Proposed Acquisition (as defined herein). See "*Use of Proceeds*".

ATB Financial is a minority shareholder of AltaCorp Capital Inc. ATB Financial is an affiliate of Alberta Treasury Branches which is a provincially regulated financial institution and is also a lender to Pine Cliff under the Credit Facility and to which Pine Cliff is presently indebted. Consequently, Pine Cliff may be considered to be a "connected issuer" of AltaCorp Capital Inc. for the purposes of Canadian securities legislation. See "*Relationship Between Pine Cliff and a Certain Underwriter*".

Prospective investors should rely only on the information contained in this short form prospectus and the documents incorporated by reference herein. The Corporation has not authorized anyone to provide prospective investors with different information. The Corporation is not offering the Offered Shares in any jurisdiction in which the Offering is not permitted.

Investors should not assume that the information contained in this short form prospectus is accurate as of any date other than the date of this short form prospectus. Subject to the Corporation's obligations under applicable Canadian securities laws, the information contained in this short form prospectus is accurate only as of the date of this short form prospectus regardless of the time of delivery of this short form prospectus or of any sale of the Offered Shares.

The registered and head office of Pine Cliff is located at Suite 850, 1015 – 4th Street S.W., Calgary, Alberta T2R 1J4.

Unless otherwise specifically stated, all dollar amounts in this short form prospectus are expressed in Canadian dollars.

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## GLOSSARY OF ABBREVIATIONS

### Oil and Gas Abbreviations

| | | | |
|---|---|---|---|
| **Bbl** | barrel | **Mboe** | millions of barrels of oil equivalent |
| **Boe** | barrel of oil equivalent | **Mcf** | thousand cubic feet |
| **Boe/d** | barrels of oil equivalent per day | **NGLs or liquids** | natural gas liquids |

### Mineral Abbreviations

| | |
|---|---|
| **deposit** | a mineralized body which has been physically delineated by sufficient drilling, trenching, and/or underground work, and found to contain a sufficient average grade of metal or metals to warrant further exploration and/or development expenditures. Such a deposit does not qualify as a commercially mineable ore body or as containing ore reserves or resources, until final legal and economic factors have been resolved |
| **km** | kilometres |
| **m** | metres |
| **ore** | a natural aggregate of one or more minerals which, at a specified time and place, may be mined and sold at a profit or from which some part may be profitably separated |

### Conversion Of Units

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units)

| To Convert From | To | Multiply By |
|---|---|---|

| | | |
|---|---|---|
| Feet | Metres | 0.305 |
| Metres | Feet | 3.281 |
| Miles | Kilometres | 1.609 |
| Kilometres | Miles | 0.621 |

In this short form prospectus, including documents incorporated by reference herein, where amounts are expressed on a Boe basis, natural gas volumes have been converted to oil equivalence at six Mcf per one Bbl. The term Boe may be misleading, particularly if used in isolation. This conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the conversion ratio based on the current price of oil as compared to the natural gas price is significantly different from the energy equivalency conversion ratio of six to one, utilizing a Boe conversion ratio of six Mcf to one Bbl may be misleading as an indication of value. Unless otherwise specified, references to oil include oil and NGLs. NGLs include condensate, propane, butane and ethane.

Where any disclosure of reserves data is made in this short form prospectus, including documents incorporated by reference herein, that does not reflect all of the reserves of Pine Cliff, as defined herein, the reader should note that the estimates of reserves and future net revenue for individual properties or groups of properties may not reflect the same confidence level as estimates of the reserves and future net revenue for all properties, due to the effects of aggregation.

## NON-IFRS MEASURES

Certain of Pine Cliff's documents incorporated by reference in this short form prospectus use and refer to supplemental financial measures used to assist in assessing financial performance of Pine Cliff including "Funds Flow from Operations", "Operating Netback" and "Net Debt", which are not standardized measures recognized under International Financial Reporting Standards ("IFRS") and do not have a standardized meaning prescribed by IFRS. Therefore, they may not be comparable with the calculation of similar measures presented by other issuers and should not be construed as an alternative to measures of financial performance in accordance with IFRS. Reference is made to the non-IFRS measures advisories in the documents incorporated by reference in this short form prospectus for the definitions and descriptions of such terms.

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Pine Cliff at Suite 850, 1015 – 4th Street S.W., Calgary, Alberta T2R 1J4, telephone: (403) 269-2289. In addition, copies of the documents incorporated herein by reference may be obtained from the securities commissions or similar authorities in Canada through the Canadian System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

The following documents are specifically incorporated by reference into this short form prospectus:

(i) the annual information form of Pine Cliff dated March 20, 2014 for the financial year ended December 31, 2013 (the "**Annual Information Form**");

(ii) the audited consolidated financial statements of Pine Cliff as at and for the years ended December 31, 2013 and 2012, together with the notes thereto and the independent auditor's report thereon;

(iii) management's discussion and analysis of Pine Cliff dated March 20, 2014 for the year ended December 31, 2013 (the "**2013 MD&A**");

(iv) the unaudited interim condensed consolidated financial statements of Pine Cliff as at and for the three and six months ended June 30, 2014, together with the notes thereto (the "**Q2 2014 Financial Statements**");

(v) management's discussion and analysis of Pine Cliff dated August 13, 2014 for the three and six months ended June 30, 2014 (the "**Q2 2014 MD&A**");

(vi) the material change report of Pine Cliff dated July 29, 2014 regarding the entering into of a binding agreement on July 17, 2014 to acquire certain shallow natural gas assets in Alberta and Saskatchewan from a senior oil and gas producer for cash consideration of $100 million (the "**Proposed Acquisition**");

(vii) the management information circular of Pine Cliff dated April 17, 2014 relating to the annual and special meeting of shareholders of Pine Cliff of May 22, 2014; and

(viii) the "template version" (as defined in applicable Canadian securities laws) of the term sheet dated September 2, 2014 with respect to the Offering.

Any documents of the type required by National Instrument 44-101 *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus including any material change reports (except confidential material change reports), comparative interim financial statements, comparative annual financial statements, together with the accompanying report of the auditors, if any, management's discussion and analysis of financial condition and results of operations, information circulars, annual information forms, "marketing materials" (as such term is defined under applicable securities laws) and business acquisition reports filed by Pine Cliff with a securities commission or similar regulatory authority of a province of Canada after the date of this short form prospectus and prior to the termination of the distribution, shall be deemed to be incorporated by reference into this short form prospectus.

**Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document that also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this short form prospectus.**

## MARKETING MATERIALS

Any "template version" of any "marketing materials" (as such terms are defined under applicable Canadian securities laws) that is used by the Underwriters in connection with the Offering does not form a part of this short form prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this short form prospectus. Any template version of any marketing materials that has been, or will be, filed under the Corporation's profile on SEDAR at www.sedar.com before the termination of the distribution under Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated by reference in to this short form prospectus.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

This short form prospectus and the documents incorporated by reference herein contain forward-looking statements and forward-looking information (collectively, "**forward-looking statements**"). These forward-looking statements relate to future events or Pine Cliff's future performance. All statements other than statements of historical fact may be forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", or the negative of these terms or other comparable terminology. These forward-looking statements are only predictions. Actual events or results may differ materially. In addition, this short form prospectus and the documents incorporated by reference herein may contain forward-looking statements attributed to third party industry sources. Undue reliance should not be placed on these forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Such forward-looking statements in this short form prospectus and the documents incorporated by reference herein speak only as of the date of this short form prospectus or as of the date specified in the documents incorporated by reference herein.

Forward-looking statements in this short form prospectus and the documents incorporated by reference herein include, but are not limited to, statements with respect to:

- the closing of the Offering and the timing thereof;
- the use of the net proceeds of the Offering;
- the listing of the Offered Shares;
- the expected closing date of the Proposed Acquisition;
- the funding of the Proposed Acquisition;
- the establishment of the Increased Facility (as defined herein);
- the quantity and quality of the oil and natural gas, and mineral reserves;
- the performance and characteristics of Pine Cliff's oil and natural gas properties;
- the extent and economic viability of developing ore bodies;
- expected production levels;
- future development, exploration and production activities and the timing thereof;
- future land expiries;
- results of various projects of Pine Cliff;
- timing of receipt of regulatory approvals;
- timing of development of undeveloped reserves;
- the tax horizon and taxability of Pine Cliff;
- supply and demand for oil, NGLs, natural gas and minerals (including precious metals);
- expectations regarding the Corporation's ability to raise capital and to continually add to reserves through acquisitions and development;
- the timing and amount of decommissioning costs, including abandonment costs;
- the impact of Canadian federal and provincial governmental regulation on Pine Cliff relative to other natural resource issuers of similar size;
- realization of the anticipated benefits of acquisitions and dispositions;
- weighting of production between different commodities;
- oil and natural gas prices and demand;
- projections of commodity and minerals prices and costs;
- expected levels of royalty rates, operating costs, general and administrative costs, costs of services and other costs and expenses;
- future capital expenditures, including the amount and nature thereof;
- capital expenditure programs and the timing and method of financing thereof;
- treatment under government regulation and taxation regimes;
- expansion and growth of business and operations;

- expansion and other development trends of oil and gas industry;
- corporate goals, business strategy and outlook;
- Pine Cliff's competitive position;
- maintenance of existing customer, supplier and partner relationships;
- supply channels;
- accounting policies; and
- credit risks.

Although Pine Cliff believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Neither Pine Cliff nor the Underwriters can guarantee future results, levels of activity, performance, or achievements. Moreover, neither Pine Cliff nor any other person assumes responsibility for the outcome of the forward-looking statements. Many of the risks and other factors are beyond Pine Cliff's control, which could cause results to differ materially from those expressed in the forward-looking statements contained in this short form prospectus and the documents incorporated by reference herein. The risks and other factors include, but are not limited to:

- the closing of the Offering could be delayed if the Corporation is not able to obtain the necessary stock exchange approval or any other approvals required for completion of the Offering;
- the Offering will not be completed at all if the necessary approvals are not obtained or, unless waived, some other condition to closing is not satisfied;
- the net proceeds from the Offering may be reallocated for business reasons that management believes are in the Corporation's best interest;
- general economic conditions in Canada, the United States and globally, including reduced availability of debt and equity financing generally;
- the Proposed Acquisition may not be completed if the conditions to closing are not satisfied;
- the Increased Facility may not be entered into by the Corporation;
- industry conditions, including fluctuations in the price of oil, NGLs, natural gas and minerals (including precious metals);
- liabilities inherent in oil, natural gas and mineral operations;
- changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced;
- risk inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations;
- governmental regulation of the oil and gas, and mining industries, including environmental regulation;
- fluctuation in foreign exchange or interest rates;
- ability of oil and gas companies to raise capital;
- operating risks including geological, technical, drilling and processing problems and other difficulties in producing reserves and deposits;
- unanticipated operating events which can reduce production or cause production to be shut in or delayed;
- opportunities available to or pursued by Pine Cliff;
- failure to realize anticipated benefits of acquisitions;
- failure to obtain industry partner and other third party consents and approvals, when required;
- stock market volatility and market valuations;
- volatility of oil and natural gas prices;
- oil and gas supply and demand;

- competition for, among other things, capital, acquisitions or reserves, deposits, undeveloped land and skilled personnel;
- competition for and inability to retain drilling rigs, mining equipment and other services;
- the effect of weather conditions on operations and facilities;
- rights to surface access; and
- the other factors considered under the heading "*Risk Factors*" in this short form prospectus, under the heading "*Risk Factors*" in the Annual Information Form and under the heading "*Financial Instruments and Risk Management*" in each of the Q2 2014 MD&A and 2013 MD&A, which are incorporated by reference herein.

These factors should not be considered as exhaustive. Statements relating to "reserves" or "resources" or "deposits" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves, resources and deposits described can be profitably produced in the future. With respect to forward-looking statements contained in this short form prospectus and the documents incorporated by reference herein Pine Cliff has made assumptions regarding: future exchange rates; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; availability of skilled labour; current technology; cash flow; production rates; grades; timing and amount of capital expenditures; the prices and marketability of oil, NGLs, natural gas and minerals (including precious metals); royalty rates; effects of regulation by governmental agencies; future operating costs; and the Corporation's ability to obtain financing on acceptable terms.

Readers are cautioned that the foregoing list of factors is not exhaustive and that additional information on these and other factors that could affect Pine Cliff's operations or financial results is discussed in this short form prospectus, the Annual Information Form, the Q2 2014 MD&A, and the 2013 MD&A and certain of the other documents on file with Canadian securities regulatory authorities and incorporated by reference herein. Copies of these documents are available on SEDAR at www.sedar.com or Pine Cliff's website at www.pinecliffenergy.com. The above summary of assumptions and risks related to forward-looking information has been provided in this short form prospectus and the documents incorporated by reference herein in order to provide readers with a more complete perspective on Pine Cliff's future operations. Readers are cautioned that this information may not be appropriate for other purposes.

**The forward-looking statements contained in this short form prospectus and in the documents incorporated by reference herein are expressly qualified by this cautionary statement. Pine Cliff is not under any duty to update or revise any of the forward-looking statements except as expressly required by applicable securities laws.**

## CORPORATE STRUCTURE

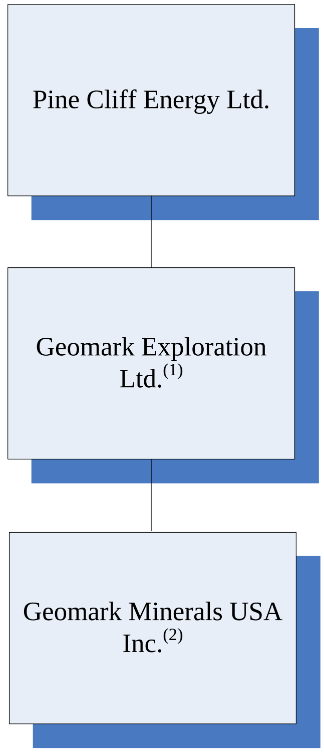
### Name, Address and Incorporation

Pine Cliff was incorporated under the *Business Corporations Act* (Alberta) (the "**ABCA**") on November 10, 2004, by Certificate of Incorporation issued pursuant to the provisions of the ABCA, under the name "Pine Cliff Energy Ltd." Effective January 1, 2011, Pine Cliff amalgamated with its wholly-owned subsidiary, CanAmericas Energy Ltd., and its indirect wholly-owned subsidiary, CanAmericas (Chile) Energy Ltd., pursuant to the provisions of the ABCA. On October 1, 2013, Pine Cliff amalgamated with its wholly-owned subsidiary Skope Energy Inc. ("**Skope Energy**") pursuant to the provisions of the ABCA and, immediately prior to such amalgamation, Skope Energy amalgamated with its wholly-owned subsidiary Skope Energy International Inc.

Pine Cliff is a "reporting issuer" in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. Pine Cliff's registered and head office is located at Suite 850, 1015 - 4th Street S.W., Calgary, Alberta T2R 1J4.

**Intercorporate Relationships**

The following diagram sets forth the organizational structure of Pine Cliff and its material subsidiaries as of the date hereof. Reference to "**Pine Cliff**" or the "**Corporation**" in this short form prospectus, include, where the context dictates, its subsidiaries and affiliates.




**Notes:**
(1) Formed under the ABCA.
(2) Formed under the laws of the State of Delaware.

## BUSINESS OF PINE CLIFF

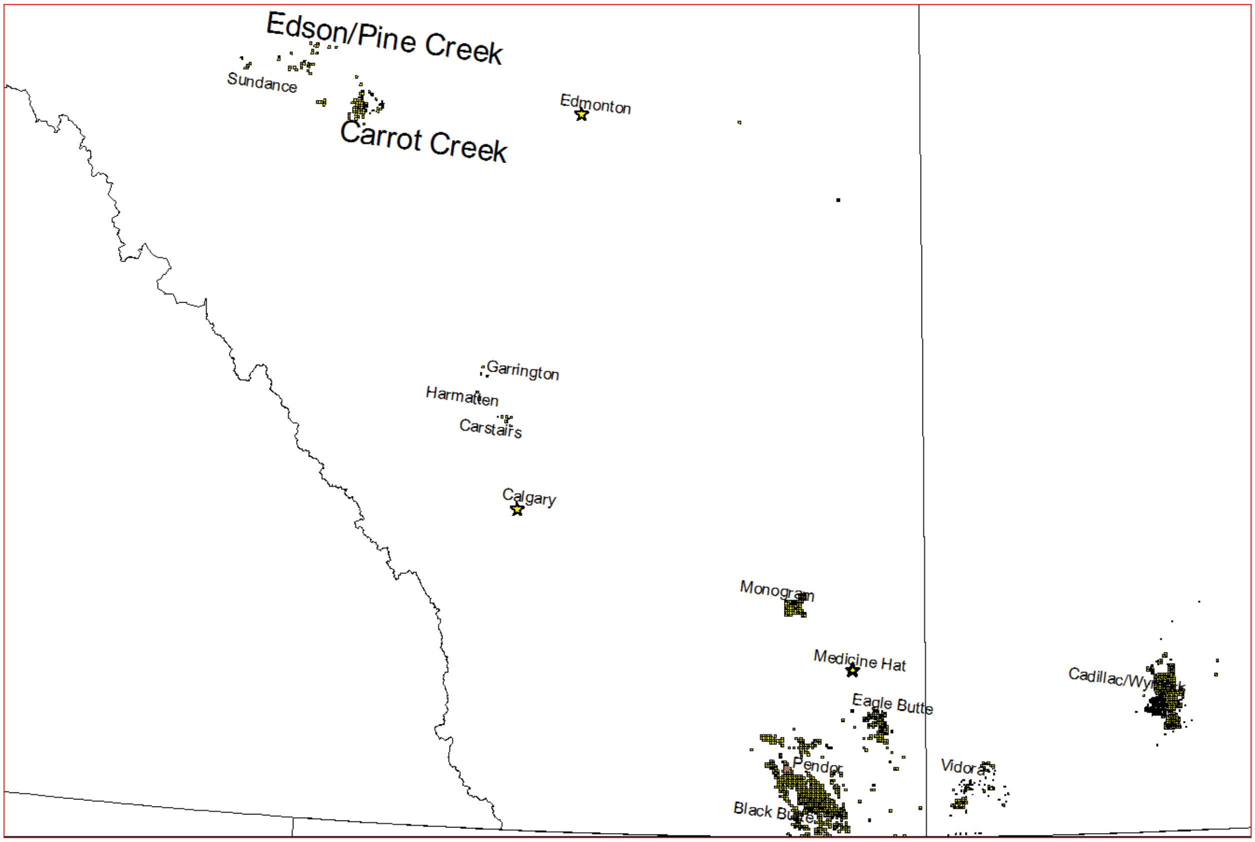
Pine Cliff is a growth orientated oil and gas exploration and production company seeking to acquire material asset positions in the Western Canadian Sedimentary Basin to enlarge its current core areas and create new core areas of production with significant reserves and drilling inventories. The Corporation's vision is to deliver long-term value to the holders of Common Shares (the "**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.

Pine Cliff's only reportable segment as determined based on the Corporation's operations is its Oil and Gas Division, which includes the exploration, development and production of natural gas, crude oil and NGLs in the Western Canadian Sedimentary Basin.

**Description of Oil and Gas Properties**

Pine Cliff's oil and gas properties are located in Alberta and Saskatchewan, where the Corporation operates or has ownership in facilities and other installations necessary to produce, transport and sell oil, natural gas and NGLs.

The following map outlines the location of Pine Cliff's assets:




***Carrot Creek***

Pine Cliff holds a working interest in certain oil and natural gas assets which are located southeast of the town of Edson, Alberta, Canada and produce liquids rich natural gas as well as a small amount of oil (including the Carrot Creek/Edson Assets (as defined herein), the "**Carrot Creek Assets**"). Pine Cliff has a 65% average working interest in the Carrot Creek Assets and is the operator of approximately 80% of the Corporation's production in the area. Pine Cliff's production from the Carrot Creek Assets, excluding the Carrot Creek/Edson Assets, was approximately 900 Boe/d as at June 30, 2014. Management is of the view that the Carrot Creek area has multi-zone potential which can be further exploited using horizontal drilling technology.

Pine Cliff's acreage in the area is productive primarily from sands belonging to the middle Jurassic Rock Creek Formation and the Lower Cretaceous and Ostracod formations. Secondary zones of interest in the area include sands belonging to the Edmonton, Cardium, Viking, Wilrich and Notikewin formations.

Stratigraphy in the Carrot Creek area is relatively complicated, with multiple unconformities encountered in the approximately 100 m thick section representing the interval from the Lower Cretaceous to the base of the Rock Creek. The Rock Creek sands are interpreted to have been deposited in a shallow marine shelf environment where lateral thickness variations may be the result of paleotopographic variability or changes in depositional environment. Comprised of fine to medium grained sands and siltstones which are often bioturbated, the reservoir sands average approximately six metres in thickness and are encountered at an average drill depth of 2,425 m. In the area, the Rock Creek overlies the Poker Chip shale and is unconformably overlain by the Fernie shale.

Unconformably overlying the Fernie shale are the Ellerslie (basal quartz) equivalent sands. Derived from the Rocky Mountains to the west, these chert-rich sands were deposited by the northerly flowing Spirit River Channel system.

The Lower Cretaceous Ostracod formation conformably overlays the Ellerslie and is a member of the Lower Manville Group. It is interpreted to be a shallow brackish water or lagoonal environment deposit. Natural gas and oil are produced from the Ostracod in the area. The trapping mechanism for all the reservoirs in the Carrot Creek area is largely stratigraphic.

***Southern Alberta and Southern Saskatchewan***

Pine Cliff acquired its initial working interest in certain non-operated natural gas producing properties in Southern Alberta and Southern Saskatchewan on February 19, 2013 through the acquisition of Skope Energy. Since June 30, 2013, the Corporation has acquired an additional 60.84305% working interest in the Monogram area (the "**Monogram Unit**"), and approximately 20% and 18% working interests in a package of long-term, low decline producing shallow gas assets located in southeast Alberta and southwest Saskatchewan, respectively (the "**Southern Assets**"). In addition, Pine Cliff became the operator of the Monogram Unit and the Southern Assets on August 30, 2013. The majority of the producing zones in these properties are from the upper Cretaceous Milk River, Medicine Hat and Second White Specks sands in southern Alberta and Saskatchewan, which together constitute one of the largest Canadian gas fields ever discovered. These fields are characterized by their shallow depths, low-permeability clay-rich sands. The formations occur in broad sheet-like sands that are laterally extensive and have been regarded by many as offshore sands. Underlying structures create fracturing which enhances permeability in these shallow horizons.

<u>Pendor/Black Butte</u>

The Pendor/Black Butte areas are located approximately 80 kms southwest of the City of Medicine Hat, Alberta and produce natural gas. Development and production activities in the Pendor/Black Butte areas at this time are primarily directed toward exploitation and maintaining production.

Pine Cliff controls most of the infrastructure in this area which includes a gas gathering system, two gas processing facilities and a 100% interest in a sales gas export pipeline terminating in Montana. This infrastructure control allows Pine Cliff to maintain a low cost structure in the region. Pine Cliff has identified a number of recompletion and tie-in opportunities, as well as infill and edge horizontal drilling opportunities in the tighter halo Second White Specks sands.

<u>Monogram</u>

The Monogram area is located approximately 40 kms northwest of the City of Medicine Hat, Alberta and produces natural gas. Development and production activities in the Monogram area are currently directed toward exploitation and maintaining production. Although there is no undeveloped land in this area, the developed land base offers a small inventory of infill drilling locations.

<u>Eagle Butte</u>

The Eagle Butte area is located approximately 24 kms southeast of the City of Medicine Hat, Alberta. Development and production activities in the Eagle Butte area are currently directed towards exploitation and maintaining production. Pine Cliff has identified an infill drilling program, which may be implemented if natural gas prices significantly exceed current natural gas prices, targeting the Second White Specks, Medicine Hat and the lower shore face Bow Island sands.

<u>Cadillac Wymark/Vidora</u>

The Cadillac Wymark/Vidora areas are located in southwest Saskatchewan. Development and production activities in the Cadillac Wymark/Vidora areas are currently directed toward exploitation and maintaining production.

***Other Areas***

Pine Cliff also has working interests in non-operated properties in the Sundance, Carstairs, Garrington and Harmatten areas of Alberta, but does not consider them to be core areas at this time. Total production in these areas was approximately 224 Boe/d as at June 30, 2014.

**Mining Assets**

Through its wholly-owned subsidiary, Geomark Exploration Ltd., Pine Cliff holds mining assets, including certain mineral leases and claims located in Ontario, the Northwest Territories, Nunavut and Utah. None of the mineral leases and claims is presently material to Pine Cliff from an accounting or securities perspective.

## RECENT DEVELOPMENTS

**Carrot Creek/Edson Acquisition**

On August 7, 2014, the Corporation closed an acquisition of oil and natural gas assets in Carrot Creek/Edson in Alberta (the "**Carrot Creek/Edson Assets**") for cash consideration of $33.25 million, prior to adjustments (the "**Carrot Creek/Edson Acquisition**").

The Carrot Creek/Edson Assets produce approximately 970 Boe/d (based on the May 2014 average) and possess a predictable low cost production profile, long reserve life and a geographically focused asset base contiguous with Pine Cliff's current Carrot Creek core area. The Carrot Creek/Edson Assets have multi-zone, potentially low risk drilling opportunities, including infill drilling that are characterized by liquids rich, high productivity wells and favourable royalties and operating costs.

As a result of the Carrot Creek/Edson Acquisition, Pine Cliff now has a combined asset base production profile of over 7,000 Boe/d, weighted approximately 92% towards natural gas. Pine Cliff's current production levels do not include the expected production to be gained if the Proposed Acquisition closes as contemplated herein.

**Proposed Acquisition**

On August 27, 2014, the Corporation entered into a purchase and sale agreement to acquire certain shallow natural gas assets in Alberta and Southern Saskatchewan (the "**Shallow Gas Assets**") from a senior oil and gas producer for cash consideration of $100 million, prior to adjustments (the "**Proposed Acquisition**"). The Proposed Acquisition will have an effective date of July 1, 2014 and is expected to close on or around October 1, 2014. Completion of the Proposed Acquisition is subject to numerous conditions, including due diligence, title and environmental review and board of director and regulatory approvals.

The majority of the Shallow Gas Assets in Alberta are located east of the City of Medicine Hat with the remainder of the assets in Alberta in central Alberta near the City of Wetaskiwin. The Shallow Gas Assets in Saskatchewan are located near the town of Maple Creek.

Highlights of the Proposed Acquisition include:

- The Shallow Gas Assets possess a predictable production profile, long reserve life and a geographically focused asset base which is 100% weighted to natural gas. The Shallow Gas Assets are 85% operated, high working interest properties (averaging 93%) and include ownership in key strategic infrastructure. Assuming completion of the Proposed Acquisition, Pine Cliff has identified a number of potential low risk growth opportunities on the Shallow Gas Assets including infill drilling, recompletions and well reactivations.

- Assuming the Proposed Acquisition closes, subsequent to the closing of the Proposed Acquisition Pine Cliff is expected to have a combined base asset production of over 12,000 Boe/d with a combined decline rate of approximately 15%.

Key attributes of the Shallow Gas Assets are as follows:

| | |
|---|---|
| Production (May 2014 average provided by the vendor of the Shallow Gas Assets (the "**Vendor**") | 5,300 Boe/d |
| Natural Gas Weighting | 100% |
| Proved Reserves(1) | 10.7 Mboe |
| Estimated Net Present Value of Future Net Revenue of Proved Reserves(2)(3)(4) | $110.3 million |
| Proved and Probable Reserves(1) | 15.5 Mboe |
| Estimated Net Present Value of Future Net Revenue of Proved Plus Probable Reserves(2)(3)(4) | $128.6 million |
| Decline Rate | 14% |
| Estimated Funds Flow from Operations (12 months following the effective date of the Proposed Acquisition)(5) | $24 million |
| Estimated Oil and Gas Sales (12 months following the effective date of the Proposed Acquisition)(6) | $43 million |

**Notes:**

(1) Based on the Vendor's internal estimates as of December 31, 2013.
(2) The net present value of future net revenue estimates are based on Pine Cliff's internal evaluation effective July 1, 2014 and were prepared by a Pine Cliff employee who is a qualified reserves evaluator in accordance with NI 51-101.
(3) Before tax net present value based on a 10% discount rate and McDaniel & Associates Consultants Ltd. July 1, 2014 forecast prices.
(4) The estimated values of future net revenues do not represent the fair market value of the reserves.
(5) Based on natural gas pricing of $4.00/Mcf AECO and using estimated production at July 1, 2014 of 5,200 Boe/d, an 8% royalty rate, and $8.54 per Boe operating costs. Estimated future funds flow from operations do not represent fair market value.
(6) Based on natural gas pricing of $4.00/Mcf AECO and production volumes of 1.82 Mboe.

The Corporation intends to fund the Proposed Acquisition partially with the Increased Facility and partially with the proceeds of the Offering; however, the completion of the Proposed Acquisition is not contingent on completion of the Offering.

Appendix "A" to this short form prospectus contains unaudited pro forma consolidated operating statements containing oil and gas sales, royalties, operating expenses and operating income in respect of the Shallow Gas Assets for the six months ended June 30, 2014 and the year ended December 31, 2013. Appendix "B" to this short form prospectus contains operating statements containing oil and gas sales, royalties, operating expenses and operating income in respect of the Shallow Gas Assets for the six months ended June 30, 2014 and 2013 (unaudited) and the year ended December 31, 2013 (audited) and the year ended December 31, 2012 (unaudited).

**Credit Facility**

In July 2013, the Corporation drew down approximately $9 million under its credit facility established pursuant to a credit agreement dated February 22, 2012 between Pine Cliff and a Canadian financial institution, as amended (the "**Credit Facility**"), primarily in connection with the funding of an additional approximate 52% working interest in the Monogram Unit that is a portion of the Corporation's Southern Assets, and related infrastructure for $34 million, prior to adjustments. The Credit Facility was amended on August 29, 2013 to increase the aggregate amount available under the Credit Facility from $15 million to $40 million.

In October 2013, the Corporation completed a public offering of 18,200,000 Common Shares for gross proceeds of approximately $20 million, which it used to reduce the debt outstanding under its Credit Facility to nil. In August 2014, the Corporation drew down $22.9 million to fund the Carrot Creek/Edson Acquisition.

The Corporation has received a notice from ATB Financial advising that ATB Financial's total lending value for Pine Cliff is in the range of $115-125 million, and that Pine Cliff could access such lending value. ATB Financial's analysis is based on the assumption that the Proposed Acquisition closes as contemplated and that other standard conditions precedent are satisfied, but is not conditional upon the closing of the Offering. The Corporation intends to increase its Credit Facility with ATB Financial to partially fund the Proposed Acquisition (the "**Increased Facility**"). See "*Consolidated Capitalization*".

## USE OF PROCEEDS

The estimated net proceeds from the Offering will be approximately $57,112,075 after deducting fees payable to the Underwriters of approximately $2,702,925 and expenses of the Offering, estimated to be $250,000. If the Over-Allotment Option is exercised in full, the net proceeds from the Offering are estimated to be $65,716,386.25 after deducting fees payable to the Underwriters of $3,108,363.75 and the estimated expenses of the Offering of $250,000. See "*Plan of Distribution*". The net proceeds of the Offering will be used to pay down outstanding debt and to fund a portion of the purchase price of the Proposed Acquisition. In the event the Proposed Acquisition does not close, the proceeds of the Offering are expected to be used to repay outstanding debt, to fund ongoing capital expenditures and for general corporate purposes. The completion of the Proposed Acquisition is not contingent upon the completion of the Offering, nor is the completion of the Offering contingent upon the completion of the Proposed Acquisition.

The following table sets out the estimated uses of the proceeds of the Offering.

| | **Uses** |
|---|---|
| Proposed Acquisition(1) | $34,512,075 |
| Repay Credit Facility(2) | $22,600,000 |
| **Estimated Total Uses** | **$57,112,075** |

**Notes:**

(1) The remainder of the purchase price for the Proposed Acquisition is expected to be funded with the Increased Facility.

(2) The aggregate amount available under the Credit Facility is $40 million. As at the date hereof, approximately $22.6 million is outstanding under the Credit Facility, which indebtedness was incurred primarily in connection with the Carrot Creek/Edson Acquisition as well as certain capital expenditures of the Corporation. See "*Recent Developments – Carrot Creek/Edson Acquisition*". Pine Cliff plans to repay the amount outstanding under the Credit Facility before drawing down on the Increased Facility to fund the Proposed Acquisition.

Pine Cliff is a growth oriented oil and gas company that has been actively acquiring material asset positions in the Western Canadian Sedimentary Basin to enlarge its current core areas and create new core areas of production with significant reserves and drilling inventories. It is the intent of Pine Cliff to continue this strategy. The repayment of the outstanding indebtedness under the Credit Facility with a portion of the net proceeds from the Offering will enable Pine Cliff to continue to pursue opportunities that it feels fit within this strategy. Pine Cliff believes that having capital available (through borrowings under its Credit Facility or otherwise) to pursue its strategy will permit it to be in a position to act quickly if any such opportunities arise.

The Corporation intends to use the net proceeds of the Offering as described above. However, there may be circumstances where, for sound business reasons, a reallocation of the net proceeds may be necessary. The actual amount that the Corporation spends in connection with each of the intended use of proceeds will depend on a number of factors, including those referred to under "*Risk Factors*".

There is no particular significant event or milestone that must occur for Pine Cliff's business objectives to be accomplished. See "*Plan of Distribution*".

## RELATIONSHIP BETWEEN PINE CLIFF AND A CERTAIN UNDERWRITER

ATB Financial is a minority shareholder of AltaCorp Capital Inc. ATB Financial is an affiliate of Alberta Treasury Branches which is a provincially regulated financial institution and is also a lender to Pine Cliff. Pine Cliff is (and may be from time to time) indebted to Alberta Treasury Branches pursuant to its Credit Facility. Consequently, Pine

Cliff may be considered to be a "connected issuer" of AltaCorp Capital Inc. for the purposes of securities regulations in certain provinces.

As at the date hereof, the outstanding indebtedness under the Credit Facility is approximately $22.6 million. The Credit Facility is secured by a first priority security interest on all present and after acquired property of the Corporation. Neither the financial position of Pine Cliff nor the value of the security under the Credit Facility has adversely changed since the indebtedness thereunder was incurred. Pine Cliff is in compliance with all material terms of the agreements governing the Credit Facility and has not been in default or otherwise in breach of such agreements since their execution. The Credit Facility contains certain negative covenants restricting Pine Cliff from, among other things, providing financial assistance to any person, incurring capital expenditures in respect of oil or gas properties outside of the Western Canadian Sedimentary Basin, entering into hedging agreements and utilizing borrowings to finance a hostile takeover. See "*Consolidated Capitalization*".

The decision of AltaCorp Capital Inc. to distribute the Offered Shares under the Offering was made independently of Alberta Treasury Branches and Alberta Treasury Branches did not have any involvement in the determination of the terms of the distribution; however, Alberta Treasury Branches has been advised of the issuance and the terms thereof. As a consequence of the Offering, AltaCorp Capital Inc. will receive its respective share of the Underwriters' fee payable by Pine Cliff to the Underwriters and Alberta Treasury Branches will receive all or a portion of the net proceeds from the Offering as a partial repayment of outstanding indebtedness under the Credit Facility. See "*Use of Proceeds*".

## CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of Pine Cliff as at June 30, 2014, both before and after giving effect to the Offering and the use of proceeds thereof. See "*Use of Proceeds*".

| **Designation** | **Authorized as at June 30, 2014** | **As at June 30, 2014 before giving effect to the Carrot Creek/Edson Acquisition, the Offering and the Proposed Acquisition(7)** | **As at June 30, 2014, including the Carrot Creek/Edson Acquisition but before giving effect to the Offering or the Proposed Acquisition(2)(7)** | **As at June 30, 2014, including the Carrot Creek/Edson Acquisition, after giving effect to the Offering but before the Proposed Acquisition(1)(3)(7)** | **As at June 30, 2014, including the Carrot Creek/Edson Acquisition, after giving effect to the Offering and the Proposed Acquisition(1)(3)(6)(7)** |
|---|---|---|---|---|---|
| Credit Facility(4)..... | $40,000,000 | Nil | ($22,880,000) | Nil | ($55,768,000) |
| Common Shares(5).. | Unlimited | $131,731,000 (203,589,259 Common Shares) | $131,731,000 (203,589,259 Common Shares) | $188,843,000 (232,889,259 Common Shares) | $188,843,000 (232,889,259 Common Shares) |
| Preferred Shares..... | Unlimited | Nil | Nil | Nil | Nil |

**Notes:**

(1) The information in this column treats a portion of the net proceeds from the Offering being used to reduce the outstanding indebtedness as at June 30, 2014 of approximately $22.9 million under the Credit Facility, which was drawn down primarily in connection with funding the Carrot Creek/Edson Acquisition and will be drawn down to partially fund the Proposed Acquisition, as if such reduction had occurred as at June 30, 2014. See "*Recent Developments – Credit Facility*".

(2) The Carrot Creek/Edson Acquisition closed on August 7, 2014.

(3) Based on the issuance of 29,300,000 Offered Shares pursuant to the Offering for gross proceeds of $60,065,000 less the anticipated Underwriter' fees of $2,702,925 and other expenses for the Offering estimated to be $250,000. If the Over-Allotment Option is exercised in full, the aggregate gross proceeds, Underwriters' fees and estimated expenses of the Offering will be $69,074,750, $3,108,363.75 and $250,000, respectively. If the Over-Allotment is exercised in full, the issued and outstanding Common Shares as at June 30, 2014, pro forma the Offering, would be 237,284,259 Common Shares ($197,447,386).

(4) As at June 30, 2014, the total Credit Facility available to the Corporation was $40,000,000. The current revolving period will end on May 31, 2015 and if the Credit Facility is not renewed it will become payable in full on demand. Amounts drawn under the 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. The Credit Facility is secured by a first priority security interest on all present and after acquired property of the Corporation. 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. As at June 30, 2014, Pine Cliff was in compliance with all quantitative bank debt covenants under the Credit Facility. The Credit Facility also contains certain negative covenants restricting Pine Cliff from, among other things, providing

financial assistance to any person, incurring capital expenditures in respect of oil or gas properties outside of the Western Canadian Sedimentary Basin and utilizing borrowings to finance a hostile takeover.

(5) As at June 30, 2014, the Corporation also had outstanding stock options ("**Options**") to purchase an aggregate of 11,791,500 Common Shares at a weighted average exercise price of $0.85 per Common Share. For a description of the Common Shares, see "*Description of Common Shares*".

(6) The total Credit Facility reflects funds proposed to be drawn down on the Increased Facility. After giving effect to the Offering, the Credit Facility will be nil, with Offering proceeds of $34,232,075 remaining (as at June 30, 2014). After applying the remaining Offering proceeds to the purchase price of $100 million (before adjustments) for the Proposed Acquisition, and considering the $10 million deposit previously paid by the Corporation for the Proposed Acquisition, the amount outstanding under the Increased Facility as at June 30, 2014 will be $55,767,925.

(7) The dollar amounts presented in the table above have been rounded up or down, as applicable, to the nearest hundred dollar.

## PRIOR SALES

The following table summarizes the Common Shares or securities convertible into Common Shares that Pine Cliff has issued during the 12-month period prior to the date of this short form prospectus:

| Date of Issue | Securities | Price per Security | Number of Securities |
|---|---|---|---|
| September 19, 2013 | Common Shares(2) | $0.38 | 20,000 |
| October 2, 2013 | Common Shares(3) | $1.10 | 18,200,000 |
| October 22, 2013 | Options | $1.15(1) | 450,000 |
| October 22, 2013 | Common Shares(2) | $0.38 | 20,000 |
| November 4, 2013 | Options | $1.11(1) | 300,000 |
| November 13, 2013 | Options | $1.11(1) | 20,000 |
| November 14, 2013 | Options | $1.12(1) | 2,588,000 |
| January 2, 2014 | Options | $1.04(1) | 300,000 |
| January 13, 2014 | Common Shares(2) | $0.38 | 20,000 |
| January 21, 2014 | Common Shares(2) | $0.65 | 10,000 |
| January 28, 2014 | Common Shares(2) | $0.38 | 60,000 |
| January 28, 2014 | Common Shares(2) | $0.65 | 60,000 |
| January 29, 2014 | Common Shares(2) | $0.65 | 180,000 |
| February 3, 2014 | Common Shares(2) | $0.89 | 20,000 |
| February 5, 2014 | Common Shares(2) | $0.65 | 10,000 |
| February 7, 2014 | Common Shares(2) | $0.65 | 10,000 |
| February 8, 2014 | Common Shares(2) | $0.65 | 10,000 |
| February 11, 2014 | Common Shares(2) | $0.38 | 20,000 |
| February 11, 2014 | Common Shares(2) | $0.65 | 50,000 |
| February 18, 2014 | Common Shares(2) | $0.65 | 245,000 |
| February 18, 2014 | Common Shares(2) | $0.38 | 10,000 |
| February 27, 2014 | Common Shares(2) | $0.67 | 60,000 |
| February 27, 2014 | Common Shares(2) | $0.65 | 100,000 |
| March 25, 2014 | Common Shares(2) | $0.65 | 200,000 |
| March 25, 2014 | Common Shares(2) | $0.38 | 100,000 |
| March 25, 2014 | Common Shares(2) | $0.92 | 110,000 |
| March 27, 2014 | Common Shares(2) | $0.65 | 20,000 |
| March 28, 2014 | Common Shares(2) | $0.65 | 80,000 |

| Date of Issue | Securities | Price per Security | Number of Securities |
|---|---|---|---|
| March 31, 2014 | Common Shares(2) | $0.65 | 150,000 |
| April 1, 2014 | Common Shares(2) | $0.65 | 30,000 |
| April 2, 2014 | Common Shares(2) | $0.81 | 50,000 |
| April 2, 2014 | Common Shares(2) | $0.65 | 160,000 |
| April 7, 2014 | Options | $1.53(1) | 250,500 |
| April 10, 2014 | Common Shares(2) | $0.65 | 110,000 |
| April 14, 2014 | Common Shares(2) | $0.65 | 520,000 |
| April 15, 2014 | Common Shares(2) | $0.65 | 90,000 |
| April 16, 2014 | Options | $1.49(1) | 510,000 |
| April 16, 2014 | Common Shares(2) | $0.65 | 210,000 |
| April 17, 2014 | Common Shares(2) | $0.65 | 112,500 |
| April 22, 2014 | Common Shares(2) | $0.65 | 85,000 |
| April 23, 2014 | Common Shares(2) | $0.65 | 20,000 |
| April 24, 2014 | Common Shares(2) | $0.65 | 35,000 |
| April 28, 2014 | Common Shares(2) | $0.65 | 10,000 |
| April 29, 2014 | Common Shares(2) | $0.65 | 30,000 |
| May 5, 2014 | Options | $1.66(1) | 339,000 |
| May 20, 2014 | Common Shares(2) | $0.38 | 200,000 |
| May 21, 2014 | Common Shares(2) | $0.38 | 64,000 |
| May 26, 2014 | Common Shares(2) | $0.38 | 75,000 |
| June 9, 2014 | Common Shares(2) | $0.38 | 20,000 |
| June 26, 2014 | Common Shares(2) | $0.38 | 20,000 |
| June 26, 2014 | Common Shares(2) | $0.67 | 30,000 |
| July 7, 2014 | Options | $1.53(1) | 49,500 |
| August 6, 2014 | Options | $1.79(1) | 81,000 |
| August 26, 2014 | Common Shares(2) | $1.06 | 40,000 |
| August 27, 2014 | Common Shares(2) | $1.06 | 40,000 |
| August 28, 2014 | Common Shares(2) | $0.80 | 20,000 |
| September 15, 2014 | Options | $1.97(1) | 201,000 |

**Notes:**

(1) Represents the exercise price per Option.
(2) Represents Common Shares issued pursuant to the exercise of previously granted Options.
(3) Represents Common Shares issued pursuant to the short form prospectus of Pine Cliff dated October 2, 2013.
(4) The dollar amounts presented in the table above have been rounded up or down, as applicable, to the nearest thousand dollar.

## DESCRIPTION OF COMMON SHARES

### General Description of Share Capital

Pine Cliff is authorized to issue an unlimited number of Common Shares without nominal or par value and an unlimited number of Class B preferred shares (the "**Preferred Shares**"), issuable in series. A brief summary of the characteristics of the shares is set forth below. As of the date hereof, 203,689,259 Common Shares were issued and outstanding, and no Preferred Shares are issued and outstanding.

**Common Shares**

The Shareholders are entitled to receive notice of and to attend any meeting of the Shareholders of Pine Cliff and are entitled to one vote for each Common Share held (except at meetings at which only the holders of another class of shares are entitled to vote). The Shareholders are entitled to receive dividends, on a pro rata basis, if, as and when declared by Pine Cliff's board of directors (the "**Pine Cliff Board**") and, subject to prior satisfaction of all preferential rights, to participate rateably in the net assets of Pine Cliff in the event of any liquidation, dissolution or winding-up of Pine Cliff, whether voluntary or involuntary, or other distribution of assets of Pine Cliff among Shareholders for the purpose of winding up its affairs.

**Preferred Shares**

The Preferred Shares may be issued in one or more series and the Pine Cliff Board may, by resolution, fix the number of shares in each series and determine the designation, rights, privileges, restrictions and conditions to be attached to shares of each series. The holders of the Preferred Shares are entitled to dividends as and when declared by the Pine Cliff Board, and to receive out of the net assets of Pine Cliff in the event of any liquidation, dissolution or winding-up of Pine Cliff, payment in full of the respective amounts which each holder of Preferred Shares is entitled, in preference and priority to any dividend or payment on the Common Shares.

## PRICE RANGE AND TRADING VOLUME

**Common Shares**

The following table sets forth the reported high and low sales prices (which are not necessarily the closing prices) and the trading volumes for the Common Shares on the TSXV as reported by sources Pine Cliff believes to be reliable for the periods indicated:

| | **Price Range ($)** | | |
|---|---|---|---|
| **Period** | **High** | **Low** | **Trading Volume** |
| **2014** | | | |
| September (1-17) | $2.10 | $1.88 | 15,524,397 |
| August | $2.13 | $1.64 | 39,552,838 |
| July | $1.94 | $1.33 | 65,880,700 |
| June | $1.62 | $1.33 | 22,387,077 |
| May | $1.72 | $1.30 | 33,399,903 |
| April | $1.67 | $1.43 | 50,341,554 |
| March | $1.61 | $1.22 | 43,426,042 |
| February | $1.39 | $1.11 | 29,058,244 |
| January | $1.20 | $1.00 | 26,150,199 |
| **2013** | | | |
| December | $1.05 | $0.96 | 6,219,235 |
| November | $1.14 | $1.00 | 8,235,086 |
| October | $1.20 | $1.10 | 7,078,615 |
| September | $1.25 | $1.06 | 8,425,429 |

On August 29, 2014, the last trading day prior to the public announcement of the Offering, the closing price of the Common Shares on the TSXV was $2.11. On September 17, 2014, the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSXV was $1.89 per Common Share. The TSXV has conditionally approved the listing of the Offered Shares. Listing is subject to Pine Cliff fulfilling all of the listing requirements of the TSXV.

## DIVIDENDS

To date, Pine Cliff has not paid any dividends on its Common Shares, nor are there any restrictions on paying dividends. It is not anticipated that Pine Cliff will pay any dividends on its Common Shares in the near future. The Pine Cliff Board will determine the actual timing, payment and amount of dividends, if any, that may be paid from time to time based upon, among other things, cash flow, financial conditions, the need for funds to finance ongoing operations and other business considerations.

## PLAN OF DISTRIBUTION

Under an agreement dated effective as of September 2, 2014 (the "**Underwriting Agreement**") among Pine Cliff and the Underwriters, Pine Cliff has agreed to sell and the Underwriters have agreed to purchase on September 23, 2014, or such other date as may be agreed upon by Pine Cliff and the Underwriters, subject to the terms and conditions contained therein, 29,300,000 Offered Shares at a price of $2.05 per Offered Share for aggregate gross proceeds of $60,065,000 payable in cash (less the fee payable to the Underwriters and the expenses of the Offering) against delivery of the Offered Shares.

The Corporation has granted to the Underwriters the Over-Allotment Option to purchase up to an additional 4,395,000 Common Shares on the same terms and conditions as the Offering, exercisable in whole or in part at any time until 30 days following closing of the Offering to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total offering, Underwriters' fee and net proceeds to the Corporation (before expenses of the Offering) will be $69,074,750, $3,108,363.75, and $65,966,386.25, respectively. This short form prospectus also qualifies the distribution of the Common Shares issuable pursuant to the exercise of the Over-Allotment Option. A purchaser who acquires Common Shares forming part of the Underwriters' over-allocation position acquires those Common Shares under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The offering price for the Offered Shares was determined by negotiation between the Co-Lead Underwriters, on its own behalf and on behalf of each of the other Underwriters, and Pine Cliff. In connection with the Offering, Pine Cliff has agreed to pay the Underwriters a fee of $0.09225 per Offered Share. All fees payable to the Underwriters will be paid on account of services rendered in connection with the Offering and will be paid from the proceeds of the Offering.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint, and may be terminated upon the occurrence of certain stated events. Subject to certain exceptions contained in the Underwriting Agreement, if an Underwriter fails to purchase the Offered Shares which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Offered Shares. The Underwriters are, however, obligated to take up and pay for all Offered Shares if any are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the Corporation will indemnify the Underwriters and their directors, officers, agents, shareholders and employees against certain liabilities and expenses.

The Offered Shares offered hereby have not been and will not be registered under U.S. Securities Act, or any state securities laws, and accordingly may not be offered or sold within the United States (as such term is defined in Regulation S under the U.S. Securities Act) except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Underwriting Agreement permits the Underwriters, through their United States registered broker-dealer affiliates, to offer and resell the Offered Shares that they have acquired pursuant to the Underwriting Agreement to, or for the benefit of, "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act) ("**Rule 144A**"), and to arrange for sales of Offered Shares directly by the Corporation to, or for the benefit of, certain "institutional accredited investors" (within the meaning of Rule 501(a)(1), (2), (3) and (7) of Regulation D under the U.S. Securities Act ("**Regulation D**")) in the United States, provided such offers and sales are made in transactions in accordance with Rule 144A or Regulation D, as applicable, and applicable state securities laws. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Offered Shares outside the United States only in accordance with Rule 903 of Regulation S under the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of Offered Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the U.S. Securities Act. This short form prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Offered Shares in the United States.

The Underwriters propose to offer the Offered Shares initially at the offering price specified herein. After a reasonable effort has been made to sell all of the Offered Shares at such price, the Underwriters may subsequently reduce the selling prices to investors from time to time in order to sell any of the Offered Shares remaining unsold. In the event the offering price of the Offered Shares is reduced, the compensation received by the Underwriters will be decreased by the amount by which the aggregate price paid by the purchasers for the Offering Shares is less than the gross proceeds paid by the Underwriters to Pine Cliff for the Offered Shares. Any such reduction will not affect the net proceeds received by Pine Cliff.

Pursuant to applicable securities legislation, the Underwriters may not, throughout the period of distribution under this short form prospectus, bid for or purchase Common Shares. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purposes of creating actual or apparent active trading in, or raising the price of, the Common Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Market of Market Regulation Services Inc. relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Under the first-mentioned exception, in connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price for the Common Shares at levels other than those which might otherwise prevail in the open market. Those transactions, if commenced, may be discontinued at any time.

Subscriptions for Offered Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing of the Offering will take place on September 23, 2014 or such other date as may be agreed upon by the Underwriters and Pine Cliff.

Offered Shares sold under the Offering will be represented by a global certificate issued in registered form to CDS or its nominee, or will be directly deposited with CDS. A subscriber for Offered Shares will receive only a customer confirmation from the registered dealer who is a CDS participant and through whom the Offered Shares are purchased.

Pine Cliff has agreed with the Underwriters that, subject to certain exceptions, it will not, among other things, directly or indirectly, sell, agree or offer to sell, grant, any option for the sale of Common Shares or other securities of Pine Cliff or securities convertible into, or exchangeable for, Common Shares or other securities of Pine Cliff for a period of 90 days after the Closing Date without the prior written consent of FirstEnergy, which consent may not be unreasonably withheld.

Pine Cliff has applied to list the Offered Shares distributed under this short form prospectus on the TSXV. Listing will be subject to Pine Cliff fulfilling all of the listing requirements of the TSXV.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Bennett Jones LLP, counsel to Pine Cliff, and Dentons Canada LLP, counsel to the Underwriters, the Offered Shares would, if issued on the date hereof and listed on a designated stock exchange (which currently includes the TSXV), be qualified investments under the *Income Tax Act* (Canada) (the "**Tax Act**") and the regulations thereunder, as in effect on the date hereof, for a trust governed by a registered retirement savings plan (an "**RRSP**"), a registered retirement income fund (an "**RRIF**"), a registered education savings plan, a deferred profit sharing plan, a tax-free savings account (a "**TFSA**") and a registered disability savings plan (collectively, "**Deferred Plans**").

Notwithstanding that the Offered Shares may be qualified investments for a trust governed by a RRSP, RRIF or TFSA, the annuitant or holder of a RRSP, RRIF or TFSA that holds the Offered Shares will be subject to a penalty tax if the Offered Shares constitute a "prohibited investment" (as defined in the Tax Act) for the trust. The Offered Shares will not be a "prohibited investment" for a trust governed by a RRSP, RRIF or TFSA provided the annuitant or holder of such RRSP, RRIF or TFSA, as the case may be, deals at arm's length with the Corporation for purposes of the Tax Act and does not have a "significant interest" (as defined in the Tax Act) in the Corporation.

Prospective investors who intend to hold the Offered Shares in Deferred Plans should consult their own tax advisors as to whether the Offered Shares will be a prohibited investment in their particular circumstances.

## DEPOSITORY SERVICES

Except in certain limited circumstances: (i) the Offered Shares will be issued and deposited in electronic form with CDS or its nominee pursuant to the book-based system administered by CDS; (ii) certificates evidencing the Offered Shares will not be issued to subscribers; and (iii) subscribers will receive only a customer confirmation from the Underwriter or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Offered Shares are purchased. Subscribers who are not issued a certificate evidencing the Offered Shares which are subscribed for by them at closing are entitled under the ABCA to request that a certificate be issued in their name. Such a request will need to be made through the CDS participant through whom the beneficial interest in the securities are held at the time of the request.

The ability of a beneficial owner of Offered Shares to pledge such shares or otherwise take action with respect to such owner's interest in such shares (other than through a CDS participant) may be limited due to the lack of a physical certificate.

Neither Pine Cliff nor the Underwriters will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Offered Shares held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Common Shares; or (c) any advice or representation made by or with respect to CDS and those contained in this short form prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its CDS participants. The rules governing CDS provide that it acts as the agent and depository for the CDS participants. As a result, CDS participants must look solely to CDS and persons, other than CDS participants, having an interest in the Offered Shares must look solely to CDS participants for payments made by or on behalf of Pine Cliff to CDS in respect of the Common Shares.

## RISK FACTORS

A prospective purchaser of Common Shares should carefully consider the information described in the 2013 MD&A, the Q2 2014 MD&A and the information described under the heading "*Risk Factors*" in the Annual Information Form. Each of the 2013 MD&A, the Q2 2014 MD&A and the Annual Information Form are incorporated by reference in this short form prospectus. There has been no significant change in Pine Cliff's risk factors from those described in the 2013 MD&A, the Q2 2014 MD&A and the Annual Information Form. In addition to the foregoing, prospective purchasers of Offered Shares should consider the other information below or contained elsewhere in this short form prospectus and in the documents incorporated by reference.

### Failure to Realize the Anticipated Benefits of the Carrot Creek/Edson Acquisition and the Proposed Acquisition

Achieving the benefits of the Carrot Creek/Edson Acquisition and the Proposed Acquisition depends, in part, on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, as well as the ability to realize the anticipated growth opportunities and synergies, including the operating expense reductions. The integration of acquired assets requires the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may also result in the disruption of ongoing business and supplier, customer and employee relationships that may adversely affect Pine Cliff's ability to achieve the anticipated benefits of the acquisitions.

### Potential Undisclosed Liabilities Associated with the Carrot Creek/Edson Acquisition and the Proposed Acquisition

In connection with the Carrot Creek/Edson Acquisition and the Proposed Acquisition, there may be liabilities that Pine Cliff failed to discover or was unable to quantify in its due diligence, which it conducted prior to the execution of the acquisition agreements related to the acquisitions. Pine Cliff may not be indemnified for some or any of these liabilities.

**Operational and Reserves Risks Relating to the Carrot Creek/Edson Acquisition and the Proposed Acquisition**

The risk factors set forth in the Annual Information Form and in this short form prospectus relating to the oil and natural gas business and the operations and reserves of the Corporation apply equally in respect of the oil and gas assets acquired pursuant to the Carrot Creek/Edson Acquisition and the Proposed Acquisition. In particular, reserve and recovery information in respect of the assets acquired pursuant to the Carrot Creek/Edson Acquisition and to be acquired pursuant to the Proposed Acquisition are only estimates, and the actual production from and ultimate reserves of those properties may be greater or less than the estimates.

Certain reserves information related to the Proposed Acquisition contained in this Prospectus is based on information and internal estimates provided to Pine Cliff by the Vendor of the Shallow Gas Assets. Although Pine Cliff believes that such information is accurate and reliable, at this time such information has not been verified by any independent sources.

**Nature of Acquisitions**

Acquisitions of oil and gas properties or companies are based in large part on engineering, environmental and economic assessments made by the acquiror, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and natural gas and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of the Corporation. All such assessments involve a measure of geological, engineering, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated. Although select title and environmental reviews are conducted prior to any purchase of resource assets, such reviews cannot guarantee that any unforeseen defects in the chain of title will not arise to defeat the Corporation's title to certain assets or that environmental defects, liabilities or deficiencies do not exist or are greater than anticipated. Such deficiencies or defects could adversely affect the value of the Carrot Creek/Edson Acquisition and the Proposed Acquisition and the Corporation's securities.

**Composition of Management**

Pine Cliff's management team is partially composed of non-full-time employees, which may limit the ability of such employees to dedicate sufficient time and resources to the management of Pine Cliff and its business which may have a material adverse effect on the business of the Corporation.

**Use of Proceeds**

The Corporation currently intends to allocate the net proceeds received from the Offering as described under "*Use of Proceeds*" in this short form prospectus. However, management will have discretion in the actual application of the net proceeds, and may elect to allocate proceeds differently from that described in "*Use of Proceeds*" if it is believed it would be in the best interests of the Corporation to do so as circumstances change. The failure by management to apply these funds effectively could have a material adverse effect on the business of the Corporation.

The Corporation intends to use a portion of the net proceeds from the Offering to fund a portion of the purchase price of the Proposed Acquisition. Although this allocation is based on the current expectations of management, there may be circumstances where, for business reasons, a reallocation of funds may be necessary as determined at the Corporation's sole discretion and there can be no assurance as of the date hereof as to how those funds may be reallocated. The Proposed Acquisition and the Offering are not mutually contingent and there is normal commercial risk that the Proposed Acquisition may not be completed on the terms negotiated, or at all.

In addition, the Corporation intends to fund a portion of the purchase price of the Proposed Acquisition through draws on the Increased Facility. Although the Corporation has received notice from ATB Financial advising that its total lending value for Pine Cliff is in excess of the proposed increase to the Credit Facility, there can be no assurance that the Increased Facility will be obtained. If the Increased Facility is not obtained prior to closing of the Proposed Acquisition, Pine Cliff would be required to locate additional financial resources to complete closing and may not be able to do so on satisfactory terms, or at all.

**Dilution**

While the net proceeds of the Offering are expected to be applied towards the uses specified in "*Use of Proceeds"*, to the extent that any of the net proceeds of the Offering remain uninvested pending their use or are used for other corporate purposes, the Offering may result in dilution, on a per share basis, to Pine Cliff's net income and other measures used by Pine Cliff.

## ADDITIONAL INFORMATION

**Cease Trade Orders**

In addition to the disclosure appearing under the heading "*Directors and Officers – Cease Trade Orders*" in Pine Cliff's Annual Information Form incorporated by reference in this short form prospectus, Pine Cliff notes that from August 1987 to August 2003, Mr. Carl R. Jonsson, director of the Corporation, was a director of Global CT & T Telecommunications Inc., which was subject to cease trade orders issued by certain provincial securities regulators in 2000 for failure to file financial statements, and such cease trade orders remain outstanding.

## AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of Pine Cliff is Deloitte LLP, Chartered Accountants, Calgary, Alberta. The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta.

## LEGAL MATTERS AND INTEREST OF EXPERTS

Certain legal matters relating to the Offering will be passed upon by Bennett Jones LLP on behalf of Pine Cliff and by Dentons Canada LLP and Dentons US LLP on behalf of the Underwriters. As at the date hereof, the partners and associates of Bennett Jones LLP and Dentons Canada LLP, each as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares.

The Corporation's independent auditor is Deloitte LLP, who is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

None of the designated professionals of McDaniel & Associates Consultants Ltd, Pine Cliff's independent engineering evaluator, have any registered or beneficial interests, direct or indirect, in any securities or other property of Pine Cliff either at the time they prepared the statement, report or valuation or at any time thereafter.

## LEGAL PROCEEDINGS

There are no outstanding legal proceedings material to Pine Cliff to which Pine Cliff is a party or in respect of which any of their respective properties are subject, nor are there any such proceedings known to Pine Cliff to be contemplated.

## ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS OR COMPANIES

Mr. Gary J. Drummond, a director of the Corporation, resides outside of Canada. Mr. Drummond has appointed Bennett Jones LLP, 4500 Bankers Hall East 855 – 2nd Street SW, Calgary, Alberta, T2P 4K7 as his agent for service of process in the Province of Alberta.

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against a person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

## PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

# APPENDIX "A"

## UNAUDITED PRO FORMA CONSOLIDATED OPERATING STATEMENTS

**Pro Forma Consolidated Operating Statement**
**(unaudited)**
For the six months ended June 30, 2014

| CAD | Pine Cliff Energy Ltd. | Shallow Gas Assets | Pro Forma Pine Cliff Energy Ltd. |
|---|---|---|---|
| *($ thousands)* | | | |
| **Revenue** | | | |
| Oil and gas sales | 35,512 | 26,872 | 62,384 |
| Royalties | (3,726) | (2,418) | (6,144) |
| | 31,786 | 24,454 | 56,240 |
| **Expenses** | | | |
| Operating | 10,477 | 10,926 | 21,403 |
| **Operating Income** | 21,309 | 13,528 | 34,837 |

*See accompanying notes to the Pro Forma Consolidated Operating Statement.*

**Pro Forma Operating Statement**
**(unaudited)**
For the year ended December 31, 2013

| CAD | Pine Cliff Energy Ltd. | Shallow Gas Assets | Pro Forma Pine Cliff Energy Ltd. |
|---|---|---|---|
| *($ thousands)* | | | |
| **Revenue** | | | |
| Oil and gas sales | 36,882 | 37,229 | 74,111 |
| Royalties | (3,523) | (3,118) | (6,641) |
| | 33,359 | 34,111 | 67,470 |
| **Expenses** | | | |
| Operating | 16,408 | 22,011 | 38,419 |
| **Operating Income** | 16,951 | 12,100 | 29,051 |

*See accompanying notes to the Pro Forma Consolidated Operating Statement.*

**Notes to the Pro Forma Consolidated Statements**
**(unaudited)**
**For the six months ended June 30, 2014 and year ended December 31, 2013**

## 1. BASIS OF PRESENTATION

The principal business of Pine Cliff Energy Ltd. ("Pine Cliff"), is the exploration, development and production of natural gas, crude oil and natural gas liquids.

The accompanying unaudited pro forma consolidated statements for the six months ended June 30, 2014 and year ended December 31, 2013 (the "Pro Forma Operating Statements") have been prepared to reflect the acquisition of certain shallow natural gas assets in Alberta and Southern Saskatchewan (the "Shallow Gas Assets") for cash consideration of $100 million, prior to adjustments. The Shallow Gas Asset transaction has an effective date of July 1, 2014 and is presently expected to close on or around October 1, 2014.

The unaudited Pro Forma Operating Statements have been prepared from information derived from the following:

- Pine Cliff's unaudited interim condensed consolidated financial statements, together with the accompanying notes thereto, as at and for the six months ended June 30, 2014;

- Pine Cliff's annual financial statements, together with the accompanying notes thereto, for the year ended December 31, 2013;

- The unaudited operating statement containing oil and gas sales, royalties, operating expenses and operating net income for the Shallow Gas Assets for the six months ended June 30, 2014; and

- The audited operating statement containing oil and gas sales, royalties, operating expenses and operating net income for the Shallow Gas Assets for the year ended December 31, 2013.

The Pro Forma Operating statements should be read in conjunction with the financial statements and notes thereto.

The Pro Forma Operating Statements for the six months ended June 30, 2014 and the year ended December 31, 2013 do not include any provision for depletion, depreciation and amortization, decommissioning liabilities, future capital costs, impairment of properties, administrative costs and income taxes for the Shallow Gas Assets as these amounts are based on the consolidated operations of the vendor of which the Shallow Gas Assets form only a part.

The Pro Forma Operating Statements have been prepared in accordance with the financial reporting framework specified in subsection 3.14 of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards for pro forma financial statements. The Pro Forma Operating Statements for the six months ended June 30, 2014 and the year ended December 31, 2013 give effect to the Shallow Gas Assets as if the transaction had occurred on January 1, 2013 The Pro Forma Statements may not be indicative of the results that actually would have occurred if the events reflected therein had been in effect on the dates indicated or of the results which may be obtained in the future.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The Pro Forma Operating Statements have been prepared following the same accounting policies as disclosed in Pine Cliff's audited consolidated financial statements as at and for the year ended December 31, 2013 and have been consistently applied to all periods presented.

## APPENDIX "B"

## AUDITED AND UNAUDITED OPERATING STATEMENTS OF THE SHALLOW GAS ASSETS
**(attached)**

Deloitte.

Deloitte LLP
700, 850 - 2nd Street S.W.
Calgary AB  T2P 0R8
Canada

Tel:  (403) 267-1700
Fax: (587) 774-5379
www.deloitte.ca

August 20, 2014

**INDEPENDENT AUDITOR’S REPORT**

**To the Board of Directors of Pine Cliff Energy Ltd.**

We have audited the accompanying Operating Statement of oil and gas properties (the “Shallow Gas Assets”) for the year ended December 31, 2013 (the “Operating Statement”), and the notes to the Operating Statement.

*Management's Responsibility for the Operating Statement*
Management of the seller of the Shallow Gas Assets is responsible for the preparation of the Operating Statement in accordance with the financial reporting framework specified in subsection 3.11 (5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards for operating statements of an acquired oil and gas property,* and for such internal control as management determines is necessary to enable the preparation of the Operating Statement that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*
Our responsibility is to express an opinion on the Operating Statement based on our audit. We conducted our audit 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 Operating Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Operating Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Operating Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Operating Statement 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, if any, made by management, as well as evaluating the overall presentation of the Operating Statement.

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

*Opinion*
In our opinion, the Operating Statement of oil and gas properties for the year ended December 31, 2013 is prepared, in all material respects, in accordance with the financial reporting framework specified in subsection 3.11 (5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards for operating statements of an acquired oil and gas property.*

Deloitte LLP
Chartered Accountants

**SHALLOW GAS ASSETS**

## Operating Statement

| **CAD** | **Six months ended June 30** | | **Year ended December 31** | |
|---|---|---|---|---|
| ***($ thousands)*** | **2014 (unaudited)** | **2013 (unaudited)** | **2013 (audited)** | **2012 (unaudited)** |
| **Revenue** | | | | |
| Oil and gas sales | 26,872 | 20,038 | 37,229 | 31,321 |
| Royalties | (2,418) | (1,751) | (3,118) | (2,460) |
| | 24,454 | 18,287 | 34,111 | 28,861 |
| **Expenses** | | | | |
| Operating | 10,926 | 11,446 | 22,011 | 22,310 |
| **Operating Income** | 13,528 | 6,841 | 12,100 | 6,551 |

*See accompanying notes to the Operating Statement*

**SHALLOW GAS ASSETS**
**Notes to the Operating Statement**
**For the six month periods ended June 30, 2014 and 2013 (unaudited) and years ended December 31, 2013 (audited) and 2012 (unaudited)**

## 1. BASIS OF PRESENTATION

The operating statement reflects the oil and gas sales, royalties and operating income related to the CBM W4 and South properties (the "Properties") expected to be purchased by Pine Cliff Energy Ltd. (as more fully described in the July 17, 2014 purchase and sale agreement) for the periods ended June 30, 2014 and 2013 and years ended December 31, 2013 and 2012.

The operating statement has been prepared from the records of the seller of the Properties and includes only the working interest oil and gas sales, royalties and operating expenses associated with the Properties. The operating statement does not include any provision for depletion, depreciation and amortization, decommissioning liabilities, future capital costs, impairment of properties, administrative costs and income taxes for the Properties as these amounts are based on the consolidated operations of the seller of which the Properties form only a part.

The operating statement has been prepared in accordance with the financial reporting framework specified in subsection 3.11 (5) of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards for operating statements of an acquired oil and gas property.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These interim and annual operating statements have been prepared using the accounting policies:

*Revenue Recognition*

Revenues from the sale of oil, natural gas and natural gas liquids are recorded when significant risks and rewards of ownership have been transferred to the customer. This generally occurs when the product is physically transferred into a third-party pipeline or when the delivery truck arrives at a customer's receiving location.

*Royalties*

Royalties are recorded at the time the product is sold. Royalties are calculated in accordance with the applicable regulations and/or terms of individual royalty agreements.

*Operating expenses*

Operating expenses include amounts incurred on extraction of the product to the surface, transporting, field storage, operating and maintaining wells and related equipment and facilities. Operating expenses include, but are not limited to, processing and compression fees, field labour, repairs and maintenance, utilities, insurance, and property taxes.

*Significant judgements and estimates*

The timely preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ materially from estimated amounts and affect the results reported in the operating 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 reviewed and in any future years affected.

**CERTIFICATE OF PINE CLIFF**

September 18, 2014

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

| | |
|---|---|
| (signed) "*Philip B. Hodge*"<br>President and Chief Executive Officer | (signed) "*Robb D. Thompson*"<br>Chief Financial Officer and Secretary |

On behalf of the Board of Directors

| | |
|---|---|
| (signed) "*George F. Fink*"<br>Director | (signed) "*Randy M. Jarock*"<br>Director |

## CERTIFICATE OF THE UNDERWRITERS

September 18, 2014

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

**FIRSTENERGY CAPITAL CORP.**

(signed) "*Jamie N. Ha*"

**GMP SECURITIES L.P.**

(signed) "*Chris Graham*"

**HAYWOOD SECURITIES INC.**

(signed) "*Neil Duffy*"

**CLARUS SECURITIES INC.**

(signed) "*Danny C. Mah*"

**PARADIGM CAPITAL INC.**

(signed) "*Arthur H. Kwan*"

**CANACCORD GENUITY CORP.**

(signed) "*David Vankka*"

**NATIONAL BANK FINANCIAL INC.**

(signed) "*Arun Chandrasekaran*"

**ALTACORP CAPITAL INC.**

(signed) "*Mark Reynolds*"

**JENNINGS CAPITAL INC.**

(signed) "*David McGorman*"

**SCOTIA CAPITAL INC.**

(signed) "*Drew M. Ross*"