PINE CLIFF ENERGY LTD.

FORM 51-102F4

BUSINESS ACQUISITION REPORT

1. Identity of Company

1.1 Name and Address of Company

Pine Cliff Energy Ltd. ("**Pine Cliff**")
Suite 850, 1015 - 4th Street S.W.
Calgary, Alberta T2R 1J4

1.2 Executive Officer

The name and business telephone number of the executive officer of Pine Cliff who is knowledgeable about the significant acquisition and this business acquisition report (the "**Report**") is Philip B. Hodge, President and Chief Executive Officer, telephone (403) 269-2289.

2. Details of Acquisition

2.1 Nature of Business Acquired

On October 1, 2014, Pine Cliff acquired certain shallow natural gas assets (the "**Assets**") in Alberta and Southern Saskatchewan from a senior oil and gas producer (the "**Acquisition**") for cash consideration of $100 million, prior to adjustments. The majority of the 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 portion of the Assets in Saskatchewan are located near the town of Maple Creek.

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

On a combined basis, Pine Cliff now has production of approximately 12,000 BOE per day, weighted approximately 95% towards natural gas.

Key attributes of the Assets are as follows:

Production (May 2014 average provided by the vendor of the Assets (the "**Vendor**")	5,300 BOE per day
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 Acquisition)(5)	$24 million
Estimated Oil and Gas Sales (12 months following the effective date of the 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 *Standards for Disclosure for Oil and Gas Activities ("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 per day, 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.

Summary of Reserves Data and other Oil and Gas Information for the Assets

The future net revenues presented above may not necessarily represent the fair market value of the reserves estimates. There is no assurance that such price and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas liquids and natural gas reserves may be greater than or less than the estimates provided herein.

BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of 6Mcf:1Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Reserve Disclosure

There are numerous uncertainties inherent in estimating quantities of reserves. The reserve information set out herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein.

Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable where there is a 90% probability that the quantities actually recovered will equal or exceed the estimated proved reserves. Probable reserves are those additional reserves that are less certain to be recovered than proved reserves where there is a 50% probability that the quantities actually recovered will equal or exceed the estimated proved plus probable reserves.

References to oil, gas, natural gas liquids, reserves (gross, net, proved, probable, possible, developed, developed producing, developed non-producing, undeveloped), forecast prices and costs, operating costs, development costs, future net revenue and future income tax expenses shall, unless expressly stated to be to the contrary, have the meaning attributed to such terms as set out in NI 51-101, Companion Policy 51-101CP and all forms referenced therein.

Abbreviations

Bbl	Barrel
BOE	Barrel of oil equivalent (6Mcf = 1 Bbl)
MBOE	Thousand barrels of oil equivalent
Mcf	Thousand cubic feet

Currency

In this Report, unless otherwise noted, all dollar amounts are expressed in Canadian dollars.

2.2 Acquisition Date

The effective date of Acquisition was July 1, 2014 and the Acquisition closed on October 1, 2014.

2.3 Consideration

The total consideration for the Acquisition was $100 million, prior to adjustments.

The Acquisition was financed by: (i) funds drawn on its existing credit facility ("**Credit Facility**") and (ii) a common share offering (the "**Offering**").

Credit Facility

Concurrently with the closing of the Acquisition, the Corporation increased its revolving credit facility with a Canadian chartered bank to $70 million, of which approximately $57 million was drawn to fund the Acquisition.

Offering

On September 23, 2014, Pine Cliff completed the public offering of 29,300,000 common shares ("Common Shares") at a price of $2.05 per Common Share for gross proceeds of $60,065,000. The Corporation engaged a syndicate of underwriters for the Offering, co-led by FirstEnergy Capital Corp., GMP Securities L.P. and Haywood Securities Inc. and included Clarus Securities Inc., Paradigm Capital Inc., Canaccord Genuity Corp., National Bank Financial Inc., AltaCorp Capital Inc., Jennings Capital Inc. and Scotiabank.

2.4 Effect on Financial Position

For additional information on the effect of the Acquisition on the financial position of Pine Cliff, see the unaudited pro forma operating statements of Pine Cliff attached as Schedule "B" to this Report.

Other than in respect of changes that occurred as a result of the Acquisition, Pine Cliff does not presently have plans or proposals for material changes with the Assets purchased that would have a significant effect on the financial performance and financial position of Pine Cliff, including any proposal to sell, lease or exchange all or a substantial part of the Assets or to make any material changes to the business of Pine Cliff.

2.5 Prior Valuations

None.

2.6 Parties to Transaction

The Acquisition was not with an "informed person" (as such term is defined in Section 1.1 of National Instrument 51-102 – *Continuous Disclosure Obligations* ("**NI 51-102**")) or an associate or affiliate of Pine Cliff.

2.7 Date of Report

November 10, 2014.

3. Financial Statements

Pursuant to Part 8 of NI 51-102 the following financial statements are attached to and form part of this Report:

(a) operating statement of the Assets, which comprise the oil and gas sales, royalties and operating income related to the Acquisition for the six month periods ended June 30, 2014 and 2013 (unaudited) and years ended December 31, 2013 (audited) and 2012 (unaudited) are attached as Schedule "A" to this Report; and

(b) unaudited pro forma operating statement of Pine Cliff for the six month period ended June 30, 2014 and the year ended December 31, 2013 (which gives effect to the Acquisition as if it had taken place as at January 1, 2013) are attached as Schedule "B" to this Report.

Special Note Regarding Forward-Looking Information

This Report contains forward-looking statements. More particularly, this Report contains forward-looking statements regarding commodity prices, how revenue is to be generated from the Assets and the Assets associated reserves, future net revenues and future production estimates. Statements relating to reserves are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves can be profitably produced in the future. It should not be assumed that the estimated future net revenue is representative of the fair market value of the Assets. The volumes of oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, NGLs and natural gas reserves may be greater than or less than the estimates provided herein. In addition, the use of any of the words "guidance", "initial, "scheduled", "can", "will", "prior to", "estimate", "anticipate", "believe", "potential", "should", "unaudited", "forecast", "future", "continue", "may", "expect", "project", and similar expressions are intended to identify forward-looking statements. The actual results could differ materially from those anticipated in these forward-looking statements as a result of various risks as set out herein and under the heading "Risk Factors" in the Company's annual information form for the year ended December 31, 2013 which is available under Pine Cliff's profile on SEDAR at www.sedar.com. Except as required by law, Pine Cliff does not assume any obligation to publicly update or revise any forward-looking information to reflect new events or circumstances.

SCHEDULE "A"

OPERATING STATEMENT OF THE ASSETS FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2014 AND 2013 (UNAUDITED) AND YEARS ENDED DECEMBER 31, 2013 (AUDITED) AND 2012 (UNAUDITED)

Deloitte.

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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.

SCHEDULE "B"

PRO FORMA CONSOLIDATED OPERATING STATEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND YEAR ENDED DECEMBER 31, 2013

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.