Pine Cliff Energy Ltd.

# ANNUAL INFORMATION FORM

## For the Year Ended December 31, 2015

**March 17, 2016**

**TABLE OF CONTENTS**


GLOSSARY OF ABBREVIATIONS ..... 1

PRESENTATION OF OIL AND GAS INFORMATION ..... 2

DEFINITIONS AND NOTES TO RESERVE DATA TABLES ..... 2

CURRENCY ..... 3

FORWARD-LOOKING STATEMENTS ..... 3

CORPORATE STRUCTURE ..... 6
- Name, Address and Incorporation ..... 6
- Intercorporate Relationships ..... 6

GENERAL DEVELOPMENT OF THE BUSINESS ..... 6
- Overview ..... 6
- History of the Company ..... 7
- Significant Acquisitions ..... 8
- Competition ..... 9
- Seasonal ..... 9
- Environmental Regulation ..... 9
- Personnel ..... 9
- Specialized Skills and Knowledge ..... 9
- Bankruptcies and Reorganizations ..... 9
- Description of Oil and Gas Properties ..... 10

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION ..... 13
- Reserves Data in Respect of Pine Cliff ..... 13

MINING ASSETS ..... 24

RISK FACTORS ..... 24
- Risks Related to the Oil and Natural Gas Industry ..... 24
- Risk Factors Related to Pine Cliff Generally ..... 32

DIVIDENDS ..... 35

DESCRIPTION OF SHARE CAPITAL ..... 35
- General Description of Share Capital ..... 35
- Common Shares ..... 35
- Preferred Shares ..... 35

MARKET FOR SECURITIES ..... 36

PRIOR SALES ..... 37

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER ..... 38

DIRECTORS AND OFFICERS ..... 39

CONFLICTS OF INTEREST ..... 40

LEGAL PROCEEDINGS ..... 41

REGULATORY ACTIONS ..... 41

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS ..... 41

TRANSFER AGENT AND REGISTRAR ..... 41

MATERIAL CONTRACTS ..... 41

INTERESTS OF EXPERTS ..... 41

ADDITIONAL INFORMATION ..... 42

APPENDIX "A" ..... 44

APPENDIX "B" ..... 46

## GLOSSARY OF ABBREVIATIONS

### Oil and Gas Abbreviations

| | | | |
|---|---|---|---|
| **AECO** | Alberta Energy Company | **Mbbl** | thousand barrels |
| **Bbl** | barrel | **Mcf** | thousand cubic feet |
| **Bbl/d** | barrels per day | **Mcf/d** | thousand cubic feet per day |
| **BOE** | barrel of oil equivalent | **MMcf** | million cubic feet |
| **BOE/d** | barrels of oil equivalent per day | **MMbtu** | million British thermal units |
| | | **WTI** | West Texas Intermediate |
| **CBM** | Coal Bed Methane | **M$** | thousands of dollars |
| **GJ** | gigajoule | | |

### Other 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 |

### 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 |
|---|---|---|
| Mcf | Cubic metres | 28.174 |
| Cubic metres | Cubic feet | 35.494 |
| MMbtu | GJ | 1.054 |
| Bbls | Cubic metres | 0.159 |
| Cubic metres | Bbls | 6.290 |
| Feet | Metres | 0.305 |
| Metres | Feet | 3.281 |
| Miles | Kilometres | 1.609 |
| Kilometres | Miles | 0.621 |
| Acres | Hectares | 0.405 |
| Hectares | Acres | 2.471 |

In this annual information form ("**Annual Information Form**") 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. Unless otherwise specified, references to oil include oil and natural gas liquids ("**NGLs**"). NGLs include condensate, propane, butane and ethane.

Where any disclosure of reserves data is made in this Annual Information Form that does not reflect all of the reserves of Pine Cliff Energy Ltd. ("**Pine Cliff**" or the "**Company**") 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.

## PRESENTATION OF OIL AND GAS INFORMATION

All oil and gas information contained in this Annual Information Form has been prepared and presented in accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"). The actual oil and gas reserves and future production will be greater than or less than the estimates provided herein. The estimated value of future net revenue from the production of the disclosed oil and gas reserves does not represent the fair market value of these reserves. There is no assurance that the forecast prices and costs or other assumptions made in connection with the reserves disclosed herein will be attained and variances could be material.

## DEFINITIONS AND NOTES TO RESERVE DATA TABLES

Certain terms used herein are defined in NI 51-101 or the Canadian Oil and Gas Evaluation Handbook ("**COGE Handbook**") and, unless the context otherwise requires, shall have the same meanings in this Annual Information Form as in NI 51-101 or the COGE Handbook.

The following definitions form the basis of the classification of reserves and values presented in the Pine Cliff Reserve Report, as defined herein. They have been jointly prepared by the Canadian Institute of Mining, Metallurgy and Petroleum and the Society of Petroleum Evaluation Engineers and incorporated into the COGE Handbook and specified by NI 51-101. Reserve data tables may not add due to rounding.

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recovered from known accumulations, from a given date forward, based on:

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology;
- specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed; and
- a remaining reserve life of 50 years.

Reserves are classified according to the degree of certainty associated with the estimates.

### 1. Proved Reserves

Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

### 2. Probable Reserves

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

### 3. Possible Reserves

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves. Possible reserves have not been considered in this Annual Information Form.

Other criteria that must also be met for categorization of reserves are provided in Section 5.5 of the COGE Handbook.

Each of the reserves categories (proved, probable and possible) may be divided into developed or undeveloped categories.

### 4. Developed Reserves

Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

**5. Developed Producing Reserves**

Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

**6. Developed Non-Producing Reserves**

Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.

**7. Undeveloped Reserves**

Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable or possible) to which they are assigned.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation is typically based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

**8. Levels of Certainty for Reported Reserves**

The qualitative certainty levels contained in the definitions in Sections 1, 2 and 3 above are applicable to individual reserves entities, which refers to the lowest level at which reserves estimates are made, and to reported reserves, which refers to the highest level sum of individual entity estimates for which reserve estimates are made.

Reported total reserves estimated by deterministic or probabilistic methods, whether comprised of a single reserves entity or an aggregate estimate for multiple entities, should target the following levels of certainty under a specific set of economic conditions:

(a) There is a 90% probability that at least the estimated proved reserves will be recovered.

(b) There is a 50% probability that at least the sum of the estimated proved reserves plus probable reserves will be recovered.

(c) There is a 10% probability that at least the sum of the estimated proved reserves plus probable reserves plus possible reserves will be recovered.

A quantitative measure of the probability associated with a reserves estimate is generated only when a probabilistic estimate is conducted. The majority of reserves estimates will be performed using deterministic methods that do not provide a quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in Section 5.5.3 of the COGE Handbook. Whether deterministic or probabilistic methods are used, evaluators are expressing their professional judgement as to what are reasonable estimates.

## CURRENCY

In this Annual Information Form, unless otherwise noted, all dollar amounts are expressed in Canadian dollars.

## FORWARD-LOOKING STATEMENTS

This Annual Information Form contains forward-looking statements. These 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 statements are only predictions. Actual events or results may differ materially. In addition, this Annual Information Form 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. Forward-looking statements in this Annual Information Form include, but are not limited to, statements with respect to:

- 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;
- future development and exploration 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 Company’s ability to raise capital and to continually add to reserves through acquisitions and development;
- the timing and amount of abandonment and reclamation 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;
- 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;
- capital expenditure programs and the timing and method of financing thereof; and
- treatment under government regulation and taxation regimes.

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. Pine Cliff cannot 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 Annual Information Form. The risks and other factors include, but are not limited to:

- general economic conditions in Canada, the United States and globally, including reduced availability of debt and equity financing generally;
- 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;
- governmental regulation of the oil and gas, and mining industries, including environmental regulation;
- fluctuation in foreign exchange or interest rates;
- 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;

- 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;
- 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;
- rights to surface access;
- the need to obtain required approvals from regulatory authorities; and
- the other factors considered under "Risk Factors" in this Annual Information Form.

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 resources, reserves and deposits described can be profitably produced in the future. With respect to forward-looking statements contained in this Annual Information Form 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 Company's ability to obtain financing on acceptable terms. Readers are cautioned that the foregoing list of factors is not exhaustive.

The above summary of assumptions and risks related to forward-looking information has been provided in this Annual Information Form 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 Annual Information Form 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 Energy Ltd. (“**Pine Cliff**” or the “**Company**”) 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. Where applicable, references to the “Company” and “Pine Cliff” in this Annual Information Form shall mean Pine Cliff, together with its direct and indirect subsidiaries.

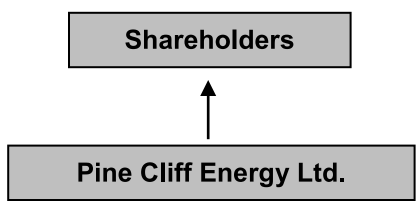
Pine Cliff is a "reporting issuer" in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and New Brunswick.

On March 3, 2016, Pine Cliff graduated to the TSX and de-listed from the TSXV. The Common Shares trade on the TSX under the symbol "PNE".

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, which does not have any material subsidiaries as of the date hereof:




## GENERAL DEVELOPMENT OF THE BUSINESS

### Overview

Pine Cliff is an Alberta-based corporation primarily engaged in the business of exploration for, and acquisition, development and production of oil, natural gas and NGLs in the Western Canadian Sedimentary Basin (the “**WCSB**”). In order to create value for the holders (“**Shareholders**”) of common shares of Pine Cliff (“**Common Shares**”), Pine Cliff is pursuing an integrated growth strategy that includes both the development and exploration drilling as well as focused acquisitions. Pine Cliff is seeking to acquire material asset positions in the WCSB to enlarge its current core area and create new core areas of production with significant reserves and drilling inventories.

Through its immaterial wholly-owned subsidiary, Geomark Exploration Ltd. (“**Geomark**”), Pine Cliff is also engaged in the business of exploring for precious metals with assets located in Ontario, the Northwest Territories and Nunavut, all in Canada and Utah, United States.

**History of the Company**

***Year ended December 31, 2013***

On January 15, 2013, Pine Cliff obtained an order from the Court to, among other things, accept the filing of a Plan of Compromise and Arrangement (the "**Skope Plan of Arrangement**") of the Skope Entities previously filed pursuant to the CCAA. The Skope Plan of Arrangement effected a compromise of the claims of the unsecured creditors of Skope in order to permit Skope to restructure its affairs for the benefit of all stakeholders.

On February 19, 2013, the Skope Plan of Arrangement was approved by the Court and became effective on that same date, which resulted in Pine Cliff becoming the sole shareholder of Skope Energy Inc. ("**Skope Energy**"), which is the sole shareholder of Skope Energy International Inc. ("**Skope International**"). Where applicable, references to the "Skope Energy" in this Annual Information Form shall mean Skope Energy, together with its subsidiary, Skope International. Skope Energy owns an 80% working interest in a package of long-term, low decline producing shallow gas assets located in southeast Alberta (the "**Southern AB Assets**") and southwest Saskatchewan (the "**Southern SK Assets**").

On June 19, 2013, Pine cliff completed a public share offering and issued 28,500,000 Common Shares at a price of $0.88 per share for gross proceeds of approximately $25.1 million.

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

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

Effective October 1, 2013, Skope Energy amalgamated with its wholly owned subsidiary Skope International pursuant to the ABCA under the name "Skope Energy Inc.".

Effective October 1, 2013, Pine Cliff amalgamated with its wholly owned subsidiary Skope Energy pursuant to the ABCA under the name "Pine Cliff Energy Ltd."

On October 17, 2013, Pine Cliff completed a public share offering and issued 18,200,000 Common Shares at a price of $1.10 per share for gross proceeds of approximately $20.0 million.

On December 18, 2013 Pine Cliff closed its option to purchase a 100% interest on a claim block on the King`s Canyon gold property located in Utah, United States (the "**Kings Canyon Option**"). The Kings Canyon Option was purchased for US$200,000 after negotiating a reduced purchase price from the original US$1,000,000 exercise price.

On December 18, 2013, Pine Cliff entered into an option agreement with Nighthawk Gold Corp. ("**Nighthawk**") for the disposition of its Kim gold property located approximately 200 kilometers north of the City of Yellowknife, Northwest Territories. Pine Cliff received a 2.5% net smelter royalty of which 1.5% can be repurchased by Nighthawk for $1,500,000. Option payments of $1,550,000 are spread out over the next three years ($250,000 on December 18, 2013, $300,000 on December 31, 2014, $450,000 on December 31, 2015 and $550,000 on December 31, 2016). Nighthawk will not earn an interest in the property until all amounts have been paid. At the sole option of Nighthawk, one-half of the payments may be satisfied by issuing common shares, which are listed and posted for trading on a recognized stock exchange in Canada. On December 29, 2015, Nighthawk terminated the option agreement. Pine Cliff received a total of approximately $550,000 in cash and investments from the option and retains its interest the Kim gold property.

***Year ended December 31, 2014***

On August 7, 2014, the Company closed an acquisition of oil and natural gas assets in its Edson Area of Alberta (the "**Edson Acquired Assets**") for cash consideration of $33.25 million, prior to adjustments (the "**Edson Acquisition**"). The Edson Acquired 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 Edson core area. The Edson Acquired 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.

On September 23, 2014, Pine Cliff completed a public share offering and issued 29,300,000 Common Shares at a price of $2.05 per share for gross proceeds of approximately $60.1 million.

On October 1, 2014, the Company closed an acquisition of 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 "**Shallow Gas Acquisition**"). The Shallow Gas Acquisition had an effective date of July 1, 2014. 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.

***Year ended December 31, 2015***

On May 29, 2015, the Company closed the acquisition of oil and natural gas assets in both of its Southern core area (the "**Tilley Assets**") and its Edson core area (the "**Additional Edson Assets**") in Alberta (collectively, the "**Core Area Assets**") for cash consideration of $14.1 million, prior to adjustments.

The Core Area Assets possess a predictable low cost production profile, low decline rates, long reserve life and a geographically focused asset base contiguous with Pine Cliff's asset base. The Additional Edson Assets have multi-zone potential along with a number of potentially low risk growth opportunities, including infill drilling and are characterized by liquids rich, high productivity wells and favourable royalties and operating costs. The Tilley Assets are non-operated, 100% weighted towards natural gas and have low operating costs.

On December 11, 2015, the Company closed the acquisition of certain mainly natural gas weighted assets in the Viking area of Central Alberta (the "**Viking Assets**") and Ghost Pine area of Central Alberta (the "**Ghost Pine Assets**" and together with the Viking Assets, the "**Central Assets Acquisition**") from a senior oil and gas producer for cash consideration of $185 million, prior to any adjustments.

The Ghost Pine Assets possess a predictable low cost production profile, long reserve life and a geographically focused asset base which is 92% weighted towards natural gas. At the time of acquisition, the Ghost Pine Assets produced approximately 5,400 BOE/d on 244,699 net working interest acres (including 10,699 net working interest fee title acres) with a decline rate of 9%, are approximately 76% operated, have low operating costs and include ownership in key strategic infrastructure (approximately 90% working interest ownership in two conventional gas plants with combined capacity of 52 MMcf/d) with third party revenue. The Ghost Pine Assets provide opportunities for coal bed methane infill drilling with additional upside in conventional liquids rich gas and oil. The Ghost Pine assets are characterized by approximately 25% coal bed methane wells and 75% conventional liquids rich gas wells with favourable royalties and operating costs.

The Viking Assets possess a predictable production profile, high working interest, long reserve life and a geographically focused asset base which is 85% weighted towards natural gas. At the time of acquisition, the Viking Assets produced approximately 6,330 BOE/d on 583,722 net working interest acres (including 89,231 net working interest fee title acres) with a decline rate of approximately 14%, are approximately 85% operated and include ownership in key strategic infrastructure (100% working interest ownership in two conventional gas plants and associated gas systems with a combined capacity in excess of 75 MMcf per day) with third party revenue. The Viking Assets provide opportunities for upside in conventional gas and oil. These Viking Assets are characterized by shallow gas and oil wells with favourable royalty rates and a royalty stream.

On December 3, 2015, Pine Cliff completed a private placement and issued 2,777,778 Common Shares at a price of $1.08 per Common Share for gross proceeds of $3.0 million. On November 27, 2015, Pine Cliff completed a short form prospectus bought deal subscription receipt financing issuing 63,888,520 subscription receipts for gross proceeds of $69.0 million. Proceeds from both the private placement and the subscription receipt financing were used to pay a portion of the purchase price of the Central Assets Acquisition. On December 11, 2015, the closing date of the Central Assets Acquisition, the subscription receipts were converted to Common Shares on a one for one basis.

**Competition**

The oil and natural gas industry are competitive in all their respective phases. Pine Cliff competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Pine Cliff's competitors include resource companies which have greater financial resources, staff and facilities than those of Pine Cliff. Competitive factors in the distribution and marketing of oil and natural gas include price, and methods and reliability of delivery. Pine Cliff believes that its competitive position is equivalent to that of companies of similar size and at a similar stage of development. See "*Risk Factors*".

**Seasonality**

The exploration for and development of oil and natural gas reserves is dependent on access to areas where production is to be conducted. Seasonal weather variations, including freeze-up and break-up, affect access and operational efficiencies in certain circumstances.

**Environmental Regulation**

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial, state and federal legislation. Compliance with such legislation can require significant expenditures or result in operational restrictions. Breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage and the imposition of material fines and penalties, all of which might have a significant negative impact on earnings and overall competitiveness. See "*Risk Factors*".

**Personnel**

As at the date hereof, Pine Cliff had 26 full-time employees at its head office and 65 full-time employees in the field. Pine Cliff has also entered into a management services contract with Bonterra Energy Corp. ("**Bonterra**") to assist in the management of its assets.

**Specialized Skills and Knowledge**

Pine Cliff believes that its success is dependent on the performance of its management and key employees, all of whom have specialized knowledge and skills relating to oil and natural gas operations. Pine Cliff believes it has, or will be able to attract, adequate personnel with the specialized skills required to successfully carry out its operations but the failure to attract or retain such personnel would have a material adverse impact on its business.

**Bankruptcies and Reorganizations**

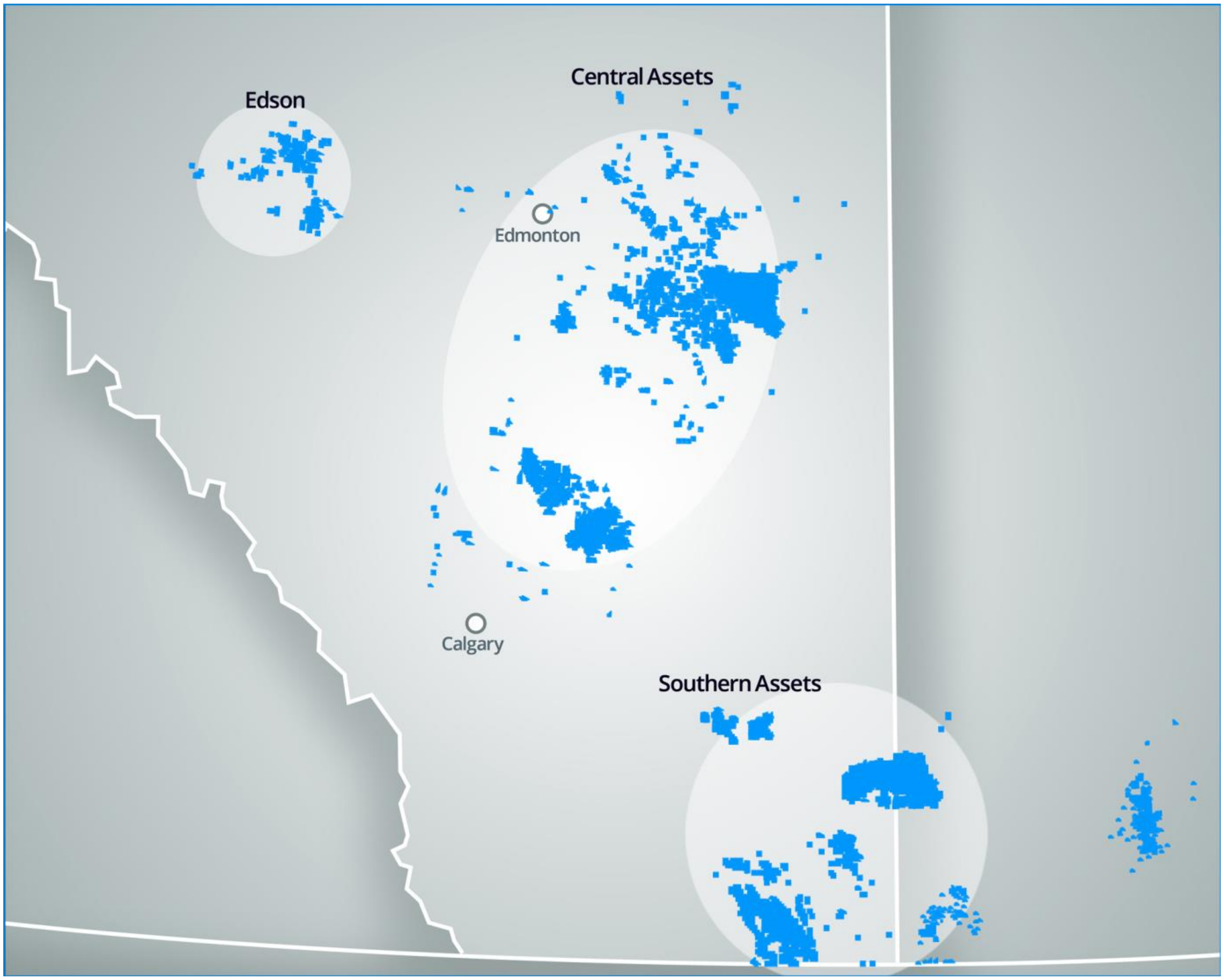
There has not been any bankruptcy, receivership or similar proceedings against Pine Cliff, or any voluntary bankruptcy, receivership or similar proceedings by Pine Cliff, within the three most recently completed financial years or completed during or proposed for the current financial year.

Effective October 1, 2013, Pine Cliff amalgamated with its wholly owned subsidiary Skope Energy pursuant to the ABCA under the name "Pine Cliff Energy Ltd."

**Description of Oil and Gas Properties**

Pine Cliff's oil and gas properties at December 31, 2015 are located in Alberta and Saskatchewan where the Company operates or has ownership in facilities and other installations necessary to produce, transport and sell oil, natural gas and NGLs. A description of Pine Cliff's oil and gas properties and infrastructure is set out below.

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




***Central Alberta Assets***

Pine Cliff owns high working interest low-cost production with a long reserve life in the Ghost Pine and Viking areas of Central Alberta. Pine Cliff has a 78% working interest in its Central Alberta assets and operates 76% of the production.

<u>Ghost Pine</u>

Pine Cliff's Ghost Pine assets are located near the Town of Drumheller, Alberta and produce 92% natural gas. Ghost Pine production and development opportunities are mostly from the late Cretaceous Horseshoe Canyon Edmonton group and the slightly older stacked Belly River sands. The Horseshoe Canyon consists of coals interbedded with fine grained siltstones. There are between 10-30 coal seams distributed within 200-400 meters of depth. The Belly River was deposited in numerous intervals in varying forms including river channels, deltas, beaches, shore faces and marine deposits. The entire Belly River column is well over 300 meters thick with five identified producing horizons.

Development and production activities in the Ghost Pine area at this time are primarily directed toward exploitation and maintaining production. Pine Cliff has identified approximately 1,050 potential gross drilling opportunities in the Horseshoe Canyon plus the potential for conventional liquids rich gas and oil wells. Pine Cliff owns and operates a majority of the infrastructure in this area including two licensed gas plants, numerous large nodal compressor stations and extensive gathering and sales pipeline networks.

Viking

Pine Cliff’s Viking Kinsella assets are located near the Town of Viking, Alberta and produce 85% natural gas. The Viking Kinsella area also includes the Camrose area where Pine Cliff has approximately 1,000 BOE/d of Sparky Oil production. The majority of this production comes from the Viking shore face sands composed of fine to coarse grained sandstone with interbeds of conglomerate and cherty conglomeratic sandstone. There is considerable upside in the Colorado shale which is a deep water siltstone equivalent to the Cardium shore face found in western Alberta.

Development and production activities in the Viking area at this time are primarily directed toward exploitation and maintaining production. Pine Cliff has identified approximately 140 potential gross horizontal drilling opportunities in the Cardium Siltstone. Pine Cliff controls most of the infrastructure in this area, including two AER licensed sweet gas plants, a major oil battery and waterflood facility, numerous large nodal compressor stations and an extensive gathering and sales pipeline network.

***Southern Alberta and Southern Saskatchewan***

Pine Cliff owns long-term, low decline producing shallow gas assets which are located in southeast Alberta and southwest Saskatchewan (the "**Southern Assets**"). Pine Cliff has an 85% working interest in the Southern Assets and is the operator of almost all of the Company's production in the area.

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, where Pine Cliff has identified approximately 300 potential gross drilling opportunities. These fields are characterized by their shallow depths and 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.

Hatton

Pine Cliff's Hatton assets are located near the Town of Maple Creek, Saskatchewan and produce natural gas. Development and production activities in the Hatton area at this time are primarily directed toward exploitation and maintaining production. Pine Cliff has identified a number of recompletion opportunities, as well as an infill drilling program, should natural gas prices significantly exceed current prices in the future. Pine Cliff controls most of the infrastructure in this area, which includes a gas gathering system and a major compressor station that delivers to a TransGas pipeline.

Many Islands/Long Valley

The Many Islands/Long Valley areas are located east of the City of Medicine Hat, Alberta and produce natural gas. Development and production activities in the Many Islands/Long Valley areas at this time are primarily directed toward exploitation and maintaining production. Pine Cliff has identified a number of recompletion opportunities, as well as an infill drilling program, should natural gas prices significantly exceed current prices in the future. Pine Cliff controls most of the infrastructure in this area, which includes a gas gathering system, two field compressors and a 100% interest in a gas plant that delivers to a TransCanada pipeline.

Pendor/Black Butte

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 National Energy Board regulated sales gas export pipeline terminating in Montana. 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 should natural gas prices significantly recover from their current levels.

Monogram

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. Pine Cliff controls most of the infrastructure in this area, which includes a gas gathering system, one field compressor and a 100% interest in a gas plant that delivers to a TransCanada pipeline.

Eagle Butte

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, should natural gas prices significantly exceed current natural gas prices in the future, targeting the Second White Specks, Medicine Hat and the lower shore face Bow Island sands. Pine Cliff controls most of the infrastructure in this area, which includes a gas gathering system, two field compressors and a 100% interest in a gas plant that delivers to a TransCanada pipeline.

***Edson***

Pine Cliff owns assets located near the town of Edson, Alberta which produce liquids rich natural gas as well as a small amount of oil (the "**Edson Assets**"). Pine Cliff has a 54% average working interest in the Edson Assets and is the operator of approximately 52% of the Company's production in the area. The Edson Assets have 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 Lower Manville (basal quartz) and Ostracod formations. Secondary zones of interest in the area include sands belonging to the Cardium, Viking, Wilrich, Bluesky, Gething and Notikewin formations. Pine Cliff has identified approximately 90 potential gross drilling opportunities primarily in the liquids rich Bluesky and Gething formations.

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. The reservoir sands are comprised of fine to medium grained sands and siltstones, average approximately six metres in thickness and are encountered at an average drill depth of 2,425 m.

Unconformably, overlying the Fernie Shale are the Lower Manville (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 trapping mechanism for all the reservoirs in the Edson area is largely stratigraphic.

*Other Areas*

At December 31, 2015, Pine Cliff also has working interests in non-operated properties in the Sundance, Carstairs, Garrington and Harmattan areas of Alberta and the Cadillac area of Southern Saskatchewan, but does not consider them to be core areas at this time.

## STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

**Reserves Data in Respect of Pine Cliff**

All of Pine Cliff's oil and gas reserves are located in Canada. Pine Cliff conducts an annual independent evaluation of all of the Company's reserves. Pine Cliff engaged independent petroleum consultants McDaniel & Associates Consultants Ltd. ("**McDaniel**") to evaluate reserves for all of Pine Cliff's oil and gas properties effective December 31, 2015 (the "**Pine Cliff Reserve Report**"). The McDaniel report has been prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101. McDaniel has reviewed and consented to the information contained herein.

The reserves data summarizes the oil, natural gas and NGLs reserves of Pine Cliff and the net present values of future net revenue for these reserves using forecast prices and costs. The reserves data conforms to the requirements of NI 51-101. Additional information not required by NI 51-101 has been presented to provide continuity and additional information which the Company believes is important to the readers of this information. Pine Cliff engaged McDaniel to provide an evaluation of proved and proved plus probable reserves and no attempt was made to evaluate possible reserves.

**All evaluations of future net production revenue set forth in the tables below are based on McDaniel's pricing assumptions as at December 31, 2015 for the forecast case and are stated for Pine Cliff's working interest share of reserves (referred to as "Gross" in NI 51-101) in accordance with the COGE Handbook. Pine Cliff's net interest share is after deduction for royalty burdens payable and receivable. It should not be assumed that the discounted future net production revenue estimated by the McDaniel Report represents the fair market value of the reserves. There is no assurance that the future price and cost assumptions used in the McDaniel Report will prove accurate and variances could be material. The recovery and reserve estimates of oil, natural gas and NGLs reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual oil, natural gas and NGLs reserves may be greater than or less than the estimates provided herein. Tables may not add due to rounding.**

Reserves and future net revenue have been made assuming that development of each property in respect of which the estimate is made will occur, without regard to the likely availability of Pine Cliff of funding required for that development.

The Pine Cliff Board reviews the qualifications and appointment of the independent qualified reserves evaluators and the procedures for providing information to the evaluators. The Pine Cliff Board has reviewed and approved the McDaniel Report.

In accordance with the requirements of NI 51-101, the Report on Reserves Data by Independent Qualified Reserves Evaluator in Form 51-101F2 and the Report of Management and Directors on Oil and Gas Disclosure in Form 51-101F3 are attached as Appendices A and B hereto, respectively.

**PART 1 – DATE OF STATEMENT**

Relevant dates:
(1) Statement date is February 11, 2016
(2) Effective date is December 31, 2015
(3) Preparation date is February 11, 2016

**PART 2 – DISCLOSURE OF RESERVE DATA**

**SUMMARY OF OIL AND GAS RESERVES**
**AS OF DECEMBER 31, 2015**
**FORECAST PRICES AND COSTS**

| | Light and Medium Oil | | Heavy Oil | | Natural Gas (Non-associated and associated) | |
|---|---|---|---|---|---|---|
| Reserve Category: | Gross (Mbbl) | Net (Mbbl) | Gross (Mbbl) | Net (Mbbl) | Gross (MMcf) | Net (MMcf) |
| **Proved** | | | | | | |
| Developed Producing | 379.7 | 352.7 | 2,049.9 | 1,937.0 | 288,960.8 | 262,905.0 |
| Developed Non-Producing | 0.8 | 0.8 | 0.0 | 0.0 | 2,450.9 | 2,312.5 |
| Undeveloped | 14.3 | 12.5 | 0.0 | 0.0 | 6,759.2 | 6,069.5 |
| **Total Proved** | **394.8** | **366.0** | **2,049.9** | **1,937.0** | **298,170.9** | **271,287.1** |
| Probable | 193.8 | 173.8 | 452.3 | 420.6 | 88,269.5 | 80,873.9 |
| **Total Proved plus Probable** | **588.6** | **539.8** | **2,502.2** | **2,357.5** | **386,440.4** | **352,161.0** |

| | Coal Bed Methane | | Natural Gas Liquids | | Total Oil Equivalent | |
|---|---|---|---|---|---|---|
| Reserve Category: | Gross (MMcf) | Net (MMcf) | Gross (Mbbl) | Net (Mbbl) | Gross (MBOE) | Net (MBOE) |
| **Proved** | | | | | | |
| Developed Producing | 25,083.7 | 23,520.3 | 2,645.6 | 1,883.2 | 57,415.9 | 51,910.4 |
| Developed Non-Producing | 0.0 | 0.0 | 8.6 | 7.0 | 417.9 | 393.2 |
| Undeveloped | 0.0 | 0.0 | 477.7 | 385.7 | 1,618.6 | 1,409.8 |
| **Total Proved** | **25,083.7** | **23,520.3** | **3,131.9** | **2,275.9** | **59,452.3** | **53,713.4** |
| Probable | 17,279.0 | 16,353.1 | 1,011.4 | 730.5 | 19,249.0 | 17,529.4 |
| **Total Proved plus Probable** | **42,362.6** | **39,873.4** | **4,143.3** | **3,006.4** | **78,701.3** | **71,242.8** |

## SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE AS OF DECEMBER 31, 2015 FORECAST PRICES AND COSTS

### Net Present Values of Future Net Revenue [1]
**Before Income Taxes**

| | Discounted at (% per Year) | | | | | |
|---|---|---|---|---|---|---|
| (M$) | 0% | 5% | 10% | 15% | 20% | Unit Value [2] |
| Reserve Category: | | | | | | $/BOE |
| **Proved** | | | | | | |
| Developed Producing | 265.6 | 256.5 | 231.6 | 206.4 | 184.3 | 4.46 |
| Developed Non-Producing | 6.8 | 5.1 | 4.0 | 3.3 | 2.7 | 10.26 |
| Undeveloped | 17.9 | 12.1 | 8.3 | 5.8 | 4.0 | 5.92 |
| **Total Proved** | **290.2** | **273.7** | **244.0** | **215.4** | **191.0** | **4.54** |
| Probable | 249.9 | 150.3 | 96.1 | 64.6 | 45.3 | 5.48 |
| **Total Proved plus Probable** | **540.1** | **424.0** | **340.1** | **280.1** | **236.3** | **4.77** |

[1] Includes abandonment and reclamation costs.
[2] Before income taxes and discounted at 10%.

### Net Present Values of Future Net Revenue [1]
**After Income Taxes**

| | Discounted at (% per Year) | | | | |
|---|---|---|---|---|---|
| (MM$) | 0% | 5% | 10% | 15% | 20% |
| Reserve Category: | | | | | |
| **Proved** | | | | | |
| Developed Producing | 263.2 | 254.7 | 230.3 | 205.4 | 183.6 |
| Developed Non-Producing | 5.5 | 4.2 | 3.3 | 2.7 | 2.3 |
| Undeveloped | 14.4 | 9.4 | 6.2 | 4.1 | 2.6 |
| **Total Proved** | **283.0** | **268.3** | **239.9** | **212.3** | **188.5** |
| Probable | 215.2 | 125.1 | 77.3 | 50.3 | 34.1 |
| **Total Proved plus Probable** | **498.2** | **393.4** | **317.1** | **262.5** | **222.6** |

[1] Includes abandonment and reclamation costs.

## TOTAL FUTURE NET REVENUE (UNDISCOUNTED) AS OF DECEMBER 31, 2015 FORECAST PRICES AND COSTS

| (M$) | Revenue | Royalties | Operating Costs | Develop-ment Costs | Well Abandon-ment Costs | Future Net Revenue Before Income Taxes | Income Taxes | Future Net Revenue After Income Taxes |
|---|---|---|---|---|---|---|---|---|
| Proved | 1,617,853 | 175,705 | 944,436 | 17,050 | 190,465 | 290,198 | 7,185 | 283,013 |
| Proved plus Probable | 2,261,861 | 243,899 | 1,208,307 | 65,217 | 204,333 | 540,106 | 41,860 | 498,247 |

**NET PRESENT VALUE OF FUTURE NET REVENUE**
**BY PRODUCTION GROUP**
**AS OF DECEMBER 31, 2015**
**FORECAST PRICES AND COSTS**

| ($000's) | | Future Net Revenue Before Income Taxes (Discounted at 10% per year) | Unit Value before Income Taxes (Discounted at 10% per year) |
|---|---|---|---|
| Reserve Category: | Production Group | ($000's) | $/BOE |
| Proved | Light and Medium Oil (1) | 9,382 | 39.15 |
| | Heavy Oil (1) | 38,563 | 19.91 |
| | Non-Associated Gas (2) | 162,870 | 0.61 |
| | Coal Bed Methane (2) | 33,169 | 1.41 |
| Proved plus Probable | Light and Medium Oil (1) | 11,529 | 38.9 |
| | Heavy Oil (1) | 45,440 | 19.27 |
| | Non-Associated Gas (2) | 241,713 | 0.69 |
| | Coal Bed Methane (2) | 41,384 | 1.04 |

Note:
(1) Including solution gas and by-products.
(2) Including by-products.

## PART 3 – PRICING ASSUMPTIONS

**SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS**
**AS OF DECEMBER 31, 2015**
**FORECAST PRICES AND COSTS**

The forecast prices, as provided by McDaniel, used in the preparation of the Pine Cliff Reserve Report are:

| | WTI Crude Oil | Edmonton Light Crude Oil | Alberta AECO Spot Price | $C to $US Exchange Rate |
|---|---|---|---|---|
| | $US/Bbl | $C/Bbl | $C/MMBtu | |
| 2016 | 45.00 | 56.60 | 2.70 | 1.37 |
| 2017 | 53.60 | 66.40 | 3.20 | 1.33 |
| 2018 | 62.40 | 72.80 | 3.55 | 1.25 |
| 2019 | 69.00 | 80.90 | 3.85 | 1.25 |
| 2020 | 73.10 | 83.20 | 3.95 | 1.21 |
| 2021 | 77.30 | 88.20 | 4.20 | 1.21 |
| 2022 | 81.60 | 93.30 | 4.45 | 1.21 |
| 2023 | 86.20 | 98.70 | 4.70 | 1.21 |
| 2024 | 87.90 | 100.70 | 4.80 | 1.21 |
| 2025 | 89.60 | 102.60 | 4.90 | 1.21 |
| 2026 | 91.40 | 104.70 | 5.00 | 1.21 |
| 2027 | 93.30 | 106.90 | 5.10 | 1.21 |
| 2028 | 95.10 | 108.90 | 5.20 | 1.21 |
| 2029 | 97.00 | 111.10 | 5.30 | 1.21 |
| 2030 | 99.00 | 113.40 | 5.40 | 1.21 |
| Thereafter 2% per year. | | | | |

Pine Cliff's weighted average realized sale price for the year ended December 31, 2015 was $44.07 per Bbl for crude oil, $21.17 per Bbl for NGLs and $2.47 per Mcf for natural gas.

## PART 4 – RECONCILIATION OF CHANGES IN RESERVES

### RECONCILIATION OF PINE CLIFF'S GROSS RESERVES (BEFORE ROYALTY) BY PRINCIPAL PRODUCT TYPE AS OF DECEMBER 31, 2015 FORECAST PRICES AND COSTS

| | Light and Medium Oil | | | Heavy Oil | | | Natural Gas | | |
|---|---|---|---|---|---|---|---|---|---|
| | Proved (Mbbl) | Probable (Mbbl) | Proved plus Probable (Mbbl) | Proved (Mbbl) | Probable (Mbbl) | Proved plus Probable (Mbbl) | Proved (MMcf) | Probable (MMcf) | Proved plus Probable (MMcf) |
| **December 31, 2014** | **193.1** | **198.3** | **391.4** | **-** | **-** | **-** | **149,444.9** | **49,223.2** | **198,668.1** |
| Extension and Improved Recovery | | - | | | - | | 2,674.3 | 572.5 | 3,246.8 |
| Technical Revisions | (51.0) | (75.8) | (126.8) | - | - | - | 16,965.1 | (6,846.7) | 9,677.7 |
| Discoveries | - | - | - | - | - | - | - | - | - |
| Acquisitions | 305.2 | 71.8 | 377.0 | 2,062.5 | 452.3 | 2,514.8 | 159,997.3 | 49,748.9 | 209,746.2 |
| Dispositions | - | - | - | - | - | - | - | - | - |
| Economic factors | (6.7) | (0.5) | (7.2) | | - | | (4,428.4) | (4,428.4) | (8,416.1) |
| Production | (45.8) | - | (45.8) | (12.6) | - | (12.6) | (26,482.3) | - | (26,482.3) |
| **December 31, 2015** | **394.8** | **193.8** | **588.6** | **2,049.9** | **452.3** | **2,502.2** | **298,170.9** | **88,269.5** | **386,440.4** |

| | Coal Bed Methane | | | Natural Gas Liquids Liquids | | | BOE | | |
|---|---|---|---|---|---|---|---|---|---|
| | Proved (MMcf) | Probable (MMcf) | Proved plus Probable (MMcf) | Proved (Mbbl) | Probable (Mbbl) | Proved plus Probable (Mbbl) | Proved (MBOE) | Probable (MBOE) | Proved Plus Probable (MBOE) |
| **December 31, 2014** | **-** | **-** | **-** | **935.3** | **625.8** | **1,561.1** | **26,035.9** | **9,028.0** | **35,063.9** |
| Extension and Improved Recovery | | - | | 52.0 | 13.5 | 65.4 | 497.7 | 108.9 | 606.5 |
| Technical Revisions | - | - | - | 543.4 | (34.9) | 508.4 | 3,319.9 | (1,325.3) | 1,994.6 |
| Discoveries | - | - | - | - | - | - | - | - | - |
| Acquisitions | 25,240.6 | 17,278.9 | 42,519.5 | 1,848.3 | 414.6 | 2,262.9 | 35,089.0 | 12,110.0 | 47,199.0 |
| Dispositions | - | - | - | - | - | - | - | - | - |
| Economic factors | | - | | (53.4) | (7.5) | (60.9) | (798.2) | (672.6) | (1,470.8) |
| Production | (156.9) | - | (156.9) | (193.6) | - | (193.6) | (4,691.9) | - | (4,691.9) |
| **December 31, 2015** | **25,083.7** | **17,278.9** | **42,362.6** | **3,131.9** | **1,011.4** | **4,143.3** | **59,452.4** | **19,248.9** | **78,701.3** |

[1] The production shown in the above reconciliation includes production from the acquisitions as of the closing dates.

## PART 5 – ADDITIONAL INFORMATION RELATED TO RESERVE DATA

### Undeveloped Reserves

Undeveloped reserves were attributed in accordance with the standards and procedures in the COGE Handbook. The following chart shows the Company's gross reserves, first attributed by year.

| | Light and Medium Oil (Mbbl) | | Heavy Oil (Mbbl) | | Natural Gas (Non-associated and associated) (MMcf) | | Coal Bed Methane (MMcf) | |
|---|---|---|---|---|---|---|---|---|
| | First Attributed | Total at Year End | First Attributed | Total at Year End | First Attributed | Total at Year End | First Attributed | Total at Year End |
| **Proved Undeveloped Reserves** | | | | | | | | |
| Prior | 18.5 | 18.5 | - | - | 1,589.7 | 1,589.7 | - | - |
| 2013 | 3.9 | 19.7 | - | - | 17,856.6 | 19,281.3 | - | - |
| 2014 | - | 54.2 | - | - | - | 4,153.8 | - | - |
| 2015 | - | 14.3 | - | - | 189.8 | 6,759.2 | - | - |
| **Probable Undeveloped Reserves** | | | | | | | | |
| Prior | 11.2 | 11.2 | - | - | 1,654.3 | 1,939.6 | - | - |
| 2013 | 82.1 | 92.9 | - | - | 8,942.2 | 10,313.0 | - | - |
| 2014 | 33.4 | 148.0 | - | - | 2,056.1 | 13,603.4 | - | - |
| 2015 | - | 112.0 | - | - | 13,157.5 | 28,456.0 | 10,558.0 | 10,558.0 |

| | Natural Gas Liquids Liquids (Mbbl) | | MBOE | |
|---|---|---|---|---|
| | First Attributed | Total at Year End | First Attributed | Total at Year End |
| **Proved Undeveloped Reserves** | | | | |
| Prior | 70.7 | 70.7 | 354.2 | 354.2 |
| 2013 | 16.1 | 70.9 | 2,996.1 | 3,304.2 |
| 2014 | - | 164.3 | - | 910.8 |
| 2015 | 1.1 | 477.7 | 32.7 | 1,618.5 |
| **Probable Undeveloped Reserves** | | | | |
| Prior | 65.6 | 66.7 | 352.5 | 401.2 |
| 2013 | 161.6 | 192.5 | 1,734.1 | 2,004.2 |
| 2014 | 82.2 | 380.3 | 458.3 | 2,795.5 |
| 2015 | 11.7 | 872.2 | 3,964.3 | 7,486.5 |

Proved undeveloped reserves comprise approximately 3% of Pine Cliff's total proved reserves on a BOE basis. Proved undeveloped reserves of 1,618.5 MBOE were assigned by McDaniel in accordance with NI 51-101. In general, proved undeveloped reserves were assigned to certain properties as a result of Pine Cliff's capital program. Pine Cliff plans to convert the undeveloped reserves to proved developed producing reserves over the next three years.

Probable undeveloped reserves were assigned by McDaniel in accordance with NI 51-101 requirements and standards. Pine Cliff's probable undeveloped reserves amount to 7,486.5 MBOE and represent about 39% of the total probable reserves. Probable undeveloped reserves are assigned for similar reasons and generally to the same properties as proved undeveloped reserves, but also meet the requirements of the reserve classification to which they belong. Probable undeveloped reserves are those reserves that are less certain to be recovered than proved reserves and are expected to be recovered from known accumulations. Pine Cliff plans to convert the probable undeveloped reserves to proved developed producing reserves over the next five years.

**Significant Factors or Uncertainties**

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering or economic data. These estimates may change substantially as additional data from ongoing development activities and production performance become available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions.

As circumstances change and additional data become available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices, and reservoir performance. Such revisions can either be positive or negative.

**Future Development Costs**

The following table outlines development costs deducted in the McDaniel Report in the estimation of future net revenue attributable to proved reserves and proved plus probable reserves, in each instance using forecast prices and costs.

| (M$) | Total Proved | Total Proved plus Probable |
|---|---|---|
| 2016 | 7,981 | 12,067 |
| 2017 | 6,082 | 8,692 |
| 2018 | 2,987 | 22,449 |
| 2019 | - | 10,895 |
| 2020 | - | 11,113 |
| Remainder | - | - |
| Total for all years undiscounted | 17,050 | 65,217 |
| Total for all years discounted at 10% per year | 15,294 | 52,358 |

Pine Cliff estimates that its internally generated cash flow and unused bank credit facilities will be sufficient to fund the future development costs disclosed above. Pine Cliff typically has available three sources of funding to finance its capital expenditure program: internally generated cash flow from operating activities; debt financing when appropriate; and new equity issues, if available on favorable terms.

Pine Cliff has internally estimated that it has approximately 1,050 potential gross undrilled locations on the Ghost Pine Assets, approximately 140 potential gross undrilled locations on the Viking Assets, approximately 90 potential gross undrilled locations on the Edson Assets and approximately 300 potential gross undrilled locations on the Southern Assets. Additionally Pine Cliff has in excess of 60 potential recompletion opportunities, primarily in the Ghost Pine and Viking Assets.

## PART 6 – OTHER OIL AND GAS INFORMATION

### Well Count

The wells in which Pine Cliff had an interest in as at December 31, 2015 are set out in the following table:

| | Oil Wells | | Gas Wells | | Total | |
|---|---|---|---|---|---|---|
| | Gross | Net | Gross | Net | Gross | Net |
| **Producing wells** | | | | | | |
| Alberta | 395 | 234.9 | 6,945 | 4,590.4 | 7,340 | 4,825 |
| Saskatchewan | - | - | 1,531 | 1,455.6 | 1,531 | 1,456 |
| Total producing | 395 | 234.9 | 8,476 | 6,046.0 | 8,871 | 6,281 |
| **Non-producing wells** | | | | | | |
| Alberta | 45 | 29.2 | 1,231 | 873.3 | 1,276 | 903 |
| Saskatchewan | - | - | 216 | 199.2 | 216 | 199 |
| Total non-producing | 45 | 29.2 | 1,447 | 1072.5 | 1,492 | 1,102 |
| **Total** | 440 | 264.1 | 9,923 | 7118.4 | 10,363 | 7,383 |

### Forward Contracts

The Company has no forward contracts.

### Abandonment and Reclamation Costs

Pine Cliff uses its internal historical costs to estimate its abandonment and reclamation costs when available. The costs are estimated on an area by area basis and are calibrated to industry's historical costs, when applicable. If representative comparisons are not readily available, an estimate is prepared based on the various regulatory abandonment requirements. Cost estimations adhere in all material respects to the "best practices" recommended in the COGE handbook. The abandonment and reclamation costs provided my McDaniel's in the reserve report for 5,422.4 company share proved producing wells and 5,508.1 company share proved plus probable wells are as follows:

| (M$) | Total Proved | Total Proved Plus Probable |
|---|---|---|
| 2016 | - | - |
| 2017 | - | - |
| 2018 | - | - |
| 2019 | - | - |
| 2020 | 920 | - |
| Remainder | 189,545 | 204,333 |
| Total for all years undiscounted | 196,465 | 204,333 |
| Total for all years discounted at 10% per year | 49,313 | 43,074 |

Certain costs related to the abandonment and reclamation of non-reserve wells, gathering systems, production facilities have been excluded from the estimation of future net revenue. Reclamation costs for reserve wells have been included in the reserve report. At December 31, 2015, Pine Cliff estimates the costs to abandon and reclaim wells and facilities that are not in the reserve report to be $118.9 million, undiscounted. Pine Cliff expects to pay none of these costs in the next four years.

**Tax Horizon**

Pine Cliff does not expect to pay income tax in the 2015 fiscal year. Depending on production, commodity prices and capital spending levels, Pine Cliff does not expect to pay current income taxes until after 2020.

The Company has the following tax pools, which may be used to reduce taxable income in future years, limited to the applicable rates of utilization:

| ($ 000s) | Rate of Utilization (%) | Amount |
|---|---|---|
| Undepreciated capital costs | 20-100 | 68,590 |
| Canadian oil and gas property expenditures | 10 | 344,695 |
| Canadian development expenditures | 30 | 9,871 |
| Canadian exploration expenditures | 100 | 11 |
| Eligible capital expenditures (CEC) | 7 | 122 |
| Share issue costs | 20 | 6,716 |
| Non-capital losses carried forward | 100 | 49,997 |
| Capital losses carried forward [1] | | 829 |
| | | 480,831 |

(1) The capital losses carried forward can only be claimed against taxable capital gains.

**Costs Incurred**

The following table summarizes petroleum and natural gas capital expenditures incurred by the Company on acquisitions, land, seismic, exploration and development drilling and production facilities for the year ended December 31, 2015:

| (M$) | |
|---|---|
| Property acquisition costs - proved | 157,203 |
| Property acquisition costs - unproved | 35,861 |
| Exploration | 1,338 |
| Development | 5,921 |
| Net oil and natural gas capital expenditures | 200,323 |

**Exploration and Development Activities**

The following table summarizes Pine Cliff's gross and net drilling activity and success in the year ended December 31, 2015:

| | Development | | Exploratory | | Total | |
|---|---|---|---|---|---|---|
| | Gross | Net | Gross | Net | Gross | Net |
| Oil | - | - | - | - | - | - |
| Gas | 3 | 0.54 | - | - | 3 | 0.54 |
| Liquids | - | - | - | - | - | - |
| Dry Holes | - | - | - | - | - | - |
| Total | 3 | 0.54 | - | - | - | - |
| Success Rate | 100% | 100% | - | - | 3 | 0.54 |

Pine Cliff's development drilling activities in 2016 and 2017 will be mainly focused on oil and liquids drilling in the Edson area with development drilling activities in the Ghost Pine and Viking areas starting in 2018, based on the McDaniel's January 1, 2016 price forecast.

## Production Estimates

The following table summarizes the estimated 2016 production reflected in the estimates of future net revenue disclosed under Part 2 in the Pine Cliff Reserve Report:

| | Gross Daily Production Total |
|---|---|
| **Total Proved** | |
| Light and Medium Oil (bbl/d) | 780.1 |
| Natural Gas, associated and non associated (BOE/d) | 20,448.6 |
| Natural Gas Liquids (bbl/d) | 1,022.4 |
| Total (BOE/d) | 22,251 |
| **Total Proved plus Probable** | |
| Light and Medium Oil (bbl/d) | 799.5 |
| Natural Gas, associated and non associated (BOE/d) | 20,941.6 |
| Natural Gas Liquids (bbl/d) | 1,043.4 |
| Total (BOE/d) | 22,784 |

Pine Cliff's Viking Area and Ghost Pine areas account for 5,512 BOE/d (25%) and 5,227 BOE/d (23%), respectively, of the Company's total estimated production for 2016 from gross proved reserves and 5,669 BOE/d (25%) and 5,324 BOE/d (23%), respectively, of the Company's production from gross proved plus probable reserves.

## Production History

| | Quarter ended March 31, 2015 | Quarter ended June 30, 2015 | Quarter ended September 30, 2015 | Quarter ended December 31, 2015 | Year ended December 31, 2015 |
|---|---|---|---|---|---|
| **Average daily production** | | | | | |
| Natural gas volumes (Mcf/d) | 68,208 | 67,502 | 70,843 | 85,233 | 72,984 |
| Light and medium oil (Bbl/d) | 128 | 119 | 128 | 264 | 160 |
| NGLs (Bbl/d) | 525 | 445 | 569 | 581 | 530 |
| Combined (BOE/d) | 12,021 | 11,814 | 12,504 | 15,051 | 12,854 |
| **Natural gas netbacks ($/mcf)** | | | | | |
| Average sales price | 2.76 | 2.52 | 2.94 | 2.47 | 2.67 |
| Royalties | 0.17 | 0.10 | 0.18 | 0.15 | 0.15 |
| Operating expenses | 1.39 | 1.41 | 1.49 | 1.45 | 1.43 |
| Operating Netback | 1.20 | 1.01 | 1.27 | 0.87 | 1.09 |
| **Light and medium oil netbacks ($/bbl)** | | | | | |
| Average sales price | 52.07 | 54.10 | 47.88 | 44.05 | 48.26 |
| Royalties | 2.55 | 3.58 | 0.72 | 1.69 | 2.01 |
| Operating expenses | 8.97 | 8.91 | 9.13 | 8.85 | 8.94 |
| Operating Netback | 40.55 | 41.61 | 38.03 | 33.51 | 37.31 |
| **NGLs netbacks ($/bbl)** | | | | | |
| Average sales price | 25.78 | 30.97 | 23.60 | 21.17 | 25.00 |
| Royalties | 5.03 | 2.16 | 7.24 | 4.17 | 4.79 |
| Operating expenses | 12.19 | 8.00 | 8.88 | 8.60 | 9.43 |
| Operating Netback | 8.56 | 20.81 | 7.48 | 8.40 | 10.78 |
| **Combined netbacks ($/BOE)** | | | | | |
| Average sales price | 17.38 | 16.24 | 18.25 | 15.60 | 16.81 |
| Royalties | 1.21 | 0.71 | 1.37 | 1.03 | 1.08 |
| Operating expenses | 8.84 | 8.45 | 8.96 | 8.41 | 8.65 |
| Operating Netback | 7.33 | 7.08 | 7.92 | 6.16 | 7.08 |

The following table provides a summary of the average production volumes from Pine Cliff's main producing areas:

| | Quarter ended March 31, 2015 | Quarter ended June 30, 2015 | Quarter ended September 30, 2015 | Quarter ended December 31, 2015 | Year ended December 31, 2015 |
|---|---|---|---|---|---|
| **Light and Medium Oil (bbl/d)** | | | | | |
| Southern Assets | (3) | 10 | 9 | 11 | 7 |
| Edson | 130 | 89 | 113 | 96 | 107 |
| Central Assets | - | - | - | 16 | 4 |
| Other properties | 1 | 20 | 6 | 3 | 8 |
| Total | 128 | 119 | 128 | 126 | 126 |
| **Heavy Oil (bbl/d)** | | | | | |
| Southern Assets | - | - | - | - | - |
| Edson | - | - | - | - | - |
| Central Assets | - | - | - | 137 | 35 |
| Other properties | - | - | - | - | - |
| Total | - | - | - | 137 | 35 |
| **Natural Gas (mcf/d)** | | | | | |
| Southern Assets | 10,126 | 9,909 | 10,138 | 10,288 | 10,115 |
| Edson | 1,112 | 1,196 | 1,527 | 1,536 | 1,344 |
| Central Assets | - | - | - | 1,882 | 473 |
| Other properties | 130 | 144 | 140 | 220 | 158 |
| Total | 11,368 | 11,249 | 11,805 | 13,926 | 12,090 |
| **Coal Bed Methane (mcf/d)** | | | | | |
| Southern Assets | - | - | - | - | - |
| Edson | - | - | - | - | - |
| Central Assets | - | - | - | 284 | 72 |
| Other properties | - | - | - | - | - |
| Total | - | - | - | 284 | 72 |
| **Natural Gas Liquids (bbl/d)** | | | | | |
| Southern Assets | 3 | 3 | 3 | 3 | 3 |
| Edson | 458 | 413 | 515 | 417 | 451 |
| Central Assets | - | - | - | 105 | 27 |
| Other properties | 64 | 30 | 53 | 53 | 50 |
| Total | 525 | 446 | 571 | 578 | 531 |
| **Total (BOE/d)** | | | | | |
| Southern Assets | 10,126 | 9,922 | 10,150 | 10,301 | 10,125 |
| Edson | 1,700 | 1,697 | 2,155 | 2,049 | 1,902 |
| Central Assets | - | - | - | 2,425 | 611 |
| Other properties | 195 | 195 | 199 | 276 | 216 |
| Total | 12,021 | 11,814 | 12,504 | 15,051 | 12,854 |

**Lease Holdings**

Pine Cliff's December 31, 2015 holdings of petroleum and natural gas leases and rights are as follows:

| | Developed Acres | | Undeveloped Acres | | Total | |
|---|---|---|---|---|---|---|
| | Gross | Net | Gross | Net | Gross | Net |
| **Area:** | | | | | | |
| Viking | 674,632 | 546,012 | 74,624 | 40,964 | 749,255 | 586,976 |
| Ghost Pine | 332,489 | 252,742 | 28,364 | 21,109 | 360,853 | 273,851 |
| Pendor/Black Butte | 317,060 | 297,600 | 20,480 | 17,517 | 337,540 | 315,117 |
| Many Islands/Long Valley | 227,268 | 210,096 | 7,064 | 6,024 | 243,556 | 216,120 |
| Hatton | 124,140 | 113,052 | 84,806 | 17,237 | 210,330 | 130,289 |
| Tiley/Monogram | 107,718 | 58,139 | 0 | 0 | 107,718 | 58,136 |
| Edson | 93,603 | 39,768 | 28,000 | 8,605 | 121,603 | 48,373 |
| Eagle Butte | 66,658 | 65,949 | 5,922 | 5,911 | 72,580 | 71,860 |
| Wymark / Vidora | 45,678 | 40,020 | 4,520 | 3,240 | 50,198 | 43,260 |
| Other | 63,839 | 55,453 | 1,120 | 309 | 64,960 | 55,762 |
| Total | 2,053,085 | 1,678,831 | 254,900 | 120,916 | 2,318,593 | 1,799,744 |

There are no attributed reserves assigned to 55,344 gross (54,145 net) acres in other and 45,678 gross (40,020 net) acres in the Cadillac / Wymark / Vidora area. The Company has interests in 26,940 gross (21,686 net) acres that will expire within one year.

## MINING ASSETS

Through its wholly-owned subsidiary, Geomark, 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 are presently material to Pine Cliff from an accounting or securities perspective. The Company does not plan to incur any further capital expenditures on the properties in 2016.

## RISK FACTORS

The following is a summary of certain risk factors relating to the business of Pine Cliff. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form. Shareholders and potential Shareholders should consider carefully the information contained herein and, in particular, the following risk factors. If any of these risks occur, Pine Cliff's production, revenues and financial conditions could be materially harmed, with a resulting decrease in the market price of the Common Shares.

### Risks Related to the Oil and Natural Gas Industry

***Operational Risks***

Oil and natural gas development and exploration operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering and oil spills, each of which could result in substantial damage to oil and natural gas wells, producing facilities, other property and the environment or in personal injury. In accordance with industry practice, Pine Cliff is not fully insured against all of these risks, nor are all such risks insurable. Although Pine Cliff maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event Pine Cliff could incur significant costs that could have a materially adverse effect upon its financial condition. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and the invasion of water into producing formations.

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Pine Cliff and may delay exploration and development activities.

To the extent Pine Cliff will not be the operator of its oil and gas properties, Pine Cliff will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators. Payments from production generally flow through the operator and there is a risk of delay and additional expense in receiving such revenues if the operator becomes insolvent.

In addition, the success of Pine Cliff will be largely dependent upon the performance of its management and key employees. Pine Cliff does not currently have any key person insurance policies and, therefore, there is a risk that the death or departure of any member of management or any key employee could have a material adverse effect on Pine Cliff.

Pine Cliff's ability to market oil and natural gas from its wells also depends upon numerous other factors beyond its control, including, among other things, the availability of natural gas processing and storage capacity, the availability of pipeline capacity, the price of oilfield services and the effects of inclement weather. Because of these factors, Pine Cliff may be unable to market some or all of the oil and natural gas it produces or to obtain favourable prices for the oil and natural gas it produces.

A portion of Pine Cliff's natural gas is directly exported from Canada to the United States and is subject to regulation by the NEB. The current natural gas export permit ends on November 26, 2016 and if not renewed, Pine Cliff may be unable to find an alternative market for this portion of its natural gas production.

***Weakness in the Oil and Gas Industry***

Recent market events and conditions, including excess in global oil and natural gas supply, recent actions taken by the Organization of the Petroleum Exporting Countries, slowing growth in China and other emerging economies, market volatility and disruptions in Asia, and sovereign debt levels in various countries, have caused significant weakness and volatility in commodity prices. These events and conditions have caused a significant decrease in the valuation of oil and gas companies. These difficulties have been exacerbated in Canada by the recent changes in government at a federal level and, in case of Alberta, the provincial level, and the resultant uncertainty surrounding regulatory, tax and royalty changes that may be implemented by the new governments. In addition, the inability to get the necessary approvals to build pipelines and other facilities to provide better access to markets for the oil and gas industry in western Canada has led to additional uncertainty.

Additionally, lower commodity prices have reduced, and may continue to reduce, Pine Cliff's cash flow which could result in a reduced capital expenditure budget and, as a result, Pine Cliff may not be able to replace its production with additional reserves and both the production and reserves could be reduced.

Given the current market conditions, Pine Cliff may have difficulty raising additional funds in the future or if it is able to do so, it may be on unfavourable and highly dilutive terms.

***Reserve Estimates***

There are numerous uncertainties inherent in estimating quantities of reserves and potential cash flows to be derived therefrom, including many factors beyond the control of Pine Cliff. The reserve and cash flow information set forth in this Annual Information Form represent estimates only. These evaluations include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of oil and natural gas, operating costs and royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on price forecasts in use at the date the relevant evaluations were prepared and many of these assumptions are subject to change and are beyond the control of Pine Cliff. Actual production and cash flows derived therefrom will vary from these evaluations, and such variations could be material. These evaluations are based in part on the assumed success of exploitation activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived therefrom contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluations.

***Reserve Replacement***

Pine Cliff's future oil and natural gas production and cash flows are dependent on successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves and production will decline over time as such existing reserves are exploited. A future increase in reserves will depend not only on Pine Cliff's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that Pine Cliff's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas. The Common Shares may decrease in value as reserves from Pine Cliff's properties can no longer be economically produced.

***Industry Regulation and Competition***

There is strong competition relating to all aspects of the oil and natural gas industry. Pine Cliff will actively compete for capital, skilled personnel, undeveloped land, reserve acquisitions, access to drilling rigs, service rigs and other equipment, access to processing facilities and pipeline and refining capacity, and in all other aspects of its operations with a substantial number of other organizations, many of which may have greater technical and financial resources than Pine Cliff. Some of those organizations not only explore for, develop and produce oil and natural gas but also carry on refining operations and market petroleum and other products on a world-wide basis and as such have greater and more diverse resources on which to draw.

The marketability of oil and natural gas acquired or discovered will be affected by numerous factors beyond the control of Pine Cliff. These factors include reservoir characteristics, market fluctuations, the proximity and capacity of oil and natural gas pipelines and processing equipment and government regulation. Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government which may be amended from time to time. Pine Cliff's oil and natural gas operations are also subject to compliance with federal, provincial and local laws and regulations controlling the discharge of materials into the environment or otherwise relating to the protection of the environment.

***Royalty Regimes***

The potential for additional future changes to the royalty regime in Alberta and corresponding changes in the royalty regimes in other jurisdictions where Pine Cliff may operate has created uncertainty surrounding the ability to accurately estimate future royalties, resulting in additional volatility and uncertainty in the oil and gas market. Increases to royalty rates in jurisdictions in which Pine Cliff operates may negatively impact results from operations and Pine Cliff's ability to economically develop existing reserves or add new reserves.

On January 29, 2016, the provincial government of Alberta announced the key highlights of a proposed Modernized Royalty Framework ("MRF") that will be effective on January 1, 2017. These highlights include providing royalty incentives for the efficient development of conventional crude oil, natural gas, and NGL resources, no changes to the royalty structure of wells drilled prior to 2017 for a 10 year period from the royalty program's implementation date, the replacement of royalty credits or holidays on conventional wells by a revenue minus cost framework with a post-revenue minus cost royalty rate based on commodity prices, the reduction of royalty rates for mature wells, and a neutral internal rate of return for any given play compared to the current royalty framework. Since the provincial government of Alberta has not yet released all of the details of the MRF, the Company cannot determine if the NRF will have a material impact on Pine Cliff's results of operations on a go forward basis.

Pine Cliff will evaluate the impact of the MRF on the Company's expected results of operations and cash flows as more details are released.

***Liability Management Rating Programs***

Alberta

In Alberta, the Alberta Energy Regulator ("**AER**") implements the Licensee Liability Rating Program. The Licensee Liability Rating Program ("**LLR**") is a liability management program governing most conventional upstream oil and gas wells, facilities and pipelines. The *Oil and Gas Conservation Act (the* "**OGCA**") establishes an orphan fund (the "**Orphan Fund**") to pay the costs to suspend, abandon, remediate and reclaim a well, facility or pipeline included in the LLR if a licensee or working interest participant becomes defunct. The Orphan Fund is funded by licensees in the LLR through a levy administered by the AER. The LLR is designed to minimize the risk to the Orphan Fund posed by unfunded liability of licenses and prevent the taxpayers of Alberta from incurring costs to suspend, abandon, remediate and reclaim wells, facilities or pipelines. The LLR requires a licensee whose deemed liabilities exceed its deemed assets to provide the AER with a security deposit. The ratio of deemed liabilities to deemed assets is assessed once each month and failure to post the required security deposit may result in the initiation of enforcement action by the AER.

Effective May 1, 2013, the AER implemented important changes to the LLR that resulted in a significant increase in the number of oil and gas companies in Alberta that are required to post security. Some of the important changes included:

- a 25% increase to the prescribed average reclamation cost for each individual well or facility (which increased a licensee's deemed liabilities);
- a $7,000 increase to facility abandonment cost parameters for each well equivalent (which increased a licensee's deemed liabilities);
- a decrease in the industry average netback from a five-year to a three-year average (which affected the calculation of a licensee's deemed assets, as the reduction from five to three years means the average is more sensitive to price changes); and
- a change to the present value and salvage factor, increasing to 1.0 for all active facilities from the current 0.75 for active wells and 0.50 for active facilities (which will increase a licensee's deemed liabilities).

These changes were implemented over a three-year period. The first phase was implemented in May of 2013, the second phase was implemented in May of 2014 and the final phase will be implemented in May 2015. The changes to the LLR stem from concern that the previous regime significantly underestimated the environmental liabilities of licensees.

On July 4, 2014, the AER introduced the inactive well compliance program (the "**IWCP**") to address the growing inventory of inactive wells in Alberta and to increase the AER's surveillance and compliance efforts under Directive 013: Suspension Requirements for Wells ("**Directive 013**"). The IWCP applies to all inactive wells that are noncompliant with Directive 013 as of April 1, 2015. The objective is to bring all inactive noncompliant wells under the IWCP into compliance with the requirements of Directive 013 within five years. As of April 1, 2015, each licensee will be required to bring 20 percent of its inactive wells into compliance every year, either by reactivating or suspending the wells in accordance with Directive 013 or by abandoning them in accordance with Directive 020: Well Abandonment.

<u>Saskatchewan</u>

In Saskatchewan, the Ministry of Economy implements its own LLR. The Saskatchewan LLR is designed to assess and manage the financial risk that a licensee's well and facility abandonment and reclamation liabilities pose to an orphan fund established under the *The Oil and Gas Conservation Act*. The Saskatchewan orphan fund is responsible for carrying out the abandonment and reclamation of wells and facilities contained within the LLR when a licensee or working interest partner is defunct or missing. The Saskatchewan LLR requires a licensee whose deemed liabilities exceed its deemed assets to post a security deposit. The ratio of deemed liabilities to deemed assets is assessed once each month for all licensees of oil, gas and service wells and upstream oil and gas facilities.

***Volatility of Oil and Gas Prices and Markets***

Oil, NGLs and natural gas prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of Pine Cliff's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in a reduction in the volumes of Pine Cliff's reserves. Pine Cliff might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in Pine Cliff's net production revenue causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to Pine Cliff are in part be determined by Pine Cliff's borrowing base. A sustained material decline in prices from historical average prices could further reduce such borrowing base, therefore reducing the bank credit available and could require that a portion of its bank debt be repaid. From time to time, Pine Cliff may enter into agreements to receive fixed prices on its oil, NGLs or natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreement, Pine Cliff will not benefit from such increases.

The marketability and price of oil, NGLs and natural gas that may be acquired or discovered by Pine Cliff are and will continue to be affected by political events throughout the world that cause disruptions in the supply of oil and natural gas. Conflicts, or conversely peaceful developments, arising in certain areas of the world have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and therefore result in a reduction of Pine Cliff's revenue and consequently the market price of the Common Shares.

***Seasonality***
The level of activity in the Canadian oil and gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. There can be no assurance that these seasonal factors will not adversely affect the timing and scope of Pine Cliff's exploration and development activities, which could in turn have a material adverse impact on Pine Cliff's business, operations and prospects.

***Variations in Foreign Exchange Rates and Interest Rates***
Pine Cliff's expenses will be denominated in Canadian dollars or the currency of other jurisdictions in which it operates, while the price of oil and natural gas will generally be denominated in United States dollars or impacted by the Canadian dollar to United States dollar exchange rate. As the exchange rate for the Canadian dollar versus the United States dollar increases, Pine Cliff will generally receive fewer Canadian dollars for its production. If the value of the Canadian dollar against the United States dollar to increases, the financial results of Pine Cliff may be negatively affected. Pine Cliff's management may initiate certain hedges to mitigate these risks but there are no guarantees that such efforts will result in a better financial position for Pine Cliff than not initiating such hedges. Future fluctuations in foreign exchange rates may impact the future value of Pine Cliff's reserves as determined by independent evaluators. In addition, variations in interest rates could result in a significant change in the amount Pine Cliff will pay to service debt, potentially adversely affecting the value of the Common Shares.

***Environmental Regulations***
All phases of the crude oil, natural gas and refining operations are subject to environmental regulation pursuant to a variety of federal, provincial, territorial, and municipal laws and regulations (collectively, "**environmental regulations**"). Environmental regulations require that wells, facility sites, refineries and other properties associated with Pine Cliff's operations be constructed, operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. In addition, certain types of operations, including exploration and development projects and changes to certain existing projects, may require the submission and approval of environmental impact assessments or permit applications. Environmental regulations imposes, among other things, restrictions, liabilities and obligations in connection with the generation, handling, use, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases and emissions of various substances to the environment. It also imposes restrictions, liabilities and obligations in connection with the management of fresh or potable water sources that are being used, or whose use is contemplated, in connection with oil and gas operations. Compliance with environmental regulations can require significant expenditures, including expenditures for clean-up costs and damages arising out of contaminated properties and failure to comply with environmental regulations may result in the imposition of fines and penalties. Although it is not expected that the costs of complying with environmental regulations will have a material adverse effect on Pine Cliff's financial condition or results of operations, no assurance can be made that the costs of complying with environmental regulations in the future will not have such an effect. The implementation of new regulations or the modification of existing regulations affecting the crude oil and natural gas industry generally could reduce demand for crude oil and natural gas and increase Pine Cliff's costs.

**Federal**
Pursuant to the Prosperity Act, the Government of Canada amended or repealed several pieces of federal environmental legislation and in addition, created a new federal environment assessment regime that came in to force on July 6, 2012. The changes to the environmental legislation under the *Prosperity Act* are intended to provide for more efficient and timely environmental assessments of projects that previously had been subject to overlapping legislative jurisdiction.

**Alberta**

The regulatory landscape in Alberta has undergone a transformation from multiple regulatory bodies to a single regulator for upstream oil and gas, oil sands and coal development activity. On June 17, 2013, the AER assumed the functions and responsibilities of the former Energy Resources Conservation Board, including those found under the OGCA. On November 30, 2013, the AER assumed the energy related functions and responsibilities of Alberta Environment and Sustainable Resource Development ("**AESRD**") in respect of the disposition and management of public lands under the Public Lands Act.

On March 29, 2014, the AER assumed the energy related functions and responsibilities of AESRD in the areas of environment and water under the *Environmental Protection and Enhancement Act* and the *Water Act*, respectively. The AER's responsibilities exclude the functions of the Alberta Utilities Commission and the Surface Rights Board, as well as Alberta Energy's responsibility for mineral tenure. The objective behind the transformation to a single regulator is the creation of an enhanced regulatory regime that is efficient, attractive to business and investors, and effective in supporting public safety, environmental management and resource conservation while respecting the rights of landowners.

In December 2008, the Government of Alberta released a new land use policy for surface land in Alberta, the Alberta Land Use Framework (the "**ALUF**"). The ALUF sets out an approach to manage public and private land use and natural resource development in a manner that is consistent with the long-term economic, environmental and social goals of the province. It calls for the development of seven region-specific land use plans in order to manage the combined impacts of existing and future land use within a specific region and the incorporation of a cumulative effects management approach into such plans.

The *Alberta Land Stewardship Act* (the "**ALSA**") was proclaimed in force in Alberta on October 1, 2009 and provides the legislative authority for the Government of Alberta to implement the policies contained in the ALUF. Regional plans established under the ALSA are deemed to be legislative instruments equivalent to regulations and will be binding on the Government of Alberta and provincial regulators, including those governing the oil and gas industry. In the event of a conflict or inconsistency between a regional plan and another regulation, regulatory instrument or statutory consent, the regional plan will prevail. Further, the ALSA requires local governments, provincial departments, agencies and administrative bodies or tribunals to review their regulatory instruments and make any appropriate changes to ensure that they comply with an adopted regional plan. The ALSA also contemplates the amendment or extinguishment of previously issued statutory consents such as regulatory permits, licenses, registrations, approvals and authorizations for the purpose of achieving or maintaining an objective or policy resulting from the implementation of a regional plan. Among the measures to support the goals of the regional plans contained in the ALSA are conservation easements, which can be granted for the protection, conservation and enhancement of land; and conservation directives, which are explicit declarations contained in a regional plan to set aside specified lands in order to protect, conserve, manage and enhance the environment.

On August 22, 2012, the Government of Alberta approved the Lower Athabasca Regional Plan ("LARP") which came into effect on September 1, 2012. The LARP is the first of seven regional plans developed under the ALUF. LARP covers approximately 93,212 square kilometres and is in the north east corner of Alberta. The region includes a substantial portion of the Athabasca oil sands area, which contains approximately 82% of the province's oil sands resources and much of the Cold Lake oil sands area. LARP establishes six new conservation areas and nine new provincial recreation areas. In conservation and provincial recreation areas, conventional oil and gas companies with pre-existing tenure may continue to operate. Any new petroleum and gas tenure issued in conservation and provincial recreation areas will include a restriction that prohibits surface access. In contrast, oil sands companies' tenure has been (or will be) cancelled in conservation areas and no new oil sands tenure will be issued. While new oil sands tenure will be issued in provincial recreation areas, new and existing oil sands tenure will prohibit surface access.

In July 2014, the Government of Alberta approved the South Saskatchewan Regional Plan ("SSRP") which came into force on September 1, 2014. The SSRP is the second regional plan developed under the ALUF. The SSRP covers approximately 83,764 square kilometres and includes 44% of the province's population.

The SSRP creates four new and four expanded conservation areas, and two new and six expanded provincial parks and recreational areas. Similar to LARP, the SSRP will honour existing petroleum and natural gas tenure in conservation and provincial recreational areas. However, any new petroleum and natural gas tenures sold in conservation areas, provincial parks, and recreational areas will prohibit surface access. However, oil and gas companies must minimize impacts of activities on the natural landscape, historic resources, wildlife, fish and vegetation when exploring, developing and extracting the resources. Freehold mineral rights will not be subject to this restriction. With the implementation of the new Alberta regulatory structure under the AER, AESRD will remain responsible for development and implementation of regional plans. However, the AER will take on some responsibility for implementing regional plans in respect of energy related activities.

The Government of Alberta has commenced development of its North Saskatchewan Regional Plan ("**NSRP**") which may affect Pine Cliff's operations in central Alberta, No assurance can be given that the NSRP, or any future regional plans developed and implemented by the Governments of Alberta and Saskatchewan, will not materially impact Pine Cliff's current or future operations.

<u>**Saskatchewan**</u>

In May 2011, Saskatchewan passed changes to *The Oil and Gas Conservation Act* ("**SKOGCA**"), the act governing the regulation of resource development operations in the province. Although the associated Bill received Royal Assent on May 18, 2011, it was not proclaimed into force until April 1, 2012, in conjunction with the release of *The Oil and Gas Conservation Regulations, 2012* ("**OGCR**") and *The Petroleum Registry and Electronic Documents Regulations* ("***Registry Regulations***"). The aim of the amendments to the SKOGCA, and the associated regulations, is to provide resource companies investing in Saskatchewan's energy and resource industries with the best support services and business and regulatory systems available. With the enactment of the Registry Regulations and the OGCR, Saskatchewan has implemented a number of operational aspects, including the increased demand for record-keeping, increased testing requirements for injection wells and increased investigation and enforcement powers; and, procedural aspects including those related to Saskatchewan's participation as partner in the Petroleum Registry of Alberta.

***Climate Change Regulations***

The Canadian federal government and various provincial governments have announced intentions to regulate greenhouse gas ("**GHG**") emissions and other air pollutants. These regulations are in various phases of review, discussion or implementation in Canada. Uncertainties exist relating to the timing and effects of these proposed regulations. Additionally, lack of certainty regarding how any future federal legislation will harmonize with provincial regulations makes it difficult to accurately determine the cost estimate of climate change legislation compliance with certainty, including the effects of compliance with such initiatives on suppliers and service providers of Pine Cliff. Adverse impacts to the business of Pine Cliff if comprehensive greenhouse gas legislation is enacted in any jurisdiction in which Pine Cliff operates or conducts business, may include, but are not limited to: increased compliance costs; permitting delays and/or substantial costs to generate or purchase emission credits or allowances adding costs to the resources produced by Pine Cliff; and reduced demand for crude oil and certain refined products. Emission allowances or offset credits may not be available for acquisition by Pine Cliff or may not be available on an economic basis. Required emission reductions may not be technically or economically feasible to implement, in whole or in part, and failure to meet such emission reduction requirements or other compliance mechanisms may have a material adverse effect on Pine Cliff's business by resulting in, among other things, fines, permitting delays, penalties and the suspension of operations. Consequently, no assurances can be given that the effect of future federal climate change regulations will not be significant to Pine Cliff. Beyond existing legal requirements, the extent and magnitude of any adverse impacts of any of these additional programs cannot be reliably or accurately estimated at this time because specific legislative and regulatory requirements have not been finalized and uncertainty exists with respect to the additional measures being considered and the time frames for compliance.

In November 2015, the Government of Alberta announced its climate leadership plan (the "**Plan**") which included four key strategies that the government will implement to address climate change: (i) the complete phase-out of coal-fired sources of electricity by 2030; (ii) an Alberta economy-wide price on GHG emissions of $30/tonne; (iii) a cap on oil sands emissions to a province-wide total of 100 megatonnes per year, with certain exceptions for cogeneration power sources and new upgrading capacity; and (iv) reducing methane emissions from oil and gas activities by 45% by 2025.

Pine Cliff is also subject to the *Specified Gas Emitters Regulation* (Alberta) (the "**SGER**"), which imposes GHG emissions intensity limits and reduction requirements for owners of facilities that emit 100,000 tonnes per year or more of GHG. Recent amendments to the SGER have increased the maximum emission intensity reduction requirement for facility owners from 12% to 15% in 2016 and 20% starting in 2017. One of the options for complying with the SGER is for facility owners to purchase technology fund credits. The recent SGER amendments have increased the price for such credits from $15/tonne to $20/tonne for 2016 and $30/tonne beginning in 2017.

Adverse impacts to Pine Cliff's business as a result of GHG legislation or regulation, including the implementation of the Plan and the amendments to the SGER, to be enacted in any jurisdiction in which Pine Cliff operates, may include, but are not limited to: increased compliance costs, additional costs to purchase emission credits or allowances; and reduced demand for certain products. Emissions reductions may not be technically or economically feasible to implement and failure to meet such standards may have a material adverse effect on Pine Cliff's business. Consequently, no assurances can be given that the effect of future climate change regulations will not be significant to Pine Cliff.

Additionally, it is unclear what impact the Paris Agreement, negotiated during the 21st Conference of the Parties of the UNFCCC in Paris and adopted by consensus on December 12, 2015 may have on environmental regulations and consequently on Pine Cliff's business.

***Delay in Cash Receipts***
In addition to the usual delays in payment by purchasers of oil and natural gas to the operators of Pine Cliff’s properties, and by the operators to Pine Cliff, payments between any of such parties may also be delayed by restrictions imposed by lenders, delays in the sale or delivery of products, delays in the connection of wells to a gathering system, blowouts or other accidents, recovery by the operator of expenses incurred in the operation of Pine Cliff’s properties or the establishment by the operators of reserves for such expenses.

***Impact of Future Capital Expenditures***
The reserve value of Pine Cliff’s properties, as estimated by independent engineering consultants, is based in part on cash flows to be generated in future years as a result of future capital expenditures. The reserve value of Pine Cliff’s properties, as estimated by independent engineering consultants, will be reduced to the extent that such capital expenditures on such properties do not achieve the level of success assumed in such engineering reports.

***Risks Relating to Hedging Activities***
Any substantial and extended decline in the price of oil, NGLs or natural gas would have an adverse effect on the carrying value of Pine Cliff’s proved and probable reserves, borrowing capacity, revenues, profitability and cash flows from operating activities. Pine Cliff may manage the risk associated with changes in commodity prices by entering into oil or natural gas price hedges. If Pine Cliff hedges its commodity price exposure, it may forego some of the benefits it would otherwise experience if commodity prices were to increase. In addition, commodity hedging activities could expose Pine Cliff to losses. To the extent Pine Cliff engages in risk management activities related to commodity prices, it will be subject to credit risks associated with counterparties with which it contracts. Pine Cliff continually evaluates the use of, and may employ derivative structures to hedge commodity, interest rate and foreign exchange risk. Risks associated with such products, include but are not limited to counterparty risk, settlement risk, basis risk, liquidity risk and market risk which could impair or negate the hedging strategy with a consequential negative impact on earnings and cash flow.

***Availability of Drilling Equipment and Access***
Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Pine Cliff and may delay exploration and development activities.

***Expiration of Licences and Leases***
Pine Cliff’s properties are held in the form of licences and leases and working interests in licences and leases. If Pine Cliff or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of Pine Cliff’s licences or leases or the working interests relating to a licence or lease may have a material adverse effect on results of operations and business.

***Permits and Licenses***

The operations of Pine Cliff may require licenses and permits from various governmental authorities. There can be no assurance that Pine Cliff will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at its projects.

***Title to Properties***

Although title reviews may be done according to industry standards prior to the purchase of certain oil and natural gas producing properties or the commencement of drilling wells as determined appropriate by management, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat a claim of Pine Cliff which could result in a reduction of the revenue received by Pine Cliff.

***Aboriginal Claims***

Aboriginal peoples have claimed aboriginal title and rights to resources and various properties in western Canada. Management is not aware that any claims have been made in respect of Pine Cliff's property or assets; however, a claim, if one arose in relation to any of Pine Cliff's lands, if successful, could have an adverse effect on the Company's operations.

**Risk Factors Related to Pine Cliff Generally**

***Corporate***

Pine Cliff is subject to many risks, all of which are common to such enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that Pine Cliff will be successful in achieving a return on shareholders' investment and its likelihood of success must be considered in light of its early stage of operations. There can be no assurance that Pine Cliff will be able to obtain adequate financing in the future or that the terms of any financing obtained will be favourable.

***Substantial Capital Requirements and Liquidity***

Pine Cliff may have to make substantial capital expenditures for the acquisition of, exploration for, development and production of its oil and natural gas and mining assets in the future. If revenues or reserves decline, Pine Cliff may have a limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Pine Cliff. Moreover, future activities may require Pine Cliff to alter its capitalization significantly. The inability of Pine Cliff to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects.

***Price Volatility of Publicly Traded Securities***

In recent years, the securities markets in Canada and the United States have experienced a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It is likely that the market price for the Common Shares will be subject to market trends generally, notwithstanding the financial and operational performance of Pine Cliff.

***Dividends***

To date, Pine Cliff has not paid any dividends on its outstanding Common Shares and has no intention of so doing in the short-term.

***Management of Growth***

Pine Cliff has grown significantly in the past three years and had reported average sales volumes of 12,854 BOE/d in 2015, 7,899 BOE/d in 2014, 4,787 BOE/d in 2013 as compared to 775 BOE/d in 2012. Pine Cliff expects to continue to grow the business which may subject the Company to further growth-related risks including capacity constraints and pressure on its internal systems and controls. To manage its growth effectively, Pine Cliff will be required to continue to implement and improve its operational and financial systems and to expand, train and manage its employee and consultant base. Any failure to implement cohesive management and operating systems, add or retain resources on a cost effective basis or properly manage its expansion could have a material adverse impact on its business, operations and prospects.

***Failure to Realize Benefits of Acquisitions***

Pine Cliff may complete acquisitions to strengthen its position in the oil and gas and mining industries and to create the opportunity to realize certain benefits including, among other things, potential cost savings. The acquisition of mining companies and assets is subject to substantial risks, including the failure to identify material problems during due diligence, the risk of over-paying for assets, and the inability to arrange financing for an acquisition as may be required or desired. Achieving the benefits of any future acquisitions depends, in part, on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as Pine Cliff's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with its own. The integration of acquired businesses 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 result in the loss of key employees and the disruption of ongoing business and employee relationships that may adversely affect Pine Cliff's ability to achieve the anticipated benefits of these and future acquisitions.

***Third Party Credit Risk***

Pine Cliff is, or may be exposed to, third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to Pine Cliff, such failures could have a material adverse effect on Pine Cliff and its cash flow from operations. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in Pine Cliff's ongoing capital program, potentially delaying the program and the results of such program until Pine Cliff finds a suitable alternative partner.

***Canadian Tax Considerations***

As Pine Cliff is engaged in the oil and natural gas industry, its operations are subject to certain unique provisions of the *Income Tax Act* (Canada) (the "**Tax Act**") and applicable provincial income tax legislation relating to characterization of costs incurred in their businesses which effects whether such costs are deductible and, if deductible, the rate at which they may be deducted for the purposes of calculating taxable income. Pine Cliff has reviewed its historical income tax returns with respect to the characterization of the costs incurred in the oil and natural gas business as well as other matters generally applicable to all corporations including the ability to offset future income against prior year losses. Pine Cliff has filed or will file all required income tax returns and believes that it is in full compliance with the provisions of the Tax Act and applicable provincial income tax legislation, but such returns are subject to reassessment. In the event of a successful reassessment of Pine Cliff, the Company may be subject to a higher than expected past or future income tax liability as well as potential interest and penalties and such amount could be material.

***Refinancing Risk***

Pine Cliff currently has a $185.0 million revolving credit facility with a syndicate of five Canadian Financial Institutions of which $155.9 million was drawn at December 31, 2015. Repayments of principal are not required during the commitment term, provided that Pine Cliff remains compliant with all covenants under the credit agreement and does not exceed the authorized borrowing amount. The credit facility matures on July 31, 2016, but is subject to semi-annual reviews, and if it is not renewed it will become payable in 364 days. There is also a risk that the credit facility will not be renewed for the same term or on the same terms. Any of these events could affect Pine Cliff's ability to fund ongoing operations.

Pine Cliff is required to comply with covenants under the credit facility. In the event that Pine Cliff does not comply with covenants under the credit facility, Pine Cliff's access to capital could be restricted or repayment could be required.

***Issuance of Debt***

From time to time, Pine Cliff may enter into transactions to acquire assets or shares of other companies. These transactions may be financed partially or wholly through debt, which may increase debt levels above industry standards. Pine Cliff's articles and bylaws do not limit the amount of indebtedness it may incur. The level of Pine Cliff's indebtedness from time to time could impair its ability to obtain additional financing in the future on a timely basis in order to take advantage of business opportunities that may arise.

***Dilution***

Common Shares, including rights, warrants, special warrants, stock options, subscription receipts and other securities to purchase, convert into or exchange into Common Shares, may be created, issued, sold and delivered on such terms and conditions and at such times as the Pine Cliff Board may determine. In addition, Pine Cliff may issue additional Common Shares from time to time pursuant to the incentive stock options granted to directors, officers, employees and consultants of Pine Cliff. The issuance of these Common Shares could result in dilution to Shareholders.

***Net Asset Value***

Pine Cliff's net asset value will vary dependent upon a number of factors beyond the control of Pine Cliff's management, including oil, NGLs and natural gas prices.

***Reliance on Management of Pine Cliff***

Shareholders will be dependent on the management of Pine Cliff in respect of the administration and management of all matters relating to Pine Cliff and its properties and operations. Investors who are not willing to rely on the management of Pine Cliff should not invest in the Common Shares.

***Failure to Maintain Listing of the Common Shares***

The Common Shares are currently listed and posted for trading on the facilities of the TSX. The failure of Pine Cliff to meet the applicable listing or other requirements of the TSX in the future may result in the Common Shares ceasing to be listed and posted for trading on the TSX, which would have a material adverse effect on the value of the Common Shares. There can be no assurance that the Common Shares will continue to be listed and posted for trading on the TSX for the life of the Common Shares.

***Structure of Pine Cliff***

From time to time, Pine Cliff may take steps to organize its affairs in a manner that minimizes taxes and other expenses payable with respect to the operation of Pine Cliff and its subsidiaries. If the manner in which Pine Cliff structures its affairs is successfully challenged by taxation or other authority, Pine Cliff and Shareholders may be adversely affected.

***Changes in Legislation***

It is possible that the Canadian and US federal, provincial and/or state governments could choose to change the federal income tax laws, royalty regimes, environmental laws or other laws applicable to oil and gas or mining companies and that any such changes could materially adversely affect Pine Cliff, the Shareholders and the market value of the Common Shares.

***Conflicts of Interest***

Certain of the directors of Pine Cliff are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of Pine Cliff are required by law to act honestly and in good faith with a view to the best interests of Pine Cliff and to disclose any interest which they may have in any project or opportunity of Pine Cliff. If a conflict of interest arises at a meeting of the Pine Cliff Board, any director in a conflict situation will be required to disclose his or her interest and generally abstain from voting in connection with the matter giving rise to the conflict. In determining whether or not Pine Cliff will participate in any project or opportunity, its directors will primarily consider the degree of risk to which Pine Cliff may be exposed and its financial position at the relevant time.

## 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.

## DESCRIPTION OF SHARE CAPITAL

### 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 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, 305,582,287 Common Shares and no Preferred Shares were issued and outstanding. As of the date hereof, 16,958,200 stock options were 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 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.

## MARKET FOR SECURITIES

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 ($) | | |
|---|---|---|---|
| **Date** | **High** | **Low** | **Trading volume** |
| **2015** | | | |
| January | 1.67 | 1.23 | 9,874,314 |
| February | 1.56 | 1.25 | 13,576,859 |
| March | 1.56 | 1.25 | 8,514,860 |
| April | 1.65 | 1.30 | 13,934,950 |
| May | 1.62 | 1.40 | 17,028,892 |
| June | 1.51 | 1.38 | 12,168,167 |
| July | 1.46 | 1.04 | 15,000,502 |
| August | 1.19 | 0.86 | 9,654,678 |
| September | 1.22 | 1.00 | 11,032,227 |
| October | 1.36 | 1.06 | 22,616,201 |
| November | 1.17 | 1.04 | 12,645,227 |
| December | 1.07 | 0.84 | 11,784,952 |
| **2016** | | | |
| January | 0.97 | 0.75 | 8,939,785 |
| February | 0.89 | 0.74 | 6,746,230 |
| March 1-17 (1) | 0.79 | 0.70 | 10,333,082 |

(1) Based on the combined total volume and trading prices on the TSXV and the TSX for the month of March to the date hereof, in which Pine Cliff graduated to the TSX on March 3, 2016.

## PRIOR SALES

The following table sets forth, for each class of securities of the Company that is outstanding but not listed or quoted on a marketplace, the price at which securities of the class have been issued during the financial year ended December 31, 2015 and the number of securities of the class issued at that price and the date on which the securities were issued.

| Date of Issue | Securities | Price per Security | Number of Securities |
|---|---|---|---|
| January 5, 2015 | Common Shares(1) | $1.04 | 100,000 |
| January 7, 2015 | Common Shares(1) | $1.12 | 50,000 |
| January 19, 2015 | Common Shares(1) | $0.65 | 100,000 |
| January 20, 2015 | Common Shares(1) | $1.04 | 5,000 |
| January 20, 2015 | Common Shares(1) | $0.65 | 150,000 |
| January 23, 2015 | Common Shares(1) | $1.04 | 5,000 |
| January 29, 2015 | Common Shares(1) | $0.65 | 20,000 |
| February 2, 2015 | Common Shares(1) | $1.04 | 5,000 |
| February 2, 2015 | Common Shares(1) | $0.65 | 62,500 |
| February 5, 2015 | Common Shares(1) | $1.12 | 75,000 |
| February 6, 2015 | Common Shares(1) | $1.04 | 5,000 |
| February 11, 2015 | Common Shares(1) | $0.65 | 30,000 |
| February 11, 2015 | Common Shares(1) | $1.04 | 5,000 |
| February 17, 2015 | Common Shares(1) | $1.04 | 25,000 |
| February 18, 2015 | Common Shares(1) | $1.04 | 15,000 |
| February 20, 2015 | Common Shares(1) | $1.11 | 70,000 |
| February 20, 2015 | Common Shares(1) | $1.04 | 5,000 |
| February 23, 2015 | Common Shares(1) | $1.04 | 15,000 |
| February 24, 2015 | Common Shares(1) | $1.04 | 5,000 |
| March 2, 2015 | Common Shares(1) | $0.65 | 100,000 |
| April 1, 2015 | Common Shares(1) | $1.07 | 22,000 |
| April 1, 2015 | Common Shares(1) | $1.04 | 5,000 |
| April 7, 2015 | Common Shares(1) | $1.12 | 5,000 |
| April 15, 2015 | Common Shares(1) | $0.65 | 50,000 |
| April 17, 2015 | Common Shares(1) | $0.65 | 50,000 |
| April 23, 2015 | Common Shares(1) | $1.12 | 350,000 |
| April 23, 2015 | Common Shares(1) | $0.65 | 570,000 |
| April 24, 2015 | Common Shares(1) | $1.12 | 50,000 |
| April 24, 2015 | Common Shares(1) | $0.38 | 5,000 |
| April 24, 2015 | Common Shares(1) | $0.65 | 110,000 |
| April 28, 2015 | Common Shares(1) | $0.65 | 175,000 |
| May 5, 2015 | Common Shares(1) | $1.12 | 20,000 |
| May 19, 2015 | Common Shares(1) | $1.11 | 30,000 |
| May 19, 2015 | Common Shares(1) | $1.12 | 38,000 |
| May 19, 2015 | Common Shares(1) | $0.65 | 150,000 |
| May 21, 2015 | Common Shares(1) | $1.12 | 50,000 |
| May 25, 2015 | Common Shares(1) | $1.12 | 38,000 |
| May 25, 2015 | Options | $1.53(2) | 180,000 |
| May 26, 2015 | Common Shares(1) | $1.12 | 5,000 |
| May 27, 2015 | Common Shares(1) | $0.65 | 25,000 |
| May 29, 2015 | Common Shares(1) | $1.12 | 25,000 |
| May 29, 2015 | Options | $1.46(2) | 15,000 |
| June 15, 2015 | Common Shares(1) | $1.12 | 75,000 |
| June 15, 2015 | Options | $1.46(2) | 174,000 |
| June 17, 2015 | Common Shares(1) | $1.15 | 50,000 |
| June 17, 2015 | Common Shares(1) | $0.65 | 95,000 |
| June 18, 2015 | Common Shares(1) | $1.12 | 50,000 |
| June 18, 2015 | Common Shares(1) | $1.12 | 50,000 |

| | | | |
|---|---|---|---|
| June 19, 2015 | Common Shares(1) | $1.15 | 100,000 |
| June 22, 2015 | Options | $1.44(2) | 90,000 |
| October 21, 2015 | Options | $1.30(2) | 200,000 |
| November 17, 2015 | Options | $1.10(2) | 5,428,400 |
| November 17, 2015 | Common Shares(1) | $0.38 | 400,000 |
| November 17, 2015 | Common Shares(1) | $0.65 | 300,000 |
| November 20, 2015 | Common Shares(1) | $0.38 | 6,500 |
| November 23, 2015 | Common Shares(1) | $0.65 | 110,000 |
| November 27, 2015 | Common Shares(1) | $0.50 | 25,000 |
| November 30, 2015 | Common Shares(1) | $0.80 | 40,000 |
| November 30, 2015 | Common Shares(1) | $0.68 | 255,000 |
| December 1, 2015 | Common Shares(1) | $0.92 | 110,000 |
| December 1, 2015 | Common Shares(1) | $0.38 | 135,000 |
| December 1, 2015 | Common Shares(1) | $0.65 | 200,000 |
| December 1, 2015 | Options | $1.06(2) | 49,500 |
| December 3, 2015 | Common Shares(3) | $1.08 | 2,777,778 |
| December 8, 2015 | Common Shares(1) | $0.50 | 25,000 |
| December 11, 2015 | Common Shares(4) | $1.08 | 63,888,250 |
| December 11, 2015 | Options | $0.94(2) | 741,000 |

**Notes:**

(1) Represents Common Shares issued pursuant to the exercise of previously granted Options.
(2) Represents the exercise price per Option.
(3) Represents Common Shares issued pursuant to a private placement.
(4) Represents Common Shares issued pursuant to the short form prospectus of Pine Cliff dated November 17, 2015.

## ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To the knowledge of the directors and executive officers of Pine Cliff, none of the securities of Pine Cliff are held in escrow or are subject to a contractual restriction on transfer as at the date hereof.

## DIRECTORS AND OFFICERS

The following table lists the names of the directors and officers of Pine Cliff, their province and country of residence, their positions and offices with Pine Cliff and their principal occupations. All directors have been elected to serve as such until Pine Cliff's next annual meeting of Shareholders, or until their successor is duly elected, unless their office is vacated earlier in accordance with the by-laws of Pine Cliff or applicable law.

| Name, Province and Country of Residence | Positions and Offices with the Company | Principal Occupation During the Past Five Years |
|---|---|---|
| **Gary J. Drummond**(1)<br>Nassau, Bahamas | Director since 2004 | Mr. Drummond is a private investor and a director of Bonterra Energy Corp., a resource company. |
| **George F. Fink**<br>Alberta, Canada | Executive Chairman; Director since 2004 | Chairman, Chief Executive Officer and Director of Bonterra Energy Corp. and Executive Chairman of the Pine Cliff Board, each of which are resource companies. Mr. Fink is also a director of Raging River Exploration Inc., a public company. |
| **Philip B. Hodge**<br>Alberta, Canada | President and Chief Executive Officer; Director since 2011 | President and Chief Executive Officer of Pine Cliff since January 2012. Prior thereto, from November 2010 to December 2011, Vice President, Business Development, Penn West Exploration, a public oil and gas company; and from 2006 to October 2010, Managing Director, Corporate Finance, Mackie Research Capital Corporation. Mr. Hodge is also a director of Westport Innovations Inc., a public company. |
| **Randy M. Jarock**(1)<br>Alberta, Canada | Director since 2012 | Chief Operating Officer of Pine Cliff from 2005 to June 2012. Mr. Jarock was the President of Bonterra Energy Corp. from 2008 to June 2012 and prior thereto its Chief Operating Officer since 2005. Mr. Jarock is also a director of Bonterra Energy Corp.. |
| **Carl R. Jonsson**(1)<br>British Columbia, Canada | Director since 2004 | Principal of the Vancouver law firm of Tupper, Jonsson & Yeadon. Mr. Jonsson is a director of Bonterra Energy Corp., Pine Cliff, Comet Industries Ltd., Astorius Resources Ltd., Alba Minerals Ltd., DV Resources Ltd. and Alita Resources Ltd. |
| **Kristi L. Kunec**<br>Alberta, Canada | Chief Financial Officer and Secretary | Chief Financial Officer and Secretary of Pine Cliff since January 2015 and prior thereto Vice President Finance and Controller of Pine Cliff since January 2014 and Controller from April 2012 to January 2014. Prior thereto, from September 2011 to March 2012, Controller of North American Oil Trust, a private oil and gas company; and from December 2010 to June 2011, Controller of Orion Oil & Gas Corporation, a public oil and gas company. Ms. Kunec commenced a one-year leave of absence on November 16, 2015. |
| **Terry L. McNeill**<br>Alberta, Canada | Chief Operating Officer | Chief Operating Officer of Pine Cliff since January 2015 and prior thereto the Vice President Operations of Pine Cliff from April 2014. Prior thereto, from January 2013 to March 2014, Director of Engineering and Operations of AltaGas Ltd., a public oil and gas company; and from January 2008 to November 2012, Vice President Operations of Quattro Resources Ltd., a private oil and gas company. |
| **Cheryne A. Lowe**<br>Alberta, Canada | Interim Chief Financial Officer and Secretary | Interim Chief Financial Officer of Pine Cliff since November 2015. Prior thereto, from January 2010 to June 2015, Vice President Finance and Chief Financial Officer of Orlen Upstream Canada Inc, a private oil and gas company and its predecessor TriOil Resources Ltd, a public oil and gas company. |

**Note:**

(1) Member of the Audit Committee.

As at the date hereof, the current directors and officers of the Company, as a group, owned directly or indirectly 37,284,601 Common Shares or approximately 12.2% (13.9% on a fully diluted basis) of the issued and outstanding Common Shares. The information as to the number of Common Shares beneficially owned has been furnished by the respective directors and officers of the Company.

**Cease Trade Orders**

To the best of Pine Cliff's knowledge, no director or executive officer is, or within the ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any corporation (including the Company) that: (i) while that person was acting in that capacity, was subject to a cease trade or similar order or an order that denied such corporation access to any exemptions under securities legislation, that was in effect for a period of more than 30 consecutive days; or (ii) was subject to a cease trade or similar order or an order that denied such corporation access to any exemptions under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued after that person ceased to act in such capacity and which resulted from an event that occurred while that person was acting in such capacity.

**Bankruptcies**

To the best of Pine Cliff's knowledge, no director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (i) is, as at the date of this Annual Information Form, or has been within the past 10 years, a director or executive officer of any corporation (including the Company) that while the person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the past 10 years before the date of this Annual Information Form become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

**Penalties or Sanctions**

To the best of Pine Cliff's knowledge, no director or executive officer of the Company, or shareholder of the Company holding sufficient securities of the Company to affect materially the control of the Company, has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

## CONFLICTS OF INTEREST

Pine Cliff's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which Pine Cliff may participate, the directors of Pine Cliff may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of Pine Cliff's directors, a director who has such a conflict will generally abstain from voting for or against the approval of such participation or the terms of such participation. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties, thereby allowing for their participation in larger programs, the involvement in a greater number of programs or a reduction in financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of Canada, the directors of Pine Cliff are required to act honestly, in good faith and in the best interests of Pine Cliff. In determining whether or not Pine Cliff will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which Pine Cliff may be exposed and the financial position at that time.

The directors and officers of Pine Cliff are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosure by the directors of conflicts of interest and Pine Cliff will rely upon such laws in respect of any directors and officers conflicts of interest or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors or officers in accordance with the ABCA and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. Other than as disclosed above, the directors and officers of Pine Cliff are not aware of any such conflicts of interest in any existing or contemplated contracts with or transactions involving Pine Cliff.

## LEGAL PROCEEDINGS

To the knowledge of the Company, there are no legal proceedings material to the Company to which the Company is or was a party to or of which any of its properties is or was the subject of, during the two most recently completed financial years nor are there any such proceedings known to the Company to be contemplated, which involve a claim for damages, exclusive of interest and costs, that may exceed 10% of the current assets of the Company.

## REGULATORY ACTIONS

To the knowledge of the Company, there were no: (i) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the Company's two most recently completed financial years; (ii) penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority during the two most recently completed financial years.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Management is not aware of any material interests, direct or indirect, of any directors or executive officers of the Company, any person or company which beneficially owns or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares, or any known associate or affiliate of such persons, in any transaction within the last three financial years of the Company, or during the current financial year which has materially affected or is reasonably expected to materially affect the Company.

## TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares of Pine Cliff is Computershare Trust Company of Canada at its principal office in Calgary, Alberta.

## MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the material contracts entered into by Pine Cliff since the beginning of the two most recently completed financial years and still in effect as at the date hereof that can be reasonably regarded as presently material are: the credit facility dated July 31, 2015 and amended December 11, 2015 between Pine Cliff and syndicate of five Canadian Financial Institutions and the purchase and sale agreement with regards to the Central Assets Acquisition which is available on Pine Cliff's SEDAR profile at www.sedar.com.

## INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 by Pine Cliff during, or related to, the two most recently completed financial years other than McDaniel, Pine Cliff's independent qualified reserves evaluator and Deloitte LLP, Chartered Accountants, Pine Cliff's auditor. None of the designated professionals of McDaniel had any registered or beneficial interests, direct or indirect, in any securities or other property of Pine Cliff or of Pine Cliff's associates or affiliates either at the time they prepared the statement, report or valuation prepared by it, at any time thereafter or to be received by them. Deloitte LLP have advised that they are independent with respect to Pine Cliff within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

## AUDIT COMMITTEE INFORMATION

The following information is provided in accordance with Form 52-110F2 under National Instrument 52-110 *Audit Committees* ("**NI 52-110**").

### Audit Committee Charter

The Audit Committee Charter is attached as Appendix "C" to this Annual Information Form.

### Composition of the Audit Committee

The Audit Committee is comprised of Messrs. Drummond, Jonsson and Jarock. Mr. Jarock is the Chairman of the Audit Committee. Each member of the Audit Committee has been determined to be financially literate, as defined in NI 52-110. Messrs. Drummond, Jonsson and Jarock are independent.

### Relevant Education and Experience

Each member of the Audit Committee is financially literate i.e. has the ability to read and understand financial statements. Collectively, the Audit Committee has the education and experience to fulfill the responsibilities outlined in the Audit Committee Charter. The education and current and past experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is summarized below:

| Name | Education and Experience |
|---|---|
| Randy M. Jarock | • Bachelor of Science in Petroleum Engineering.<br>• Director and member of the audit committee of Bonterra Energy Corp.<br>• 30 years of extensive experience related to all aspects of reading, reviewing and understanding financial statements and matters.<br>• Former President of Bonterra.<br>• Former Chief Operating Officer of Pine Cliff. |
| Gary J. Drummond | • Lawyer, businessman.<br>• Director and member of the audit committee of several public corporations, including Bonterra.<br>• 35 years of extensive experience directly related to all aspects of reading and understanding financial statements and matters.<br>• Former Chairman of Universal Energy Group.<br>• Former President and Chief Executive Officer of Direct Energy Marketing Limited (public resource company).<br>• BA (Economics) and Law Degree. |
| Carl R. Jonsson | • Securities/corporate lawyer for many years, including extensive involvement in numerous business transactions. Principal of the Vancouver law firm of Tupper, Jonsson & Yeadon.<br>• Director and officer of numerous public corporations, including Bonterra, and a member of the audit committee with numerous public corporations.<br>• 40 years of extensive experience related to all aspects of reading, reviewing and understanding financial statements of public companies. |

**Audit Committee Oversight**

At no time since the commencement of the Company's most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board.

**Reliance on Certain Exemptions**

At no time since the commencement of the Company's most recently completed financial year has the Company relied on any exemption from NI 52-110, including Section 2.4 *De Minimis Non-audit Services* of NI 52-110, or an exemption from NI 52-110, in whole or in part, granted under Part 8 *Exemptions* of NI 52-110.

**Pre-Approval Policies and Procedures**

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described above under the heading "Authority and Responsibilities" in the Audit Committee Charter as attached as Schedule "A".

**External Auditor Service Fees (By Category)**

The fees for auditor services billed by the Company's external auditors in each of the last two fiscal years are as follows:

| Financial Year Ending December 31 | Audit Fees | Audit-related Fees | Tax Fees | All Other Fees |
|---|---|---|---|---|
| 2015 | $240,000 | nil | nil | $45,000 |
| 2014 | $193,000 | nil | nil | $59,500 |

## ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's Common Shares and options to purchase Common Shares, is contained in the Company's management information circular relating to its most recent annual meeting of Shareholders of the Company held on May 22, 2014. Additional financial information is provided in the Company's consolidated financial statements and management's discussion and analysis for the year ended December 31, 2015, which may be found on SEDAR at www.sedar.com.

Additional copies of this Annual Information Form, the materials listed in the preceding paragraph, and any interim financial statements which have been issued by the Company will be available upon request by contacting the Company at Suite 850, 1015 – 4th Street S.W., Calgary, Alberta T2R 1J4, Telephone: (403) 269-2289.

**APPENDIX "A"**
**FORM 51-101F2**
**REPORT ON RESERVES DATA**
**BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR**

February 11, 2016

**Pine Cliff Energy Ltd.**
850, 1015 – 4th Street SW
Calgary, Alberta
T2R 1J4

Attention: The Board of Directors of Pine Cliff Energy Ltd.

Re: **Form 51-101F2**
**Report on Reserves Data by Independent Qualified Reserves Evaluator**
**of Pine Cliff Energy Ltd. (the "Company")**

To the Board of Directors of Pine Cliff Energy Ltd. (the "Company"):

1. We have evaluated the Company's reserves data as at December 31, 2015. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2015 estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "COGE Handbook") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2015, and identifies the respective portions thereof that we have evaluated and reported on to the Company's Management:

| | | | Net Present Value of Future Net Revenue $M (before income taxes, 10% discount rate) | | | |
|---|---|---|---|---|---|---|
| **Independent Qualified Reserves Evaluator** | **Effective Date of Evaluation Report** | **Location of Reserves** | **Audited** | **Evaluated** | **Reviewed** | **Total** |
| McDaniel & Associates | December 31, 2015 | Canada | - | 340,066 | - | 340,066 |

6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
7. We have no responsibility to update our report referred to in paragraph 5 for events and circumstances occurring after the effective date of our report.
8. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

**MCDANIEL & ASSOCIATES CONSULTANTS LTD.**

/s/ P. A. Welch"

P. A. Welch, P. Eng.
President & Managing Director

Calgary, Alberta, Canada
February 11, 2016

**APPENDIX "B"**
**FORM 51-101F3**
**REPORT OF MANAGEMENT AND DIRECTORS**
**ON OIL AND GAS DISCLOSURE**

**Report of Management and Directors On Reserves Data and Other Information**

Management of Pine Cliff Energy Ltd. (the "**Company**") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2015, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated the Company's reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The board of directors of the Company has:

a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;
b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The board of directors of the Company has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has approved:

a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

(Signed) "Philip B. Hodge"
Philip B. Hodge, President and Chief Executive Officer

(Signed) "Cheryne A. Lowe"
Cheryne A. Lowe, Interim Chief Financial Officer and Corporate Secretary

(Signed) "George F. Fink"
George F. Fink, Director

(Signed) "Randy M. Jarock"
Randy M. Jarock, Director

March 17, 2016

**APPENDIX "C"**
**PINE CLIFF ENERGY LTD.**
**AUDIT COMMITTEE CHARTER**

**Purpose of the Committee**

The purpose of the Audit Committee (the "**Committee**") of the Board of Directors (the "**Board**") of Pine Cliff Energy Ltd. (the "**Company**") is to provide an open avenue of communication between Management of the Company ("Management"), the Company's external auditors and the Board and to assist the Board in its overseeing of:

(a) the integrity, adequacy and timeliness of the Company's financial reporting and disclosure practices;

(b) the Company's compliance with legal and regulatory requirements related to financial reporting; and

(c) the independence and performance of the Company's external auditors.

The Committee shall also perform any other activities consistent with this Charter, the Company's By-laws and governing laws as the Committee or Board deems necessary or appropriate.

The Committee shall consist of at least three directors. Members of the Committee shall be appointed by the Board and may be removed by the Board at its discretion. The Board will annually appoint a Chairman of the Committee.

Each member of the Committee shall be "financially literate". In order to be financially literate, a member must be able to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

A director appointed by the Board to the Committee shall be a member of the Committee until replaced by the Board or until his or her resignation.

The Committee's role is one of overseeing the financial reporting process. Management is responsible for preparing the Company's financial statements and other financial information and for the fair presentation of the information set forth in the financial statements in accordance with International Financial Reporting Standards ("IFRS"). Management is also responsible for establishing internal controls and procedures and for maintaining the appropriate accounting and financial reporting principles and policies designed to assure compliance with accounting standards and all applicable laws and regulations.

The external auditors' responsibility is to express an opinion on the Company's financial statements, based on their audit conducted in accordance with generally accepted auditing standards.

The Committee is responsible for recommending to the Board the external auditors to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, and for reviewing and recommending the compensation of the external auditors. The Committee is also directly responsible for the evaluation of and oversight of the work of the external auditors. The external auditors shall report directly to the Committee.

**Meetings of the Committee**

The Committee shall convene a minimum of four times each year at such times and places as may be designated by the Chairman of the Committee and whenever a meeting is requested by the Board, a member of the Committee, the auditors, or an executive officer of the Company. Meetings of the Committee shall correspond with the review of the annual and quarterly financial statements and Management's discussion and analysis.

Notice of each meeting of the Committee shall be given to each member of the Committee and to the auditors, who shall be entitled to attend each meeting of the Committee and shall attend whenever requested to do so by a member of the Committee.

The quorum for a meeting of the Committee is a majority of the members. Every motion at the Committee meeting shall be decided by a majority of votes cast; in the event of a tie vote on any matters, such matters shall be presented to the Board for its consideration and determination.

A member or members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities, as permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.

In the absence of the Chairman of the Committee, the members of the Committee shall choose one of the members present to be Chairman of the meeting. In addition, members of the Committee shall choose one of the persons present to be the Secretary of the meeting.

The following Management representatives may be invited to attend all meetings, except private Committee sessions:

- i. Executive Chairman of the Board
- ii. President and Chief Executive Officer
- iii. Chief Financial Officer
- iv. Vice President Finance and Controller

Other Management of the Company and other parties requested to attend by the Committee may attend meetings of the Committee; however the Committee (i) shall meet with the external auditors independent of Management; and (ii) may meet separately with Management.

Minutes shall be kept of all meetings of the Committee.

**Authority and Responsibilities**

In addition to the foregoing, in performing its oversight responsibilities the Committee shall:

1. Monitor the adequacy of this Charter and recommend any proposed changes to the Board.

2. Review the appointments of the Company's Chief Financial Officer and any other key financial executives involved in the financial reporting process.

3. Identify and monitor the management of the principal risks that could impact the financial reporting of the Company.

4. Review with Management and the external auditors the adequacy and effectiveness of the Company's accounting and financial controls and the adequacy and timeliness of its financial reporting processes. The Committee shall review to ensure, to its satisfaction, that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements and will periodically assess the adequacy of those procedures.

5. Review with Management and the external auditors the audited annual financial statements and related documents and review with Management the unaudited quarterly financial statements and related documents, prior to filing or distribution, including matters required to be reviewed under applicable legal or regulatory requirements, for submission to the Board of Directors for approval.

6. Where appropriate and prior to release, review with Management any news releases that disclose annual or interim financial results or contain other significant financial information that has not previously been released to the public.

7. Review the Company's financial reporting and accounting standards and principles and significant changes in such standards or principles or in their application, including key accounting decisions affecting the financial statements, alternatives thereto and the rationale for decisions made.

8. Review the quality and appropriateness of the accounting policies and the clarity of financial information and disclosure practices adopted by the Company, including consideration of the external auditors' judgment about the quality and appropriateness of the Company's accounting policies. This review may include discussions with the external auditors without the presence of Management.

9. Review with Management and the external auditors, significant related party transactions and potential conflicts of interest.

10. Pre-approve all non-audit services in excess of $20,000 to be provided to the Company by the external auditors and applicable fees.

11. If deemed necessary, inspect any and all of the books and records of the Company, its subsidiaries and affiliates.

12. Discuss with the Management of the Company, its subsidiaries and affiliates and staff of the Company, any affected party, contractors and consultants of the Company and the external auditors, such accounts, records and other matters as any member of the Committee considers necessary and appropriate.

13. At the earliest opportunity after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.

14. When there is to be a change of external auditors, review all issues and provide documentation related to the change, including the information to be included in the Notice of Change of Auditors and documentation required pursuant to National Instrument 51-102 (or any successor legislation) of the Canadian Securities Administrators and the planned steps for an orderly transition.

15. Review all securities offering documents (including the documents incorporated therein by reference) of the Company.

16. Review findings, if any, from examinations performed by regulatory agencies with respect to financial matters.

17. Review Management's procedure for monitoring the Company's compliance with laws and regulations.

18. Review current and expected future compliance with covenants under financing agreements.

19. Review the proposed issuance of debt and equity instruments including public and private debt, equity and hybrid securities, credit facilities with banks and others, and other credit arrangements such as material capital and operating leases. When applicable, the Committee shall review the related securities filings.

20. Monitor the independence of the external auditors by reviewing all relationships between the external auditors and the Company and all non-audit work performed for the Company by the external auditors.

21. Establish and review the Company's procedures for the:

    a) receipt, retention and treatment of complaints regarding accounting, financial disclosure, internal controls or auditing matters; and

b) confidential, anonymous submission by employees of the Company regarding questionable accounting, auditing and financial reporting and disclosure matters.

22. Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.

23. Conduct or authorize investigations into any matters that the Committee believes is within the scope of its responsibilities. The Committee has the authority to retain independent counsel, accountants or other advisors to assist it, as it considers necessary, to carry out its duties, and to set and pay the compensation of such advisors at the expense of the Company. If these costs exceed $10,000 per annum for a Committee member, such member will obtain prior approval from the Board for the amount exceeding $10,000 per annum.

24. Perform such other functions and exercise such other powers as are prescribed from time to time for the audit committee of a reporting issuer in Parts 2 and 4 of National Instrument 52-110 - *Audit Committees*, all other applicable laws and policies and procedures of all applicable regulatory authorities, the *Business Corporations Act* (Alberta) and the By-laws of the Company.

Date Approved: May 20, 2015