

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

Prospectus

Initial Public Offering

March 9, 2005

PINE CLIFF ENERGY LTD.

**37,609,234 Rights to Subscribe for up to an
aggregate of 37,609,234
Common Shares**

**Subscription Price: \$0.15 per Common Share
(on the exercise of Rights)**

Pine Cliff Energy Ltd. ("Pine Cliff" or the "Corporation") is issuing rights ("Rights") to acquire common shares of Pine Cliff (the "Common Shares") to holders (the "Novitas Shareholders") of common shares (the "Novitas Shares") of Novitas Energy Ltd. ("Novitas") as at the close of business on January 4, 2005 (the "Record Date"). Pine Cliff is hereby qualifying for distribution 37,609,234 Rights (the "Offering") and the Common Shares to be issued upon exercise of the Rights. One Right entitles the holder to subscribe for one Common Share at a price of \$0.15 per share (the "Rights Subscription Price"). The Rights expire at 4:00 p.m., Calgary time, on April 5, 2005 (the "Rights Expiry Time"). A Certificate evidencing the Rights (a "Rights Certificate") together with a copy of this Prospectus will be mailed to Novitas Shareholders of record as of the Record Date resident in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario (the "Jurisdictions"). To subscribe for Common Shares, a completed Rights Certificate and payment in full of the Rights Subscription Price must be received by Olympia Trust Company (the "Subscription Agent") prior to the Rights Expiry Time. Rights not exercised prior to the Rights Expiry Time will be void and of no value. **The Rights will not be listed on any Stock Exchange and will not be transferable by the holders thereof. There is currently no market through which these securities may be sold and purchasers may not be able to resell securities purchased under the Prospectus. See "Details of the Offering". An investment in the Common Shares is speculative due to the nature of Pine Cliff's involvement in the exploration, development and production of oil and natural gas and its present stage of development. See "Risk Factors".**

| | Price ⁽¹⁾ | Net Proceeds ⁽²⁾ |
|--|----------------------|--------------------------------|
| Per Common Share | \$0.15 | \$0.14 |
| Minimum Offering of Rights ⁽³⁾ | \$3,000,000 | \$2,875,000 |
| Maximum Offering of Rights ⁽⁴⁾⁽⁵⁾ | \$5,641,385 | \$5,516,385 |

- Notes:
- (1) One Right is exercisable at a price of \$0.15 for each Common Share.
 - (2) Pine Cliff anticipates that the expenses of the Offering will be approximately \$125,000 (which expenses have been deducted).
 - (3) The closing of the Offering is subject to the receipt by Pine Cliff of notices of exercise of Rights for at least 20,000,000 Common Shares under the Offering.
 - (4) The number of Rights, and therefore Common Shares, proposed to be issued in the case of the maximum offering is based upon the maximum number of Novitas Shares that could be outstanding on the Record Date (on a fully diluted basis).
 - (5) Assuming the exercise of all Rights into 37,609,234 Common Shares. Management does not anticipate that all of the Rights will be exercised given that not all of the Novitas Shareholders are residents of the Jurisdictions.

No registered dealer has been involved in the preparation of the Prospectus or performed any review of the contents of this Prospectus. No registered dealer has been involved in the Offering. Pine Cliff currently has no assets and is to acquire certain properties from Novitas, although those properties only comprise 2.6% of the net assets of Novitas. An investment in Pine Cliff involves different risk factors than an investment in Novitas. If Novitas Shareholders are unsure about the suitability of an investment in Pine Cliff, they should seek the advice of a registered dealer or a registered advisor.

Bonterra Energy Income Trust ("Bonterra") took up and paid for all of the issued and outstanding shares of Novitas on January 7, 2005. The members of the Board of Directors of Novitas are also members of the Board of Directors of Pine Cliff and of Comstate Resources Ltd. who is the manager of Bonterra. See "Related Transactions".

The funds received from the exercise of the Rights will be deposited with and held by Olympia Trust Company and will not be released until: (a) the minimum subscription level of 20,000,000 Common Shares (\$3,000,000) from the exercise of the Rights has been reached; and (b) all of the conditions have been met in relation to the acquisition of the Acquisition Property. In the event that the minimum subscription of 20,000,000 Common Shares (\$3,000,000) is not received prior to the Rights Expiry Time, or if extended, no later than ninety (90) days following the issuance of a final receipt for this Prospectus, all subscription monies relating to the Offering will be returned to the subscribers without interest or deduction unless each of the persons or companies who subscribed within the relevant period has consented to the continuation and have otherwise instructed Olympia Trust Company. See "Details of the Offering". Certain legal matters in respect of the Offering will be passed upon for Pine Cliff by its counsel, Parlee McLaws LLP, Barristers and Solicitors.

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GLOSSARY OF TERMS

Certain terms used throughout this Prospectus are defined below.

"**Acquisition Property**" means the property to be acquired by Pine Cliff from Novitas more particularly described in "Business of the Corporation."

"**bbl**" means barrel; "**mbbl**" means thousands of barrels; and "**bb/d**" and "**BOPD**" mean barrels per day.

"**boe**" means barrels of oil equivalent.

"**Bonterra**" means Bonterra Energy Income Trust, an open-end energy income trust settled pursuant to the laws of Alberta.

"**Bonterra AcquireCo**" means Bonterra AcquireCo Inc., an Alberta corporation created as a wholly owned subsidiary of Bonterra to assist in the Bonterra Take-Over.

"**Bonterra Take-Over**" means the acquisition by Bonterra of all of the issued and outstanding shares of Novitas which closed on January 7, 2005.

"**Comstate**" means Comstate Resources Ltd., an Alberta company.

"**mcf**" means thousands of cubic feet; "**mmcf**" means millions of cubic feet; "**mcf/d**" mean thousands of cubic feet per day; and "**mmcf/d**" mean millions of cubic feet per day.

"**mmbtu**" means millions of British Thermal Units.

"**Novitas**" means Novitas Energy Ltd., an Alberta company.

"**NGLs**" means natural gas liquids.

"**Sproule Report**" means the independent engineering evaluation of oil and natural gas interests in relation to the Acquisition Property effective as at September 30, 2004 prepared by Sproule Associates Limited.

"**\$**" means Canadian Dollars.

"**\$U.S.**" or "**\$US**" means United States Dollars.

Measurements expressed in boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an approximate energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus.

THE CORPORATION

Pine Cliff is engaged in the business of oil and natural gas exploration, development and production. The Acquisition Property is located in the Province of Alberta. See "Business of the Corporation". The participation of Pine Cliff in oil and gas prospects may arise in numerous ways. The initial focus of Pine Cliff will be developing or acquiring interests in oil and gas properties located in Western Canada. Management will consider many factors in assessing its participations and acquisitions including: the ratio of risk to reward; the length of the pay back period; the anticipated rate of return; the presence of multi-zone potential; near term market access; the amount of infrastructure in place; the amount of proved reserves anticipated; the life of the reserves; and the ability for Pine Cliff to become the operator. See "The Corporation".

OFFERING

| | |
|--|---|
| Issue: | Rights to subscribe for an aggregate of 37,609,234 Common Shares. The number of Rights, and therefore Common Shares, proposed to be issued in the case of the maximum offering is based upon the maximum number of Novitas Shares that could be outstanding on the Record Date (on a fully diluted basis). Management does not anticipate that all of the Rights will be exercised given that not all of the Novitas Shareholders are residents of the Jurisdictions. |
| Entitlement: | One Right for every Novitas Share held of record by Novitas Shareholders resident in the Jurisdictions as at the close of business on the Record Date. Novitas Shareholders who do not hold Novitas Shares directly in their own name are still entitled to participate in the Offering, provided that they are resident in one of the Jurisdictions. See "Details of the Offering". |
| Subscription Price: | \$0.15 per Common Share on the exercise of a Right. |
| Minimum Subscription Amount: | 20,000,000 Common Shares (\$3,000,000). |
| Non-Participating Shareholders: | Rights certificates will not be sent to holders of Novitas Shares who are residents of any jurisdiction other than the Provinces of Ontario, Saskatchewan, Alberta, Manitoba or British Columbia. |
| Subscription Privilege: | One Right entitles the holder thereof to subscribe for one Common Share at the Subscription Price. |
| Record Date: | Close of business on January 4, 2005. |
| Expiry Time: | 4:00 p.m. (Calgary time) on April 5, 2005. |
| Non-Transferable: | The Rights are not transferable. |

Use of Proceeds:

The net proceeds (after deducting issue expenses) received by Pine Cliff pursuant to the Offering of approximately \$5,516,385 (assuming the exercise of all of the Rights) will be used to acquire oil and natural gas properties and in particular to finance the acquisition of the Acquisition Property, to finance Pine Cliff's exploration and development activities, to fund Pine Cliff's general capital expenditures, to finance acquisitions and to increase working capital. See "Use of Proceeds".

Distribution Requirement:

In order for the Common Shares to be qualified for listing on the TSX Venture Exchange such numbers of Rights must be exercised so that the public distribution requirements are met. The TSX Venture Exchange generally requires, among other things, that at least 200 public shareholders each hold at least one board lot (500) of freely tradable shares.

Closing:

The funds received from the exercise of the Rights will be deposited with and held by Olympia Trust Company and will not be released until: (a) the minimum subscription level of 20,000,000 Common Shares (\$3,000,000) from the exercise of the Rights has been reached; and (b) all of the conditions have been met for the acquisition of the Acquisition Property. In the event that the minimum subscription of 20,000,000 Common Shares (\$3,000,000) is not received prior to Rights Expiry Time, or if extended, no later than ninety (90) days following the issuance of a final receipt for this Prospectus, all subscription monies relating to the Offering will be returned to the subscribers without interest or deduction unless each of the persons or companies who subscribed within the relevant period has consented to the continuation and have otherwise instructed Olympia Trust Company. See "Details of the Offering".

DILUTION

Purchasers of the Rights will not experience any dilution of their investment on the exercise of the Rights.

RISK FACTORS

No registered dealer has been involved in the Offering. Pine Cliff currently has no assets and is to acquire certain properties from Novitas, although those properties only comprise 2.6% of the net assets of Novitas. An investment in Pine Cliff involves different risk factors than an investment in Novitas. If Novitas Shareholders are unsure about the suitability of an investment in Pine Cliff, they should seek the advice of a registered dealer or a registered advisor.

An investment in the Common Shares should be considered speculative due to the nature of Pine Cliff's involvement in the exploration, development and production of oil and natural gas and its present stage of development. Pine Cliff is newly incorporated, has no history of operations and currently has no producing properties. Pine Cliff's business is subject to the risks normally encountered in the oil and natural gas industry - including encountering unexpected formations or pressures, blow-outs, cratering and fires - some of which may not be insurable. The regulation of the petroleum and natural gas industry by various levels of government, the marketing of petroleum and natural gas and the effect of fluctuations in the market price and demand for petroleum and natural gas may affect the success of Pine Cliff's business endeavours. Pine Cliff competes with other corporations which may have greater technical and financial resources. A substantial amount of the proceeds to be raised hereunder may be spent on properties which are not yet identified. Pine Cliff does not have any contracts for the participation in, or the acquisition of, any properties other than as set forth herein nor have any letters of intent been executed. Certain directors of Pine Cliff are associated with other oil and natural gas companies which may give rise to conflicts of interest. See "Risk Factors".

SELECTED RESERVE INFORMATION

The following is a summary, as at September 30, 2004, of the natural gas liquids and natural gas reserves relating to the Acquisition Property as evaluated in the Sproule Report (the summary of which can be viewed at www.sedar.com), based on constant and forecast price assumptions. **The net present values of the reserves contained in the following tables do not necessarily represent the fair market value of the reserves. All present worth values of the future net production revenues set forth in the following tables are stated prior to provision for income taxes, indirect costs, general and administrative expenses, and after deduction of royalties and operating costs. Salvage values for facilities were not included in this evaluation. Well abandonment and reclamation costs were included in the evaluation for the wells assigned reserves only.** (See "Business of the Corporation - Reserve Summary").

In preparation of the Sproule Report, property descriptions, details of interests held and well data, as supplied by Novitas, have been accepted by Sproule as presented, without any further investigation into either the legal titles held or any operating agreements in place relating to the Acquisition Property. All historical production revenue and expense data, product prices actually received and other data that were obtained from Novitas or from public sources were accepted as represented, without any further investigation by Sproule. Lessor and overriding royalties and other burdens were obtained from Novitas, without further investigation by Sproule. A field inspection of the Acquisition Property was not performed, as the relevant engineering data was made available by Novitas or obtained from public sources and the non-confidential files at Sproule. No additional information regarding the reserves evaluation would have been obtained by an on-site visit.

Summary of Estimated Reserves and Net Present Value of Future Net Revenue for the Acquisition Property (as at September 30, 2004)

| | Corporation's Share of Remaining Reserves | | | | Corporation's Share of Net Present Values Before Income Tax | | | | | Corporation's Share of Net Present Values After Income Tax | | | | |
|----------------------------------|---|-------------|--------------------|-------------|---|-----|-----|-----|-----|--|-----|-----|-----|-----|
| | Gross ⁽¹⁾ | | Net ⁽²⁾ | | Discounted at | | | | | Discounted at | | | | |
| | NGLs | Natural Gas | NGLs | Natural Gas | Undis-counted | 5% | 10% | 15% | 20% | Undis-counted | 5% | 10% | 15% | 20% |
| | (mdbl) | (mmcf) | (mdbl) | (mmcf) | (thousands of dollars) | | | | | (thousands of dollars) | | | | |
| Forecast Prices and Costs | | | | | | | | | | | | | | |
| Proved Developed Producing | 2.1 | 68 | 1.4 | 67 | 366 | 345 | 328 | 312 | 298 | 246 | 232 | 220 | 210 | 200 |
| Probable | 2.5 | 82 | 1.7 | 80 | 303 | 242 | 199 | 166 | 141 | 202 | 161 | 132 | 111 | 94 |
| Total Proved Plus Probable | 4.6 | 150 | 3.1 | 148 | 668 | 588 | 526 | 478 | 439 | 447 | 393 | 352 | 320 | 294 |
| Constant Prices and Costs | | | | | | | | | | | | | | |
| Proved Developed Producing | 2.1 | 68 | 1.4 | 67 | 331 | 311 | 294 | 279 | 266 | 221 | 208 | 196 | 186 | 177 |
| Probable | 2.5 | 82 | 1.7 | 80 | 354 | 275 | 221 | 181 | 151 | 235 | 183 | 147 | 120 | 101 |
| Total Proved Plus Probable | 4.6 | 150 | 3.1 | 148 | 684 | 586 | 514 | 460 | 417 | 456 | 391 | 343 | 307 | 278 |

Notes:

- (1) "Gross Reserves" means the total of Novitas' working interest share of the remaining reserves, before deduction of any royalties.
- (2) "Net Reserves" are the gross remaining reserves of the properties in which Pine Cliff has an interest, less all Crown, freehold and overriding royalties and interests owned by others.

SUMMARY FINANCIAL INFORMATION

Pine Cliff was incorporated on November 10, 2004 and will commence formal operations with the acquisition of the Acquisition Property and accordingly, the financial information provided below reflects the operation of the Acquisition Property for the periods presented prior to the acquisition by Pine Cliff. Upon completion of this Offering and all other conditions being met, Pine Cliff will purchase the Acquisition Property for \$761,000 and will finance the acquisition through the proceeds of this Offering.

The following table sets out selected financial information, as at and for the year ended December 31, 2003 and for the nine months ended September 30, 2004 for the Acquisition Property. The following financial information

should be read in conjunction with the financial statements of Pine Cliff and for the Acquisition Property, and the notes thereto, included elsewhere herein.

| | For the year ended December 31, 2003 |
|---------------------------------|---|
| | <u>Acquisition Property</u> |
| Revenue | |
| Petroleum and Natural Gas Sales | \$323,610 |
| Royalties | <u>(2,067)</u> |
| | 325,677 |
| Expenses | |
| Operating | <u>56,845</u> |
| Excess of Revenue over Expenses | <u>\$268,832</u> |

| | For the nine months ended September 30, 2004 (unaudited) |
|---------------------------------|--|
| | <u>Acquisition Property</u> |
| Revenue | |
| Petroleum and Natural Gas Sales | \$243,865 |
| Royalties | <u>13,012</u> |
| | 230,853 |
| Expenses | |
| Operating | <u>36,732</u> |
| Excess of Revenue over Expenses | <u>\$194,121</u> |

THE CORPORATION

General

Pine Cliff Energy Ltd. was incorporated under the laws of the Province of Alberta on November 10, 2004 pursuant to Articles of Incorporation and is a junior oil and natural gas exploration and production company.

It is anticipated that Pine Cliff's activities will be concentrated in the Provinces of Alberta and Saskatchewan. Pine Cliff does not presently own the Acquisition Property and it is anticipated that once acquired, it will not operate the Sundance lands but will operate the Auburndale lands. Pine Cliff will focus mainly on generating future drilling prospects internally.

The head office and registered office of Pine Cliff are located at 901, 1015 – 4th Street S.W., Calgary, Alberta, T2R 1J4.

Business

Pine Cliff is in the business of acquiring producing and non-producing oil and natural gas properties with the intent of exploring for or further developing the resources contained therein.

Acquisition from Novitas

Upon the successful completion of this Offering and all other conditions being met in relation to the Acquisition Property, Pine Cliff will acquire the Acquisition Property from Novitas for \$761,000, being comprised of the value attributed by the Sproule Report (at a 10% discount) to the producing property (after taking into account anticipated abandonment costs) plus the acquisition costs of non-producing lands. The Acquisition Property currently produces gas and natural gas liquids from two wells in the Sundance area of West Central Alberta. Production is from the Cadomin and Notikewan formations.

Criteria for Participations or Acquisitions

The participation of the Corporation in oil and gas prospects may arise in numerous ways and while management has not placed general geographic restrictions on such participations, the initial focus of the Corporation will be developing or acquiring interests in oil and gas properties located in Western Canada. In addition, while the Corporation has not established a rigid pre-determined criteria on such participations or acquisitions, its considerations will include:

- (a) the ratio of risk to reward;
- (b) the length of the pay-back period (with an ultimate target period of not in excess of 6 years);
- (c) the anticipated rate of return;
- (d) whether the area possesses geological opportunities that have multi-zone potential;
- (e) whether the prospects have reservoir characteristics that are familiar to management;
- (f) the amount of potential for additional reservoir development;
- (g) the degree of near term market access;
- (h) whether sufficient infrastructure exists to provide for increased activity;
- (i) investments in a number of properties so that risk is reduced;
- (j) properties that exhibit medium to long life reserves;

- (k) the possibility of the Corporation becoming the operator;
- (l) utilizing commodity price and exchange rate assumptions from projections by major independent petroleum engineering firms and future contract pricing; and
- (m) the ability of Pine Cliff to enhance the value of acquired properties through additional exploitation efforts, including improved production practices, additional development drilling, completion and tie-in of capped wells and improved marketing arrangements.

The Board of Directors of the Corporation may, in their discretion, approve acquisitions or investments that do not conform to these guidelines based upon the Board's consideration of the qualitative aspects of the subject properties including risk profile, technical upside, reserve life and asset quality.

RELATED TRANSACTION

Bonterra took up and paid for all of the issued and outstanding shares of Novitas on January 7, 2005. The members of the Board of Directors of Novitas are also members of the Board of Directors of Pine Cliff and of Comstate Resources Ltd. ("Comstate"). Comstate is the Administrator of Bonterra. It is anticipated that upon the satisfaction of specified conditions, Pine Cliff will acquire the Acquisition Property from Novitas.

BUSINESS OF THE CORPORATION

General Development of the Business

The business of the Corporation is the acquisition of interests in petroleum and natural gas rights and the exploration, development and production of petroleum and natural gas. Pine Cliff will be focusing its activities in Western Canada.

Pine Cliff will pursue property acquisitions in which it has both technical knowledge and operational strength. The Corporation will then attempt to enhance operations by reducing operating costs and increasing petroleum and natural gas production. Pine Cliff will also be developing drilling prospects and will be acquiring land to drill these prospects. Funding will be from the Corporation's working capital.

Other than as disclosed herein under the heading "Directors and Officers", Pine Cliff does not have any employees at the present time. Effective February 1, 2005, Pine Cliff entered into a management agreement with Comstate to have Comstate provide field operations, management and general office services. The following fees will be payable by Pine Cliff to Comstate pursuant to the management agreement: (a) a monthly fee in the amount of \$12,000; (b) a monthly fee in the amount of \$250 for each operated producing well; (c) a monthly fee in the amount of \$150 for each operated injection well; and (d) a management fee in the amount of 3% of net income before taxes.

Acquisition Property

The Corporation does not currently own any properties. The Acquisition Property will be acquired by the Corporation upon the satisfaction of specified conditions and the closing of this Offering. The following is a description of the Acquisition Property as at September 30, 2004. See "Business of the Corporation - Reserve Summary" and "Business of the Corporation - Crude Oil and Natural Gas Marketing".

The Sundance lands in West Central Alberta are the major portion of the Acquisition Property and represents 100% of Pine Cliff's reserves by value as at September 30, 2004. Pine Cliff has a 14.4% working interest (subject to Crown royalty) in 4,960 acres in this area. There are two wells (0.308 net) on the lands. As at the effective date (being September 30, 2004) of the Sproule Report, two wells were on-stream and producing an aggregate 593 mcf/d gross, 91 mcf/d net to Pine Cliff. NGLs are produced in association with the natural gas.

There is significant industry activity in the Sundance area. The Corporation is currently evaluating a partner's proposal to drill two multi-zone wells on the Corporation's lands (15% and 3% net). It is expected that success with these or other wells drilling in the area will result in the possibility of several other wells being drilled on the Corporation's lands.

The Acquisition Property also includes a crown lease of over 256 hectares in the Auburndale area of East Central Alberta. The Corporation currently anticipates the drilling of a Devonian well for sweet natural gas in 2005. The Corporation has an option to drill a second well into the same zone on an adjoining section of land. There is currently no production from this lease, nor are there any wells located on these lands.

The Acquisition Property to be acquired by Pine Cliff had the following production and sales history from 2001 to 2004:

| Year | Production Volumes (BOE) | Gross Sales Revenues | Royalties | Operating Expenses | Excess of Revenues Over Expenses |
|---|--------------------------|----------------------|-----------|--------------------|----------------------------------|
| Ended December 31, 2001 | - | \$ - | \$ - | \$ - | \$ - |
| Ended December 31, 2002 | 2,991 | 79,491 | 22,309 | 23,302 | 33,880 |
| Ended December 31, 2003 | 8,175 | 323,610 | (2,067) | 56,845 | 268,832 |
| 9 month period ended September 30, 2003 | 6,964 | 291,164 | 11,398 | 48,427 | 231,339 |
| 9 month period ended September 30, 2004 | 6,017 | 243,865 | 13,012 | 36,732 | 194,121 |

Notes:

- (1) The lands in the Sundance area were acquired by Novitas from the Provincial Crown in 2001, with the wells being drilled in 2002 and 2003.
- (2) This information has been provided to Pine Cliff from Novitas.
- (3) An audit has been completed on the 2002 and 2003 revenues and operating expenses for the properties. Please see "Auditor's Report" and "Statement of Revenue, Royalties and Operating Expenses of the Sundance Properties".

The production and sales history of the Acquisition Property to be acquired by Pine Cliff is set forth below for each quarter of the most recently completed financial year with comparative data for the same periods in the preceding financial year:

| | Q4 | | Q3 | | Q2 | | Q1 | |
|---|--------------|--------------|--------------|-------------|--------------|----------|--------------|----------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Average Daily Production Volume | | | | | | | | |
| Natural gas liquids (bbls) | 0.7 | - | 0.8 | - | 4.8 | - | - | - |
| Natural gas (BOE equivalent) ⁽¹⁾ | 12.5 | 19.4 | 23.9 | 13.1 | 32.5 | - | 14.4 | - |
| | <u>13.2</u> | <u>19.4</u> | <u>24.7</u> | <u>13.1</u> | <u>37.3</u> | <u>-</u> | <u>14.4</u> | <u>-</u> |
| Average net product prices received | 26.72 | 30.69 | 41.32 | 20.58 | 40.87 | - | 45.03 | - |
| Royalties | (11.09) | 7.71 | 10.05 | 6.17 | 1.05 | - | (11.56) | - |
| Operating expenses | 6.93 | 8.83 | 6.40 | 6.28 | 7.27 | - | 7.12 | - |
| Net back received | <u>30.88</u> | <u>14.15</u> | <u>24.97</u> | <u>8.13</u> | <u>32.55</u> | <u>-</u> | <u>49.47</u> | <u>-</u> |

Note:

- (1) Disclosure provided herein in respect of boe units may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf of natural gas to 1 bbl of crude oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Exploration and Development

In addition to the Acquisition Property, it is management's current intention to generate exploration and development prospects in the future. Management will also be assessing various opportunities to acquire producing and non-producing properties or corporations involved in the resource industry.

Reserve Summary

An independent evaluation of the Acquisition Property dated effective September 30, 2004 (the "Sproule Report") was completed by Sproule Associates Limited ("Sproule"), independent petroleum engineering consultants. A summary of the Sproule Report is located at the registered office of Pine Cliff, 901, 1015 – 4th Street S.W., Calgary, Alberta, T2R 1J4, and is available for review during business hours and is also available at www.sedar.com.

The Sproule Report is summarized in the following tables. **All present worth values of the future net production revenues set forth in the following tables are stated prior to provision for income taxes, indirect costs, general and administrative expenses, and after deduction of royalties and operating costs. Salvage values for facilities were not included in the evaluation. Well abandonment and reclamation costs were included in the evaluation for the wells assigned reserves only. The net present values of the reserves contained in the following tables do not necessarily represent the fair market value of the reserves. Where the present worth of future net production revenue is based on forecast price and cost assumptions, there is no assurance that such price and cost assumptions will be obtained and variances may be material.** Assumptions relating to costs, prices for future production and other matters are summarized in the notes that follow the tables. All factual data supplied by Novitas, including but not limited to interests held, well data, ownership, production, costs, revenues, contracts and relevant documents, was relied upon by Sproule in preparing the Sproule Report. Sproule did not conduct any further investigation into either the legal titles held or any operating agreements in place relating to the Acquisition Property.

All historical production revenue and expense data, product prices actually received and other data that were obtained from Novitas or from public sources were accepted as represented, without any further investigation by Sproule. Lessor and overriding royalties and other burdens were obtained from Novitas, without further investigation by Sproule. A field inspection of the Acquisition Property was not performed, as the relevant engineering data was made available by Novitas or obtained from public sources and the non-confidential files at Sproule. No additional information regarding the reserves evaluation would have been obtained by an on-site visit.

Summary of Estimated Reserves and Net Present Value of Future Net Revenue for the Acquisition Property (as at September 30, 2004)

| | Corporation's Share of Remaining Reserves | | | | Corporation's Share of Net Present Values Before Income Tax | | | | | Corporation's Share of Net Present Values After Income Tax | | | | |
|----------------------------------|---|-------------|--------------------|-------------|---|-----|-----|-----|-----|--|-----|-----|-----|-----|
| | Gross ⁽¹⁾ | | Net ⁽²⁾ | | Discounted at | | | | | Discounted at | | | | |
| | NGLs | Natural Gas | NGLs | Natural Gas | Undis-counted | 5% | 10% | 15% | 20% | Undis-counted | 5% | 10% | 15% | 20% |
| | (mbl) | (mmcf) | (mbl) | (mmcf) | (thousands of dollars) | | | | | (thousands of dollars) | | | | |
| Forecast Prices and Costs | | | | | | | | | | | | | | |
| Proved Developed Producing | 2.1 | 68 | 1.4 | 67 | 366 | 345 | 328 | 312 | 298 | 246 | 232 | 220 | 210 | 200 |
| Probable | 2.5 | 82 | 1.7 | 80 | 303 | 242 | 199 | 166 | 141 | 202 | 161 | 132 | 111 | 94 |
| Total Proved Plus Probable | 4.6 | 150 | 3.1 | 148 | 668 | 588 | 526 | 478 | 439 | 447 | 393 | 352 | 320 | 294 |
| Constant Prices and Costs | | | | | | | | | | | | | | |
| Proved Developed Producing | 2.1 | 68 | 1.4 | 67 | 331 | 311 | 294 | 279 | 266 | 221 | 208 | 196 | 186 | 177 |
| Probable | 2.5 | 82 | 1.7 | 80 | 354 | 275 | 221 | 181 | 151 | 235 | 183 | 147 | 120 | 101 |
| Total Proved Plus Probable | 4.6 | 150 | 3.1 | 148 | 684 | 586 | 514 | 460 | 417 | 456 | 391 | 343 | 307 | 278 |

Notes:

- (1) "Gross Reserves" means Pine Cliff's working interest share of the remaining reserves, before deduction of royalties.
- (2) "Net Reserves" are the gross remaining reserves of the properties in which Pine Cliff has an interest, less all Crown, freehold and overriding royalties and interests owned by others.
- (3) "Proved Reserves" are defined as 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. Proved Reserves are sub-divided into the following groups, depending on their status of development:
 - (a) Proved Developed Reserves

These are Proved Reserves that can be expected to be recovered through existing wells with existing equipment and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, 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:

 - (i) Proved Developed Producing Reserves

These are Proved 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 or production must be known with reasonable certainty.
 - (ii) Proved Developed Non-Producing Reserves

These are Proved Reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption or production is unknown.
 - (b) Proved Undeveloped Reserves

These are Proved Reserves that are expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling wells) is required to render them capable of production. They must fully meet the requirements of the Proved reserves classification.
- (4) "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.
- (5) Product prices used in the escalated price evaluations are based on price forecasts by Sproule dated September 30, 2004 and are shown in the table below. The escalated prices and costs case assumes the continuance of current laws and regulations. All capital and operating costs are presented in Canadian dollars and are assumed in the Sproule Report to escalate at 2.5% per year thereafter. Oil and NGLs prices were adjusted to account for quality and transportation adjustments. Natural gas prices were adjusted to reflect the heat content of the natural gas and the cost of transportation from the plant gate to the trading hub.

| Hydrocarbon Price Forecast – Escalated | | | | | |
|--|----------------------------------|---|--|---------------------|------------------------------|
| Year | Light Crude Oil | Natural Gas | Natural Gas Liquids at Plantgate | | |
| | Edmonton Par Price 40° API | Alberta Gas Reference Price Plantgate | Edmonton Propane | Edmonton Butanes | Edmonton Pentanes Plus |
| | (\$/bbl) | (\$/MMBtu) | (\$/bbl) | (\$/bbl) | (\$/bbl) |
| 2004-3mo | 54.75 | 6.11 | 34.27 | 40.81 | 56.07 |
| 2005 | 50.89 | 6.79 | 31.86 | 37.93 | 52.12 |
| 2006 | 46.16 | 6.23 | 28.90 | 32.69 | 47.28 |
| 2007 | 42.69 | 5.90 | 26.72 | 30.23 | 43.72 |
| 2008 | 39.25 | 5.63 | 24.57 | 27.79 | 40.20 |
| 2009 | 37.08 | 5.35 | 23.21 | 26.26 | 37.98 |
| 2010 | 37.64 | 5.45 | 23.56 | 26.65 | 38.55 |
| 2011 | 38.21 | 5.53 | 23.92 | 27.06 | 39.13 |
| 2012 | 38.79 | 5.63 | 24.28 | 27.46 | 39.72 |
| 2013 | 39.37 | 5.73 | 24.65 | 27.88 | 40.32 |
| 2014 | 39.97 | 5.84 | 25.02 | 28.30 | 40.93 |
| 2015 | 40.57 | 5.95 | 25.40 | 28.73 | 41.55 |
| Thereafter | | | ---Escalation Rate of 1.5% Thereafter--- | | |

- (6) No future capital costs were included in the Sproule Report. The Corporation does not anticipate any capital costs will be incurred in each of the first two years of the cash flow estimate.
- (7) Product prices used in the constant price evaluations are based on prices actually received by Novitas in 2004 and are shown in the table below. The constant price assumptions assume the continuance of current laws, regulations and operating costs in effect on

the effective date (being September 30, 2004) of the Sproule Report. Product prices have not been escalated beyond 2004. In addition, operating and capital costs have not been increased on an inflationary basis. Natural gas prices were adjusted to reflect the heating value of the natural gas.

Hydrocarbon Price Reference – Constant

| | |
|-----------------------------|---------------|
| Alberta Gas: Alberta AECO-C | 5.64 \$/MMBtu |
| Natural Gas By-Products | 42.62 \$/bbl |

- (8) The \$U.S. (\$Cdn.) exchange rate remains constant at \$0.78.
- (9) 100% of the Proved Developed Producing Reserves evaluated in the Sproule Report were on production as at September 30, 2004.

**Total Future Net Revenue
(Undiscounted)
Constant Prices and Costs
(as at September 30, 2004)**

| Reserves Category | Revenue | Royalties | Operating Costs | Development Costs | Well Abandonment Costs | Future Net Revenue Before Income Taxes | Income Taxes | Future Net Revenue After Income Taxes |
|----------------------|---------|-----------|-----------------|-------------------|------------------------|--|--------------|---------------------------------------|
| | (M\$) | (M\$) | (M\$) | (M\$) | (M\$) | (M\$) | (M\$) | (M\$) |
| Proved | 497 | 41 | 120 | 0 | 6 | 331 | 110 | 221 |
| Proved Plus Probable | 1,086 | 89 | 307 | 0 | 6 | 684 | 228 | 456 |

**Total Future Net Revenue
(Undiscounted)
Forecast Prices and Costs
(as at September 30, 2004)**

| Reserves Category | Revenue | Royalties | Operating Costs | Development Costs | Well Abandonment Costs | Future Net Revenue Before Income Taxes | Income Taxes | Future Net Revenue After Income Taxes |
|----------------------|---------|-----------|-----------------|-------------------|------------------------|--|--------------|---------------------------------------|
| | (M\$) | (M\$) | (M\$) | (M\$) | (M\$) | (M\$) | (M\$) | (M\$) |
| Proved | 533 | 33 | 127 | 0 | 7 | 366 | 120 | 246 |
| Proved Plus Probable | 1,100 | 67 | 356 | 0 | 8 | 669 | 221 | 448 |

**Reconciliation of Net Reserves for Sundance Gas
By Principal Product Type
Forecast Prices and Costs**

| Factors | Associated and Non-Associated Gas | | |
|--------------------------------|-----------------------------------|--------------|--------------------------|
| | Net Proved | Net Probable | Net Proved Plus Probable |
| | (mmcf) | (mmcf) | (mmcf) |
| Reserves at December 31, 2003 | 44 | 61 | 105 |
| Technical Revisions | 55 | 19 | 74 |
| Production | (32) | 0 | (32) |
| Reserves at September 30, 2004 | 67 | 80 | 147 |

**Reconciliation of Changes In
Net Present Values of Future Net Revenue
Discounted at 10% Per Year
Proved Reserves
Constant Prices and Costs**

| Period and Factor | Before Tax (M\$) |
|--|---------------------|
| Estimated Net Present Value at December 31, 2003 | 205 |
| Oil and Gas Sales During the Period Net of Production Costs and Royalties ⁽¹⁾ | (200) |
| Changes due to Prices and Royalties Related to Forecast Production ⁽²⁾ | (17) |
| Development Costs During the Period ⁽³⁾ | 65 |
| Accretion of Discount | 6 |
| Net Change in Income Taxes (after income tax) ⁽⁴⁾ | (6) |
| Changes Resulting from Technical Reserves Revisions | 231 |
| All Other Changes ⁽⁵⁾ | 10 |
| Estimated Net Present Value at September 30, 2004 | 294 |

Notes:

- (1) Corporation actual before income taxes, excluding G&A.
- (2) The impact of changes in prices and other economic factors on future net revenue.
- (3) Actual capital expenditures relating to the exploration, development and production of oil and gas reserves.
- (4) The difference between forecast income taxes at beginning of period and the actual taxes for the period plus forecast income taxes at the end of period.
- (5) Includes changes due to revised production profiles, estimated future abandonment and reclamation costs, development timing, operating costs, royalty rates, actual price received in 2004 versus forecast, etc.

Additional Information Concerning Abandonment and Reclamation Costs

Pine Cliff has estimated the cost to perform well abandonment and reclamations by taking into account well depths, geographical location, existing well status and tangible assets. A well's abandonment is scheduled to occur after the Total Proved plus Probable production forecast deems the well no longer capable of production. Where possible, a well's abandonment is scheduled as part of a multi-well program to achieve an economy of scale. The total number of wells in which Pine Cliff will incur this cost is currently forecast to be 2 gross (0.308 net) wells. The expected cost to be incurred, net of salvage value is \$8,000 without discount and \$3,000 using a discount rate of 10%. All of Pine Cliff's abandonment and reclamation costs were deducted in determining Pine Cliff's future net revenue. Pine Cliff expects to pay nil in total in the next 3 financial years for abandonment and reclamations.

Production Estimates

The following table sets out the volume of Pine Cliff's working interest production, before royalties, estimated for the year ended December 30, 2005 which is reflected in the estimate of future net revenue disclosed in the tables contained under "Reserves Summary".

| Forecast Prices and Costs | Natural Gas | NGLs | BOE |
|-------------------------------|-------------|----------|---------|
| | (mcf/d) | (bbls/d) | (boe/d) |
| Proved Reserves | 70 | 2.3 | 14 |
| Proved plus Probable Reserves | 77 | 2.3 | 15 |
| | | | |
| Constant Prices and Costs | Natural Gas | NGLs | BOE |
| | (mcf/d) | (bbls/d) | (boe/d) |
| Proved Reserves | 70 | 2.3 | 14 |
| Proved plus Probable Reserves | 77 | 2.3 | 15 |

Oil and Natural Gas Wells

The following table summarizes, by area, interests of Pine Cliff, after the anticipated acquisition of the Acquisition Property, in all of the wells assigned reserves in the Sproule Report.

| Area | Producing Oil Wells | | Shut-In Oil Wells ⁽¹⁾ | | Producing Natural Gas Wells | | Shut-In Natural Gas Wells ⁽¹⁾ | | Water Injectors | |
|-------------------|----------------------|--------------------|----------------------------------|-----|-----------------------------|-------|--|-----|-----------------|-----|
| | Gross ⁽²⁾ | Net ⁽³⁾ | Gross | Net | Gross | Net | Gross | Net | Gross | Net |
| Sundance, Alberta | 0 | 0 | 0 | 0 | 2 | 0.308 | 0 | 0 | 0 | 0 |

Notes:

- (1) "Shut-in" Wells are wells which are capable of economic production or which Pine Cliff considers capable of production but which for a variety of reasons, including but not limited to lack of markets or development, are not placed on production at the present time.
- (2) "Gross" wells means the number of wells in which Pine Cliff has a working interest or a royalty interest.
- (3) "Net" wells means the aggregate of the numbers obtained by multiplying each gross well by Pine Cliff's percentage working interest therein.

Crude Oil and Natural Gas Marketing

Pine Cliff will market its natural gas from its two Sundance area wells through contracts developed by the operator of the property. All of the production from these wells is sold at the daily index and is included in the operator's pool pricing calculation. Pine Cliff will be paid for its natural gas sales (net of expenses) on monthly joint interest billings from the operator.

Undeveloped Land

Pine Cliff will hold, after the anticipated acquisition of the Acquisition Property, one net section (256 hectares) of undeveloped acreage in the Auburndale area of East Central Alberta and 713 net acres in the Sundance area of West Central Alberta. See "Business of the Corporation - Acquisition Property" for a discussion of proposed development plans on these lands.

Drilling Results

In the last five years, two gross (0.308 net) wells were drilled on the Sundance lands of the Acquisition Property. Both wells were unsuccessfully drilled for deeper targets and were plugged back and completed for production of natural gas from the Mannville Group.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

General

Pine Cliff has only recently been incorporated and commenced operations, and accordingly has not completed its first fiscal year. To date, Pine Cliff has incurred approximately \$25,000 in preliminary expenses, being comprised of \$25,000 in administrative and nil in development expenses. This does not include expenses of the Offering (including obtaining listing on the TSX Venture Exchange), anticipated to be \$125,000, which will be paid upon completion of the Offering. Pine Cliff does not currently own any properties. Upon the minimum subscription of 20,000,000 Common Shares (\$3,000,000) under this Offering being subscribed, and satisfaction of specified conditions, it is anticipated that Pine Cliff will acquire the Acquisition Property.

Liquidity and Capital Resources

Pine Cliff conducts its operations in a manner consistent with environmental regulations as stipulated in provincial and federal legislation. Pine Cliff is committed to meeting its responsibilities to protect the environment wherever it operates and anticipates making increased expenditures of both a capital and expense nature as a result of the increasingly stringent laws relating to the protection of the environment. However, Pine Cliff does not anticipate that it will be subject to any increases in such expenditures which, as a percentage of cash flow, will be greater than those expected, on average, by other industry operators. Pine Cliff maintains insurance coverage where available and financially desirable in light of risk versus cost factors. Unforeseen significant changes in such areas as markets, prices, royalties, interest rates and government regulations would have an impact on Pine Cliff's future operating results and/or financial condition.

Pine Cliff's sensitivity to fluctuations in key business conditions, calculated on the basis of current production volumes, and after the issue of Common Shares hereunder is illustrated in the following table:

| Business Condition | Impact on Cash Flow per Common Share |
|------------------------------|--------------------------------------|
| Commodity Price Increase | |
| Natural Gas (\$0.10 per mcf) | Negligible |
| Production Volume Increase | |
| Natural Gas (10 mcf/d) | Negligible |
| Financial Changes | |
| Interest Rate (1%) | Negligible |
| Exchange Rate (\$0.01) | Negligible |

Acquisition Property

In respect of the history of the Acquisition Property, management has the following comments.

If further drilling or farm out proposals are presented by the operator of the Sundance property, Pine Cliff may participate. Pine Cliff will also be drilling a well on its 100% owned land in the Auburndale area of Alberta. Pine Cliff also has an option to drill a second well into the same zone on an adjoining section of land.

Nine months ended September 30, 2004 Compared to Nine Months ended September 30, 2003

Gross revenue decreased from \$291,164 in the first nine months of 2003 to \$243,865 in the corresponding 2004 period due partially to normal production declines (22 BOE per day in 2004 compared to 25.5 BOE per day in the corresponding 2003 nine month period) and lower natural gas prices for the nine months ended September 30, 2004 of \$6.62 per MCF compared to \$7.03 in the nine month period ended September 30, 2003.

Royalty costs increased in the first nine months of 2004 to \$13,012 from \$11,398 in the corresponding 2003 period. The increase was due to a refund of 2002 crown royalty payments received in the first nine months of 2003 due to the granting of a royalty holiday by the Alberta government.

Operating costs decreased to \$36,732 in the nine month period ended September 30, 2004 from \$48,427 in the nine month period ended September 30, 2003. On a BOE basis costs declined from \$6.95 to \$6.10. The decline was due to one time maintenance costs incurred August/September in 2003 in relation to one of the wells.

Year ended December 31, 2003 Compared to Year ended December 31, 2002

Gross revenue increased significantly to \$323,610 in the year ended December 31, 2003 from \$79,491 in 2002. The increase was due primarily to the commencement of production from a second natural gas well in the second quarter of 2003. Net production on a BOE basis increased to 22.4 BOE per day from 16.5 BOE per day (based on production days in 2002). The second well was shut in during the third quarter due to maintenance and pipeline problems. The well was reactivated in early January 2004. The average price received in 2003 for natural gas was \$6.65 per MCF compared to \$4.43 per MCF in 2002.

In 2003, an Alberta Crown royalty refund of \$20,399 relating to Crown royalties paid in 2002 was received due to the granting of a royalty holiday in respect of the first Sundance natural gas well. Also a holiday was granted by the Alberta government in respect of the second Sundance natural gas well during 2003 resulting in a full refund of all Alberta Crown royalties paid in 2003. These refunds resulted in a negative royalty amount of \$2,067 (net of \$18,332 in gross overriding royalties) being recorded in the 2003 fiscal year.

Operating costs were \$56,845 in 2003 compared to \$23,302 in 2002. On a BOE basis operating costs averaged \$6.95 in 2003 compared to \$7.79 in 2002. The operating costs although lower than 2002 were greater than anticipated due to maintenance work required on the second Sundance natural gas well in late summer and fall of 2003.

Year ended December 31, 2002 Compared to Year ended December 31, 2001

In July 2002, the first Sundance gas well commenced production. During 2002 the well produced on average 100 MCF per day net (16.5 BOE per day net) with an average price received for the natural gas of \$4.43 per MCF resulting in \$79,491 of gross revenue.

Royalties in respect of the production from this well were \$22,209 consisting of \$20,399 in Alberta Crown royalties and the balance in gross overriding royalties. An application was filed in 2002 to obtain a royalty holiday from the Alberta government.

Operating costs totalled \$23,302 in 2002. On a BOE basis costs averaged \$7.79. Operating costs are expected to decline as further development is completed on the property.

DESCRIPTION OF SHARE CAPITAL

Pine Cliff is authorized to issue two classes of shares, one consisting of an unlimited number of common shares (the "Common Shares") and one class of Class B preferred shares (the "Preferred Shares"). A brief summary of the characteristics of the shares is set forth below. As at November 10, 2004, there were 10 Common Shares and no Preferred Shares issued and outstanding.

Common Shares

The holders of Common Shares 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 holders of Common Shares are entitled to receive dividends, on a pro rata basis, if, as and when declared by the Board of Directors of Pine Cliff 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 directors of Pine Cliff 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 board of directors, 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.

CAPITALIZATION

The following table sets forth the capitalization of Pine Cliff as at November 10, 2004, and giving effect to the issue of Common Shares pursuant hereto.

| Capital | Amount Authorized | Outstanding as at November 10, 2004 | Outstanding after completion of Offering (Minimum) | Outstanding after completion of Offering (Maximum) |
|------------------|-------------------|-------------------------------------|--|--|
| Share Capital: | | | | |
| Common Shares | Unlimited | 10 | \$2,919,277 ⁽¹⁾ (20,000,010 shares) | \$5,560,662 ⁽¹⁾ (37,609,244 shares) |
| Preferred Shares | Unlimited | Nil | Nil | Nil |

Notes:

- (1) Net of share issue costs of \$125,000 and a future income tax benefit of \$44,275.
- (2) As at November 10, 2004, Pine Cliff had nil retained earnings.
- (3) The number of Rights, and therefore Common Shares, proposed to be issued in the case of the maximum offering is based upon the maximum number of Novitas Shares that could be outstanding on the Record Date (on a fully diluted basis).

DETAILS OF THE OFFERING

Offering

General

This Prospectus qualifies the distribution of Rights to subscribe for up to an aggregate of 37,609,234 Rights and up to 37,609,234 Common Shares issuable upon the exercise of the Rights. The Rights are exercisable at a price of \$0.15 per Common Share.

The exercise price of \$0.15 per Common Share was determined by the board of directors upon a review of the number of shares of Novitas outstanding, the value of the assets to be transferred to Pine Cliff and the anticipated capitalization needs of Pine Cliff.

Rights and Certificates

Each Novitas Shareholder as at the close of business on January 4, 2005 (the "Record Date") who is resident in British Columbia, Alberta, Saskatchewan, Manitoba or Ontario is entitled to one Right for every common share so held. One Right entitles the holder (a "Rightsholder") to subscribe for one Common Share at a price of \$0.15 per share (the "Rights Subscription Price") prior to the Rights Expiry Time (as defined below). No fractional Common Shares will be issued. Rights will be evidenced by non-transferable certificates (the "Rights Certificates"). A Rights Certificate evidencing the total number of Rights to which each Novitas Shareholder is entitled will be delivered with a copy of this Prospectus to each Novitas Shareholder entitled to participate in the Offering. A Right does not entitle the holder thereof to any rights whatsoever as a shareholder of Pine Cliff.

The Rights Certificates and the Common Shares to which the Rights Certificates relate are not registered under the United States *Securities Act of 1933*, as amended. The Offering is not being made in the United States or any territory or possession thereof and is not, and under no circumstances is to be construed as, an offering of Common Shares for sale in the United States or any territory or possession thereof or a solicitation therein of any offer to buy any Common Shares or other securities of Pine Cliff from any person, or any persons or agent, who appears to be, or whom Pine Cliff has reason to believe is, a resident of the United States or its territories or possessions.

Beneficial Shareholders

Novitas Shareholders who do not hold Novitas Shares in their own name but are resident in one of the Jurisdictions are still entitled to participate in the Offering. Such Shareholders (referred to herein as "Beneficial Shareholders") are advised that only notices of exercise of Rights from Novitas Shareholders of record can be recognized and acted upon. If the Novitas Shares are listed in the account statement provided to the Novitas Shareholder by a broker then in almost all cases those shares will not be registered in the Novitas Shareholder's name. Such shares are more likely held under the name of the broker or the broker's agent clearing house such as CDS & Co. Rights held by brokers or their nominees can only be exercised upon the instructions of the Beneficial Shareholder. Without specific instructions, the broker will not exercise the Rights for their clients. Pine Cliff does not know who the shares registered to CDS & Co. (for example) are held for. Therefore, Beneficial Shareholders cannot be recognized by Pine Cliff for the purpose of exercising their Rights directly. Every broker has its own mailing procedure, and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Rights are exercised as specified. These instructions must be strictly adhered to.

Transfer of Rights

The Rights are not transferable.

Rights Expiry Time

The Rights will expire at 4:00 p.m. (Calgary time) on April 5, 2005 (such time on such date being herein referred to as the "Rights Expiry Time"). **Rights not exercised prior to the Rights Expiry Time will be void and of no value.**

Registration and Delivery of Certificates Evidencing Common Shares

Common Shares acquired through the exercise of Rights will be registered in the name of the person to whom the Rights Certificate was issued. Certificates evidencing such Common Shares will be mailed as soon as practicable after the Rights Expiry Time to persons who have exercised Rights at the address specified on the Rights Certificate.

Non-Participating Shareholders

This Prospectus is being filed, and the Rights to be distributed and the Common Shares to be issued by Pine Cliff upon exercise of the Rights pursuant to this Prospectus are being qualified, only in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario (the "Jurisdictions"). As of the date hereof, management estimates that more than 95% of the outstanding Novitas Shares are held by Novitas Shareholders who will be eligible to exercise Rights. Management does not anticipate issuing Rights to holders of Novitas Shares who appear on the register as residents of any jurisdiction other than the Jurisdictions (the "Non-Participating Shareholders").

Subscription Agent and Subscription Office

Pursuant to the subscription agent agreement between Pine Cliff and Olympia Trust Company (the "Subscription Agent") dated March 9, 2004 (the "Subscription Agent Agreement"), Olympia Trust Company has been appointed as the Subscription Agent to receive subscriptions and payments from Rightsholders and to perform the services relating to the exercise of the Rights, including the issuing of certificates evidencing Common Shares for which subscriptions have been received. Pine Cliff will pay for all such services of the Subscription Agent.

If delivery is to be made by mail, hand or by courier, materials should be delivered to Olympia Trust Company at 2300, 125 – 9th Avenue S.W., Calgary, Alberta, T2G 0P6, Attention: Stock Transfer Department (the "Subscription Office").

Divisions and Consolidations

Rights Certificates evidencing two or more Rights may be divided by delivering them with the division form (Form 2) on the reverse side of the Rights Certificate duly executed to the Subscription Office. See "How to Use the Rights Certificate - To Divide or Combine the Rights Certificate - Form 2". The Subscription Agent will subsequently issue new Rights Certificates representing the same aggregate number of Rights, divided as the Rightsholder has requested. These requests should be made before the Rights Expiry Time to allow new Rights Certificates to be issued before the Rights expire.

How to Use the Rights Certificate

By completing the appropriate form on the Rights Certificate in accordance with the instructions outlined below and on the Rights Certificate, a Rightsholder may:

- (a) subscribe for Common Shares (Form 1); and/or
- (b) divide or combine the Rights Certificate (Form 2).

Unexercised Rights

A Rightsholder who completes Form 1 so as to exercise some but not all of the Rights evidenced by such Rights Certificate shall be deemed to have elected not to exercise the balance of such Rights, unless such holder elects to divide the Rights Certificate by completing, at the same time, Form 2 with the intention of obtaining a new Rights Certificate for the Rights such holder has chosen not to exercise. See "How to Use the Rights Certificate - To Divide or Combine the Rights Certificate - Form 2".

Signatures

When one or more of the forms on the Rights Certificate is signed by the original Rightsholder, the signature must correspond with the name of the Rightsholder shown on the face of the Rights Certificate.

To Subscribe for Common Shares - Form 1

One Right and the Rights Subscription Price are required to subscribe for one Common Share (the "Subscription Privilege"). The holder of a Rights Certificate may subscribe for all or any lesser number of Common Shares to which the Rights Certificate relates by completing Form 1 and delivering the Rights Certificate and the Rights Subscription Price for such Common Shares to the Subscription Agent. The Rights Subscription Price is payable in Canadian funds by cheque, bank draft or money order payable to the order of Olympia Trust Company or by such other means acceptable to Pine Cliff. All payments, together with the duly completed Rights Certificate, must be delivered to the Subscription Agent prior to the Rights Expiry Time. **The method of delivery of a subscription is at each holder's discretion and risk. Delivery to the Subscription Agent will only be effective when the subscription is actually received by the Subscription Agent at the Subscription Office.** If mail is used for delivery of a subscription, sufficient time must be allowed to avoid late delivery, and registered mail is suggested. **Completion of Form 1 constitutes a representation that the Rights Certificate holder is not a Non-Participating Shareholder or the agent of any such person.**

To Divide or Combine the Rights Certificate - Form 2

A Rights Certificate may be divided or combined with other Rights Certificates by completing Form 2 and delivering the Rights Certificate to the Subscription Agent. The Subscription Agent will then issue new Rights Certificates in such denominations (totalling the same number of Rights as evidenced by the Rights Certificate being divided or combined, less any Rights which are being exercised by the holder as evidenced by a completed Form 1) as requested by the holder. Rights Certificates must be surrendered for division or combination so as to permit the new Rights Certificates to be issued to and used by the holder prior to the Rights Expiry Time.

Minimum Subscription Amount

A minimum subscription level of 20,000,000 Common Shares (\$3,000,000) must be reached through the exercise of Rights.

Commissions

Pine Cliff may pay industry standard commissions to registered dealers who assist in obtaining the exercise of Rights. However, Pine Cliff has no current intention of doing so.

General

Proceeds Held in Trust

The funds received from the exercise of the Rights will be deposited with Olympia Trust Company and will not be released until: (a) the minimum subscription level of 20,000,000 Common Shares (\$3,000,000) through the Offering has been reached; and (b) all of the conditions have been met in relation to the acquisition of the Acquisition Property. In the event that the minimum subscription of 20,000,000 Common Shares (\$3,000,000) is not received prior to the Rights Expiry Time, or if extended, no later than ninety (90) days following the issuance of a final receipt for this Prospectus, all subscription monies relating to the Offering will be returned to the subscribers without interest or deduction unless each of the persons or companies who subscribed within the relevant period has consented to the continuation and have otherwise instructed Olympia Trust Company.

Listing Application

The TSX Venture Exchange has conditionally approved the listing of the Common Shares. Listing is subject to Pine Cliff fulfilling all of the listing requirements of the TSX Venture Exchange.

Enquiries

Any questions in relation to the Offering may be directed to Mr. George Fink at (403) 750-2550 or Mr. Garth Schultz at (403) 750-2565, or by fax at (403) 265-7488.

DILUTION

Purchasers of the Rights will not experience any dilution of their investment on the exercise of the Rights.

USE OF PROCEEDS

The gross proceeds realized by Pine Cliff through the Offering is estimated to be \$5,641,385 if all of the Rights are exercised and \$3,000,000 if only the minimum number of Rights are exercised. Management does not anticipate that all of the Rights will be exercised given that not all of the Novitas Shareholders are residents of the Jurisdictions. A table setting forth the anticipated use of proceeds is set forth below:

| | Minimum Offering | Maximum Offering |
|--|------------------|------------------|
| Gross Proceeds: | \$3,000,000 | \$5,641,385 |
| Use of Proceeds: | | |
| Costs of the Issue including obtaining listing on the TSX Venture Exchange | 125,000 | 125,000 |
| Acquisition of the Acquisition Property | 761,000 | 761,000 |
| Acquisitions of other Oil and Gas Properties | - | - |
| Exploration and Development Drilling ⁽¹⁾ | 2,114,000 | 2,170,000 |
| Overhead and Working Capital ⁽²⁾ | - | 2,585,385 |
| | \$3,000,000 | \$5,641,385 |

Notes:

- (1) The Corporation currently anticipates drilling and tieing-in up to five wells (two in the Auburndale area and three in the Sundance area). The cost to drill, complete and tie-in the two proposed Auburndale wells is estimated at \$850,000 while the cost to drill, complete and tie-in the three proposed wells in the Sundance area is an aggregate of \$1,320,000, for a total of \$2,170,000.
- (2) Current overhead and working capital is anticipated to be funded from net revenue from the Acquisition Property.

Due to the nature of the oil and gas industry, budgets are regularly reviewed in light of the success of the expenditures and other opportunities which may become available to the Corporation. In addition, the ability of the Corporation to carry out operations depends upon the decisions of the other working interest owners in its properties. To the extent that the net proceeds raised from the Offering are insufficient to satisfy all of the obligations of the Corporation with respect to its current drilling and development program, the Corporation could initiate several strategies including reducing proposed expenditures, delaying the drilling or tie-in of a well, utilizing net revenue from the Acquisition Properties or seeking bank financing. No assurance can be made that these strategies would be sufficient. However, given that the potential shortfall in funding the entire program in the event that only the minimum proceeds are raised is only \$56,000, management does not anticipate any difficulty in this regard. A discussion of the factors that management will consider in assessing Pine Cliff's participation in development or acquisition opportunities generally is described under "The Corporation".

DIRECTORS AND OFFICERS

The names, municipalities of residence, offices held with Pine Cliff and principal occupations of the directors and officers of Pine Cliff are set forth below.

| Name and Municipality of Residence ⁽¹⁾ | Position Presently Held | Age | Principal Occupations During Past 5 Years |
|---|--|-----|---|
| Gary J. Drummond ⁽²⁾⁽³⁾ Nassau, Bahamas | Director | 53 | Lawyer from 1974 to 1991. Mr. Drummond was the President and Chief Executive Officer of Direct Energy Marketing Limited, a resource company, from 1991 to 2000. Mr. Drummond is currently a private investor and a director of several entities including Comstate, Bonterra Energy Corp., Novitas (resource companies), Comaplex Minerals Corp. (mineral exploration and development company), Heating Oil Partners Income Fund, Dynamic Capital Canada Corp., Juno Capital Corp. and Crew Energy Ltd. (resource companies). |
| George F. Fink Calgary, Alberta | President, Chief Executive Officer and Director | 64 | Chartered Accountant. Engaged for a majority of his time as the President and a director of Comstate, the administrative wholly owned subsidiary of Bonterra. Engaged part-time as the President of Comaplex Minerals Corp., Bonterra Energy Corp. and Novitas. Mr. Fink is also a director of Comaplex Minerals Corp., Bonterra Energy Corp. and Novitas. |

| <u>Name and Municipality of Residence⁽¹⁾</u> | <u>Position Presently Held</u> | <u>Age</u> | <u>Principal Occupations During Past 5 Years</u> |
|---|--|------------|--|
| Carl R. Jonsson ⁽²⁾⁽³⁾ Calgary, Alberta | Director | 69 | Principal with the Vancouver law firm of Tupper, Jonsson & Yeadon. Mr. Jonsson is also a director of Comstate, Comaplex Minerals Corp., Bonterra Energy Corp. and Novitas. |
| Randy M. Jarock Calgary, Alberta | Operations Manager and Vice-President, Business Development | 42 | Engineer. Engaged for a majority of his time as Operations Manager for Comstate, Bonterra Energy Corp. and Novitas. |
| Garth E. Schultz Calgary, Alberta | Vice-President, Finance, Chief Financial Officer and Corporate Secretary | 40 | Chartered Accountant. Engaged for the majority of his time as the Vice-President of Comstate. Engaged part time as a Vice-President of Comaplex Minerals Corp., Bonterra Energy Corp. and Novitas. |
| F. William Woodward ⁽²⁾⁽³⁾ Calgary, Alberta | Director | 72 | President of Fransyl Holdings Inc., a resource and investment company. Mr. Woodward is a director of Comstate, Comaplex Minerals Corp., Bonterra Energy Corp. and Novitas. |

Notes:

- (1) All of the directors are members of the Compensation Committee.
- (2) Member of the Audit Committee.
- (3) Member of the Nominating Committee.
- (4) See "Principal Shareholders" for information as to the aggregate holdings of directors and executive officers of Novitas.

EXECUTIVE COMPENSATION

Compensation of Officers

Other than its officers disclosed under the heading "Directors and Officers" above, Pine Cliff does not have any employees at the present time. Effective February 1, 2005, Pine Cliff entered into a management agreement with Comstate to have Comstate provide field operations, management and general office services. (See "Business of the Corporation – General Development of the Business"). It is anticipated that the officers of Pine Cliff will not receive any remuneration, nor have they received any remuneration since incorporation, in their capacity as officers; however, the officers are entitled to participate in the Stock Option Plan described below. No pension, retirement or change of control benefits are payable to officers or directors.

Compensation of Directors

The directors of Pine Cliff have not received any remuneration in their capacity as directors; however, the directors are entitled to participate in the Stock Option Plan described below.

Share Options

Pine Cliff has adopted a service provider Stock Option Plan, dated November 10, 2004 (the "Plan"). The maximum number of shares which will be available to be granted under the Plan will be set by the Board of Directors of Pine Cliff upon the completion of this Offering which, it is currently anticipated, will be a fixed number and will not

exceed 10% of Pine Cliff's outstanding Common Shares at the completion of this Offering. The Plan is subject to TSX Venture Exchange approval. As at the date hereof, Pine Cliff has no options outstanding. It is anticipated that prior to the closing of this Offering, options to acquire Common Shares will be granted to directors and officers of the Corporation at an exercise price of \$0.15 per share. It is anticipated that these options will vest as to one-third on each of the first, second and third anniversaries of the date of the grants.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

None of the directors or senior officers of Pine Cliff nor any of their associates or affiliates are or have been indebted to Pine Cliff since the incorporation of Pine Cliff.

PRIOR SALES

Since incorporation, Pine Cliff has not issued any Common Shares except as set out below:

| Date | Number of Shares | Price Per Common Share | Purpose |
|-------------------|------------------|------------------------|-----------------------------|
| November 10, 2004 | 10 | \$0.15 | To facilitate incorporation |

DIVIDEND RECORD AND POLICY

To date, Pine Cliff has not paid any dividends on its outstanding Common Shares. The future payment of dividends will be dependent upon the financial requirements of Pine Cliff to finance future growth, the financial condition of Pine Cliff and other factors which the Board of Directors of Pine Cliff may consider appropriate in the circumstances.

PRINCIPAL SHAREHOLDERS

To the knowledge of Pine Cliff, no person or company beneficially owns, directly or indirectly, or exercises control or direction over voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of Pine Cliff as of November 10, 2004, other than:

| Name | Type of Ownership | Number of Shares | Percentage of Outstanding Shares Prior to the Offering | Percentage of Outstanding Shares After the Offering ⁽¹⁾ |
|---|-------------------|------------------|--|--|
| Novitas Energy Ltd. Calgary, Alberta | Direct | 10 | 100% | Negligible |

Notes:

- (1) Assuming the maximum subscription level is reached under the Offering.
- (2) Novitas subscribed for the initial shares of Pine Cliff in order to facilitate incorporation.

George F. Fink, a director and officer of Novitas and a director and officer of Pine Cliff, owns 6,776,078 Novitas Shares (18%) on a fully diluted basis and accordingly will own 18% of the Common Shares of Pine Cliff upon exercising his Rights, assuming the maximum number of Rights are exercised (33.9% assuming the minimum number of Rights are exercised).

The directors and officers of Pine Cliff as a group directly or indirectly own 13,711,143 of the Novitas Shares prior to the Offering. Assuming these directors and officers exercise all of the Rights to which they are entitled, they will hold directly or indirectly approximately 13,711,143 Common Shares (36.5%) after the Offering assuming all of the Rights are exercised (68.6% assuming the minimum number of Rights are exercised).

INDUSTRY CONDITIONS

The oil and natural gas industry is subject to extensive controls and regulations governing its operations (including land tenure, exploration, development, production, refining, transportation and marketing) imposed by legislation enacted by various levels of government and with respect to pricing and taxation of oil and natural gas by agreements among the governments of Canada, Alberta, British Columbia and Saskatchewan, all of which should be carefully considered by investors in the oil and gas industry. It is not expected that any of these controls or regulations will affect our operations in a manner materially different than they would affect other oil and gas companies of similar size. All current legislation is a matter of public record and management is unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and gas industry.

Pricing and Marketing - Oil and Natural Gas

The price of oil is determined by negotiation between buyers and sellers. Such price depends in part on oil quality, prices of competing oils, distance to market, the value of refined products and the supply/demand balance. Oil exporters are also entitled to enter into export contracts with terms not exceeding one year in the case of light crude oil and two years in the case of heavy crude oil, provided that an order approving such export has been obtained from the National Energy Board of Canada (the "NEB"). Any oil export to be made pursuant to a contract of longer duration (to a maximum of 25 years) requires an exporter to obtain an export license from the NEB and the issuance of such license requires the approval of the Governor in Council.

The price of natural gas is determined by negotiation between buyers and sellers. Natural gas exported from Canada is subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices with purchasers, provided that the export contracts must continue to meet certain other criteria prescribed by the NEB and the Government of Canada. Natural gas exports for a term of less than 2 years or for a term of 2 to 20 years (in quantities of not more than 30,000 m³/day) must be made pursuant to an NEB order. Any natural gas export to be made pursuant to a contract of longer duration (to a maximum of 25 years) or a larger quantity requires an exporter to obtain an export license from the NEB and the issuance of such license requires the approval of the Governor in Council.

The governments of Alberta, British Columbia and Saskatchewan also regulate the volume of natural gas that may be removed from those provinces for consumption elsewhere based on such factors as reserve ability, transportation arrangements and market considerations.

The North American Free Trade Agreement

The North American Free Trade Agreement ("NAFTA") among the governments of Canada, United States of America and Mexico became effective on January 1, 1994. NAFTA carries forward most of the material energy terms that are contained in the Canada – United States Free Trade Agreement. Canada continues to remain free to determine whether exports of energy resources to the United States or Mexico will be allowed, provided that any export restrictions do not: (i) reduce the proportion of energy resources exported relative to domestic use (based upon the proportion prevailing in the most recent 36 month period); (ii) impose an export price higher than the domestic price; or (iii) disrupt normal channels of supply. All three countries are prohibited from imposing minimum export or import price requirements.

NAFTA contemplates the reduction of Mexican restrictive trade practices in the energy sector and prohibits discriminatory border restrictions and export taxes. The agreement also contemplates clearer disciplines on regulators to ensure fair implementation of any regulatory changes and to minimize disruption of contractual arrangements, which is important for Canadian natural gas exports.

Provincial Royalties and Incentives

In addition to federal regulation, each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the

profitability of crude oil and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee. Royalties payable on production from Crown lands are determined by governmental regulation and are, in general terms, calculated as a varying percentage of the value of the gross production of oil or natural gas within certain limits, and may depend in part on any of the average price of all oil and natural gas sold during a month, well productivity, geographical location and field discovery date. Oil and natural gas royalty holidays and reductions for specific wells reduce the amount of Crown royalties paid to the provincial governments.

Regulations made pursuant to the *Mines and Minerals Act* (Alberta) provide various incentives for exploring and developing oil reserves in Alberta. Oil produced from horizontal extensions commenced at least 5 years after the well was originally spudded may also qualify for a royalty reduction. A 24-month, 8,000 m³ exemption is available to production from a well that has not produced for a 12-month period, if resuming production after February 1, 1993. As well, oil production from eligible new field and new pool wildcat wells and deeper pool test wells spudded or deepened after September 30, 1992 is entitled to a 12-month royalty exemption (to a maximum of \$1 million). Oil produced from low productivity wells, enhanced recovery schemes (such as injection wells) and experimental projects is also subject to royalty reductions.

The Alberta government has also introduced a third tier royalty with a base rate of 10% and a rate cap of 25% for oil pools discovered after September 30, 1992. The new oil royalty reserved to the Crown has a base rate of 10% and a rate cap of 30%. The old oil royalty reserved to the Crown has a base rate of 10% and a rate cap of 35%.

In Alberta, the royalty reserved to the Crown in respect of natural gas production, subject to various incentives, is between 15% and 30%, in the case of new gas, and between 15% and 35%, in the case of old gas, depending upon a prescribed reference or corporate average price. Natural gas produced from qualifying exploratory gas wells spudded or deepened after July 31, 1985 and before June 1, 1988 is eligible for a royalty exemption for a period of 12 months, up to a prescribed maximum amount. Natural gas produced from qualifying intervals in eligible gas wells spudded or deepened to a depth below 2,500 meters is also subject to a royalty exemption, the amount of which depends on the depth of the well.

In Alberta, a producer of oil or natural gas from Crown lands is entitled to a credit against the royalties payable to the Crown by virtue of the ARTC (Alberta Royalty Tax Credit) Program. Under current legislation, the ARTC Program is based on a price sensitive formula linked to crude oil prices. Credits vary from a high of 75% for prices for oil at or below \$100 per m³ to a low of 25% for prices above \$210 per m³. In general, the ARTC rate is currently applied to a maximum of \$2,000,000 of Alberta Crown royalties payable for each producer or associated group of producers. Crown royalties on production from producing properties acquired from corporations claiming maximum entitlement to ARTC will generally not be eligible for ARTC.

In November 2003, the *Tax Act* was amended to provide the following initiatives applicable to the oil and gas industry to be phased in over a five year period: (i) a reduction of the federal statutory corporate income tax rate on income earned from resource activities from 28 to 21%, beginning with a one percentage point reduction effective January 1, 2003, and (ii) a deduction for federal income tax purposes of actual provincial and other Crown royalties and mining taxes paid and the elimination of the 25% resource allowance. In addition, in connection with measures introduced to include in income the amount of Crown royalties refunded, special transitional rules were introduced in respect of the ARTC. As a result, the percentage of ARTC required to be included in income for federal tax purposes will be 5% in 2003; 12.5% in 2004; 17.5% in 2005; 32.5% in 2006; 50% in 2007; 60% in 2008; 70% in 2009; 80% in 2010; 90% in 2011, and 100% in 2012 and beyond.

Land Tenure

Crude oil and natural gas located in the western provinces are owned predominantly by the respective provincial governments. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences and permits for varying terms from two years and on conditions set forth in provincial legislation, including requirements to perform specific work or make payments. Oil and natural gas located in such provinces can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

Environmental Regulations

The oil and natural gas industry is currently subject to environmental regulations pursuant to provincial and federal legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and natural gas industry operations. In addition, such legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in the imposition of material fines and penalties. Management believes that Pine Cliff is in material compliance with applicable environmental laws and regulations. Management also believes that it is reasonably likely that the trend towards stricter standards in environmental legislation and regulation will continue.

RISK FACTORS

No registered dealer has been involved in the Offering. Pine Cliff currently has no assets and is to acquire certain properties from Novitas, although those properties only comprise 2.6% of the net assets of Novitas. An investment in Pine Cliff involves different risk factors than an investment in Novitas. If Novitas Shareholders are unsure about the suitability of an investment in Pine Cliff, they should seek the advice of a registered dealer or a registered advisor.

An investment in the Common Shares is speculative due to the nature of Pine Cliff's involvement in the exploration, development and production of oil and natural gas and its present stage of development. Exploration for oil and natural gas involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that further commercial quantities of oil and natural gas will be discovered by Pine Cliff. While Pine Cliff currently has no exploration or development prospects, management will continue to evaluate such prospects on an ongoing basis in a manner consistent with industry standards. In addition, no assurance can be given that Pine Cliff will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Corporation may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. While Pine Cliff has established a set of criteria with respect to participations and acquisitions (see "The Corporation"), investors are advised that a substantial amount of the proceeds to be raised herein will be spent on properties which are not yet identified. In this regard, Pine Cliff has not entered into any contracts relating to the acquisition or participation in any properties other than as set forth herein nor have any letters of intent been executed. Pine Cliff is newly incorporated, has no history of operations and has no producing properties.

Pine Cliff's operations are subject to all of the risks normally incident to the operation and development of oil and natural gas properties and the drilling of oil and natural gas wells, including encountering unexpected formations or pressures, blow-outs, cratering and fires, all of which could result in personal injuries, loss of life and damage to property of Pine Cliff and others. In accordance with customary industry practice, Pine Cliff is not fully insured against all of these risks, nor are all such risks insurable. The oil and natural gas industry is subject to extensive environmental regulation which provides for restrictions and prohibitions on spills releases or emissions of various substances produced in association with certain oil and natural gas industry operations. In addition, legislation requires that well and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of provincial authorities. A breach of such legislation may result in fines or the issuance of clean-up orders. As referred to under "Industry Conditions", environmental regulation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing.

Canada is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nationwide emissions of carbon dioxide, methane, nitrous oxide and other so-called "greenhouse gases". Pine Cliff's exploration and other operations and activities emit a small amount of greenhouse gases which may subject it to legislation regulating emissions of greenhouse gases. The Government of Canada has put forward a Climate Change Plan for Canada which suggests further legislation will set greenhouse gases emission reduction requirements for various industrial activities, including oil and gas exploration and production. Future federal legislation, together with provincial emission reduction requirements such as those proposed in Alberta's Bill 37: Climate Change and Emissions Management,

may require the reduction of emissions or emissions intensity produced by the Corporation's operations. The direct or indirect costs of these regulations may adversely affect the business of the Corporation.

Pine Cliff maintains liability insurance, where available, covering risks in amounts consistent with industry standards. Business interruption insurance may also be purchased for selected facilities, to the extent such insurance is available. Pursuant to agreements with third party operators, those operators are responsible for maintaining insurance coverage consistent with industry standards. Pine Cliff may become liable for damages arising from such events against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. Further, liabilities may exceed the amount of insurance held.

The continuing production from the Acquisition Property is dependent in part on the managerial ability of the operators of the Acquisition Property and other working interest owners. Parties other than Pine Cliff may be the operators of the Acquisition Property and Pine Cliff will only have a vote in respect of the management of the Acquisition Property to the extent of its working interest therein. To the extent that an operator does not appropriately perform its obligations, or the majority of the working interest owners' interests differ from those of Pine Cliff, income from the Acquisition Property could be reduced.

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 us and may delay exploration and development activities. To the extent that Pine Cliff is not 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.

The marketability and price of oil and natural gas which may be acquired or discovered by Pine Cliff will be affected by numerous factors beyond the control of Pine Cliff. Pine Cliff will be affected by the differential between the price paid by refiners for light quality crude oil and the medium and heavy grades of crude oil produced by Pine Cliff. Pine Cliff's results of operations and financial condition are dependent on the prices received for its oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are determined by supply and demand factors, including weather and general economic conditions as well as conditions in other oil-producing regions, which are beyond the control of Pine Cliff or its management. Any decline in oil or natural gas prices could have a material adverse effect on Pine Cliff's operations, financial condition, economically producible reserves and the opportunities for the development of its oil and natural gas reserves. The ability of Pine Cliff to market its natural gas may depend upon its ability to acquire space in pipelines which deliver natural gas to commercial markets. Pine Cliff is also subject to market fluctuations in the prices of oil and natural gas, deliverability uncertainties relating to the proximity of its reserves to pipelines and processing facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. The recovery of reserve estimates on the Acquisition Property described herein are estimates only. The actual reserves on the Acquisition Property may be greater or less than those calculated. Pine Cliff is also subject to a variety of waste disposal, pollution control and similar environmental laws. Pine Cliff believes it is in compliance in all material respects with such laws. The oil and natural gas industry is intensely competitive and Pine Cliff must compete in all aspects of its operations with a number of other corporations which may have greater technical and/or financial resources. Depending on future exploration and development plans, Pine Cliff may require additional financing which may not be available or, if available, may not be available on favourable terms.

The price paid for the Acquisition Property from Novitas was based on engineering and economic assessments by independent engineers, which included a series of assumptions, many of which will be subject to change and will be beyond the control of Pine Cliff. Such factors could affect the return on and value of the Common Shares.

Title to oil and natural gas interests is often not capable of conclusive determination without incurring substantial expense. Pine Cliff will conduct such title reviews in connection with its principal properties that it believes is commensurate with the value of such properties.

Pine Cliff does not anticipate paying any dividends on its outstanding Common Shares in the foreseeable future. See "Dividend Record and Policy".

Pine Cliff's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on the Corporation. Pine Cliff does not have key person insurance in effect for management. The contributions of these individuals to Pine Cliff's immediate operations are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that Pine Cliff will be able to continue to attract and retain all personnel necessary for the development and operation of Pine Cliff's business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of Pine Cliff's management.

In addition, there may be situations in which the interests of directors or officers of Pine Cliff will conflict with those of shareholders. Neither the directors nor officers of Pine Cliff carry on their full time activities on behalf of Pine Cliff and, when acting on behalf of others, may at times act in contradiction to or in competition with the interests of Pine Cliff. In resolving such conflicts and in accordance with the *Business Corporations Act* (Alberta), directors who have a material interest in any person who is a party to a material contract or a proposed material contract with Pine Cliff are required, subject to certain exceptions, to disclose that interest and abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of Pine Cliff.

Circumstances may arise where members of the board of directors of Pine Cliff serve as directors or officers of corporations which are in competition to the interests of Pine Cliff. No assurances can be given that opportunities identified by such board members will be provided to Pine Cliff.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The management of Pine Cliff is not aware of any material interest, direct or indirect, of any director or officer of Pine Cliff, any person beneficially owning, directly or indirectly, more than 10% of Pine Cliff's voting securities, or any associate or affiliate of any such person in any transaction since incorporation or in any proposed transaction which in either case has materially affected or will materially affect Pine Cliff other than with respect to the acquisition of oil and gas properties from Novitas described in "The Corporation". In addition, as disclosed under "Directors and Officers", all but one of the directors and officers of Pine Cliff are also directors and officers of Novitas and of Comstate, the manager of Bonterra. George F. Fink is also the holder of in excess of 10% of the outstanding Novitas Shares and if he were to exercise all of his Rights to which he is entitled, he would hold in excess of 10% of the outstanding Pine Cliff Common Shares. See "Principal Shareholders" and "Related Transactions".

PROMOTER

Novitas is currently the sole shareholder of Pine Cliff and may be considered to be the promoter of Pine Cliff in that Novitas took the initiative in founding and organizing Pine Cliff. The directors and officers of Novitas are also the directors and officers of Pine Cliff.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by Pine Cliff since incorporation which can reasonably be regarded as presently material are the following:

- (a) the Purchase and Sale Agreement relating to the acquisition of the Acquisition Property from Novitas and discussed under the heading "The Corporation";

- (b) the Management Agreement relating to the provision of certain services by Comstate to Pine Cliff discussed under the heading "Business of the Corporation - General Development of the Business"; and
- (c) the Subscription Agent Agreement referred to under the heading "Details of the Offering".

Copies of these agreements will be available for inspection at the offices of Pine Cliff in Calgary, Alberta during normal business hours during the course of distribution and for a period of thirty days thereafter. Copies of these agreements are also available for inspection through the offices of the Alberta Securities Commission.

LEGAL PROCEEDINGS

Pine Cliff is not a party to any legal proceedings nor is any of its property the subject of any legal proceedings material to Pine Cliff nor are any such proceedings known to be contemplated.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditors of Pine Cliff are Deloitte & Touche LLP, 3000, 700 - 2nd Street S.W., Calgary, Alberta, T2P 0S7.

The registrar and transfer agent for the Common Shares is Olympia Trust Company at 2300, 125 – 9th Avenue S.W., Calgary, Alberta, T2G 0P6.

PURCHASERS' STATUTORY RIGHTS

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

AUDITORS' CONSENT

We have read the prospectus of Pine Cliff Energy Ltd. (the "Company") dated March 9, 2005 relating to the issuing of 37,609,234 rights to subscribe for 37,609,234 common shares of the Company to holders of common shares of Novitas Energy Ltd. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the directors of the Company on the balance sheet of the Company as at November 10, 2004. Our report is dated December 8, 2004, except for Note 3 for which the date is March 9, 2005.

We also consent to the use in the above-mentioned prospectus of our report to the directors of the Company on the statement of revenue, royalties and operating expenses of the Sundance Properties for each of the years in the two-year period ended December 31, 2003. Our report is dated December 8, 2004.

Calgary, Alberta
March 9, 2005

(signed) "*Deloitte & Touche LLP*"

Chartered Accountants

AUDITORS' REPORT

To the Directors of Pine Cliff Energy Ltd.:

We have audited the balance sheet of Pine Cliff Energy Ltd. as at November 10, 2004. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation.

In our opinion, this balance sheet presents fairly, in all material respects, the financial position of the Company as at November 10, 2004 in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
December 8, 2004 (except for Note 3 which is
as of March 9, 2005)

(signed) "*Deloitte & Touche LLP*"

Chartered Accountants

FINANCIAL STATEMENT

PINE CLIFF ENERGY LTD.

BALANCE SHEET

November 10, 2004

Assets

Current

Cash

\$ 1.50

Commitments and Contingencies (Note 4)

\$ -

Shareholders Equity

Share Capital (Note 2)

\$ 1.50

(signed) "George F. Fink"

George F. Fink,
Director

(signed) "F. William Woodward"

F. William Woodward,
Director

PINE CLIFF ENERGY LTD.

NOTES TO THE BALANCE SHEET

As at November 10, 2004

1. Significant Accounting Policies

Commencement of Operations

The Company was incorporated on November 10, 2004. It will commence operations with the acquisition of its petroleum and natural gas properties (Note 4).

Petroleum and Natural Gas Properties and Related Equipment

The Company will follow the successful efforts method of accounting for petroleum and natural gas properties and related equipment. Costs of acquiring unproved properties will be capitalized. When property is found to contain proved reserves as determined by Company engineers, the related net book value will be depleted on the unit-of-production basis, calculated by field. The costs of dry holes and abandoned properties will be charged to operations. Geological costs, lease rentals and carrying costs will be charged to income as incurred. Costs of drilling exploratory and development wells that result in additions to proved reserves will be capitalized and depleted on the unit-of-production basis. Tangible equipment will be depreciated on a straight-line basis over ten years.

Income Taxes

The Company will follow the liability method of accounting for income taxes under which the income tax provision is based on the temporary differences in the accounts calculated using income tax rates expected to apply in the year in which the temporary differences will reverse.

Stock-based Compensation Plan

The Company will have a stock-based compensation plan. The Company will record a compensation expense over the vesting period based on the fair value of options granted to employees, directors and consultants. Any consideration paid by employees, directors or consultants on the exercise of these options will be recorded as share capital.

Revenue Recognition

Petroleum and natural gas sales will be recognized when the commodities are delivered to purchasers.

Asset Retirement Obligations

The Company will recognize the fair value of obligations associated with the retirement of tangible long-life assets in the period the asset is put into use, with a corresponding increase to the carrying amount of the related asset. The obligations recognized will be statutory, contractual or legal obligations. The liability will be adjusted over time for changes in the value of the liability through accretion charges which will be included in depletion, depreciation and accretion expense. The costs capitalized to the related assets will be amortized to earnings in a manner consistent with the depletion and depreciation of the underlying asset.

2. Share Capital

Authorized

Unlimited number of Common Shares without nominal or par value.

Unlimited number of Class B Preferred Shares without nominal or par value which may be issued in one or more series.

Issued

| | <u>Number</u> | <u>Amount</u> |
|---------------|---------------|---------------|
| Common Shares | <u>10</u> | <u>\$1.50</u> |

3. Subsequent Event

The Company filed a prospectus on March 9, 2005 with the Ontario, Manitoba, Saskatchewan, Alberta and British Columbia Securities Commissions. The prospectus is filed to qualify up to 37,609,234 Rights and the Common Shares to be issued upon exercise of the Rights. One Right entitles the holder to subscribe for one Common Share at a price of \$0.15 per Common Share until April 5, 2005.

4. Commitments and Contingencies

The Company has entered into a purchase agreement whereby it has agreed to acquire certain oil and gas properties for cash consideration of \$761,000 from Novitas Energy Ltd. ("Novitas") subject to the completion of the takeover of Novitas by Bonterra Energy Income Trust and the successful completion of the Company's rights offering (see Note 3). Novitas, Bonterra Energy Income Trust and the Company are all related parties, as the entities share common directors, and Novitas and the Company are managed by Comstate Resources Ltd., a wholly owned subsidiary of Bonterra Energy Income Trust.

AUDITORS' REPORT

To the Directors of Pine Cliff Energy Ltd.:

We have audited the accompanying statement of revenue, royalties and operating expenses of the Sundance Properties for each of the years in the two-year period ended December 31, 2003. This information is the responsibility of the management of Pine Cliff Energy Ltd. Our responsibility is to express an opinion on this financial information based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, this statement presents fairly, in all material aspects, the revenue, royalties and operating expenses of the Sundance Properties described in Note 1 for each of the years in the two-year period ended December 31, 2003 in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
December 8, 2004

(signed) "*Deloitte & Touche LLP*"

Chartered Accountants

SUNDANCE PROPERTIES

Statement of Revenue, Royalties and Operating Expenses

For the Years Ended December 31, 2003 and 2002

(Nine Months Ended September 30, 2004 and 2003 is Unaudited)

| | Nine Months Ended September 30, 2004 2003 (Unaudited) | | Year Ended December 31, 2003 | Year Ended December 31, 2002 |
|--|---|---------|------------------------------------|------------------------------------|
| | \$ | \$ | \$ | \$ |
| REVENUE | 243,865 | 291,164 | 323,610 | 79,491 |
| ROYALTIES | 13,012 | 11,398 | (2,067) | 22,309 |
| OPERATING EXPENSES | 36,732 | 48,427 | 56,845 | 23,302 |
| EXCESS OF REVENUE OVER OPERATING EXPENSES | 194,121 | 231,339 | 268,832 | 33,880 |

SUNDANCE PROPERTIES

Notes to the Statement of Revenue, Royalties and Operating Expenses Years Ended December 31, 2003 and 2002 (Nine Months Ended September 30, 2004 and 2003 is Unaudited)

1. BASIS OF PRESENTATION

Under an agreement dated October 26, 2004, Novitas Energy Ltd. ("Novitas") undertook to enter into an agreement with Pine Cliff Energy Ltd. ("Pine Cliff") whereby Novitas would sell to Pine Cliff working interests in certain petroleum and natural gas properties in western Canada (the "Sundance Properties").

This statement has been derived from financial information provided by Novitas on the Sundance Properties and relates only to the working interests in such properties that are to be sold to Pine Cliff.

These statements include only those revenues, royalties and operating expenses that are directly related to the Sundance Properties commencing with the date these properties commenced production, in July, 2002, and do not include any expenses related to general and administrative costs, interest, income and capital taxes or any provisions related to depletion, depreciation or asset retirement obligations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue

Natural gas and natural gas liquid sales are recorded when title to the commodities passes to the purchaser.

(b) Royalties

Royalties are recorded at the time the product is produced and are calculated in accordance with the applicable regulations.

(c) Operating expenses

Operating expenses include all costs related to the lifting, gathering, transporting and processing of natural gas.

CERTIFICATES

DATED: March 9, 2005

CERTIFICATE OF THE CORPORATION

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part 7 of the *Securities Act* (British Columbia), Part 9 of the *Securities Act* (Alberta), Part XI of *The Securities Act, 1988* (Saskatchewan), Part VII of the *Securities Act* (Manitoba) and Part XV of the *Securities Act* (Ontario) and the respective regulations thereunder.

(signed) "George F. Fink"

George F. Fink
Chief Executive Officer

(signed) "Garth E. Schultz"

Garth E. Schultz
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(signed) "Carl R. Jonsson"

Carl R. Jonsson
Director

(signed) "F. William Woodward"

F. William Woodward
Director

CERTIFICATE OF THE PROMOTER

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part 7 of the *Securities Act* (British Columbia), Part 9 of the *Securities Act* (Alberta), Part XI of *The Securities Act, 1988* (Saskatchewan), Part VII of the *Securities Act* (Manitoba) and Part XV of the *Securities Act* (Ontario) and the respective regulations thereunder.

NOVITAS ENERGY LTD.

Per: (signed) "George F. Fink"

George F. Fink, President

Per: (signed) "Garth E. Schultz"

Garth E. Schultz, Vice-President