2010 ANNUAL REPORT

Pine Cliff
Energy Ltd.

Report to Shareholders

Pine Cliff Energy Ltd. ("Pine Cliff" or "the Company") is pleased to report its operational and financial results for 2010.

Refocusing Corporate Strategy

During the third quarter of 2010, Pine Cliff completed the disposition of its South American Operations. The disposition significantly reduces future operating and capital costs and will allow the Company to focus its resources on its Canadian properties and new opportunities that may become available. With the disposition of its South American Operations, the Company has positive cash flow from operations as well as a positive working capital position. Pine Cliff has no debt and as such, should be able to finance any opportunities it identifies either through bank borrowings or an equity placement.

Operations

Production in 2010 increased approximately 174 percent compared to 2009 with average daily production totaling 148 BOE per day. The higher volumes are due to the Company's increased activities in Canada. During the first quarter of 2010, the Company completed and placed on production two gross (0.3 net, 15 percent working interest in each well) natural gas wells that were drilled in 2009 on its Sundance property. The wells production averaged approximately 400 MCF per day net to the Company from February to December.

Also in the first quarter of the year, the Company was able to take advantage of further opportunities in the area and participated in drilling an additional two gross (0.3 net) natural gas wells on its Sundance property. These wells came on production in April 2010. Production from these wells averaged 409 MCF per day net to the Company. The Company intends to continue increasing activity in Canada through either acquisition opportunities or through participating in a more active drill program.

Outlook

As of December 31, 2010, Pine Cliff had positive working capital of $309,805 and the Company currently has no budgeted capital commitments for 2011. With the current and prolonged low natural gas price environment, there may be opportunities for either corporate or property acquisitions. With the disposition of the South American Operations complete, the Board of Directors and management remain optimistic that Pine Cliff will be able to refocus its efforts toward a domestic perspective and will consider and purse all opportunities to improve shareholder value.

Submitted on behalf of the Board of Directors

George F. Fink
President, Chief Executive Officer and Director

Review of Operations

Sundance Area – West Central Alberta

Pine Cliff's only producing property is located in the Sundance area of West Central Alberta. The Company has an 11.9 percent average working interest in 3,040 acres (361 net acres) of Crown land in the area. There are currently ten gross (1.28 net) wells producing. The wells are producing liquid rich natural gas from multiple Cretaceous sands ranging from the Cadomin to the Belly River. Current production (March 2011) from the ten wells is approximately 4.4 MMCF per day gross (630 MCF per day net to Pine Cliff). NGLs are produced in association with the natural gas.

There continues to be significant industry activity in the area, particularly utilizing horizontal technologies, and the operator for this area continues to monitor and evaluate the undeveloped lands for additional opportunities. The lands have been approved for a holding which allows for the drilling of eight wells per section on approximately 60 percent of Pine Cliff's lands.

Reserves

The Company engaged the services of Sproule Associates Limited to prepare a reserve evaluation with an effective date of December 31, 2010. All reserves are located in the Province of Alberta. The majority of the Company's production is comprised of natural gas. The Company's main gas producing area is located in the Sundance area of west central Alberta. The gross reserve figure in the following tables represents the Company's ownership before royalties and the net figure is after deduction of all royalties. Tables may not add due to rounding.

Summary of Oil and Gas Reserves as of December 31, 2010

(Forecast prices and costs)

	Natural Gas (non-associated & associated)		Natural Gas Liquids	
Reserve Category:	Gross (MMCF)	Net (MMCF)	Gross (Mbbl)	Net (Mbbl)
Proved				
Developed Producing	827	757	1.3	0.9
Developed Non-Producing	-	-	-	-
Undeveloped	239	226	1.5	1.2
Total Proved	1,065	982	2.8	2.1
Probable	376	339	0.8	0.5
Total Proved Plus Probable	1,442	1,322	3.6	2.6

All reserves are located in Canada.

Reconciliation of Company Gross[1] Reserves (Before Royalty) by Principal Product Type as of December 31, 2010

	Natural Gas			Natural Gas Liquids		
	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)	Gross Proved (MBbl)	Gross Probable (MBbl)	Gross Proved Plus Probable (MBbl)
December 31, 2009	1,056	320	1,376	4.5	1.4	5.9
Extensions	239	53	292	1.5	0.3	1.8
Improved Recovery	-	-	-	-	-	-
Technical Revisions	91	4	95	(2.4)	(0.9)	(3.3)
Discoveries	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-
Production	(321)	-	(321)	(0.8)	-	(0.8)
December 31, 2010	1,065	377	1,442	2.8	0.8	3.6

[1] Gross Reserves means the Company's working interest reserves before calculation of royalties and before consideration of the Company's royalty interests.

All reserves are located in Canada.

Summary of Net Present Values After Income Taxes of Future Net Revenue as of December 31, 2010

($ thousands)	0%	5%	10%	15%	20%
Proved					
Developed Producing	3,222	2,636	2,232	1,940	1,722
Developed Non-Producing	-	-	-	-	-
Undeveloped	779	422	279	200	148
Total Proved	4,001	3,057	2,511	2,140	1,870
Probable	1,427	946	702	557	462
Total Proved Plus Probable	5,428	4,003	3,212	2,697	2,332

All reserves are located in Canada.

The Forecast Prices used in the appendix are:

Year	Natural Gas AECO Gas (Cdn$/ MMBtu)	Butanes Edmonton (Cdn $/Bbl)	Pentanes Plus Edmonton (Cdn $/Bbl)	Inflation Rate (%/Year)	Exchange Rate ($U.S./$ Cdn)
Forecast					
2011	4.04	62.44	95.32	1.5	0.932
2012	4.66	62.95	96.11	1.5	0.932
2013	4.99	62.67	95.68	1.5	0.932
2014	6.58	62.75	95.79	1.5	0.932
2015	6.69	63.69	97.24	1.5	0.932

Natural gas and liquid prices escalate at 1.5 percent per year thereafter.

The above prices were provided by independent reserves evaluator Sproule Associates limited.

The following cautionary statements are specifically required by NI 51-101:

- It should not be assumed that the estimates of future net revenue presented in the above tables represent the fair market value of the reserves. There is no assurance that the forecast prices and cost assumptions will be attained and variances could be material.
- Disclosure provided herein in respect of barrels of oil equivalent (BOE) may be misleading, particularly if used in isolation. In accordance with NI 51-101, a BOE conversion ratio of 6 MCF:1 Bbl has been used in all cases in this disclosure. This BOE conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
- Estimates of reserves and future net revenues for individual properties may not reflect the same confidence level of estimates of reserves and future net revenues for all properties due to the effects of aggregation.

Land Holdings

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

	2010		2009	
	Gross Acres	Net Acres	Gross Acres	Net Acres
Alberta, Canada	5,280	1,234.7	7,360	2,802
San Jorge Basin, Argentina	-	-	6,206	3,020
Neuquen Basin, Argentina	-	-	252,048	63,012
Total	5,280	1,234.7	265,614	68,834

Petroleum and Natural Gas Expenditures

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

	2010	2009
Exploration costs	103,339	$ 125,441
Development costs	1,220,300	871,128
Net petroleum and natural gas capital expenditures	1,323,639	$ 996,569

The exploration costs relate to the Company's Argentina operations which were disposed of in 2010. Development costs relate to the Company's Canadian operations.

Drilling History

The following tables summarize Pine Cliff's gross and net drilling activity and success:

	2010					
	Development		Exploratory		Total	
	Gross	Net	Gross	Net	Gross	Net
Natural Gas	2	0.30	-	-	2	0.30
Success rate	100%	100%	-	-	100%	100%

	2009					
	Development		Exploratory		Total	
	Gross	Net	Gross	Net	Gross	Net
Natural Gas	2	0.30	-	-	2	0.30
Success rate	100%	100%	-	-	100%	100%

All drilling operations in 2009 were in Canada.

	2008					
	Development		Exploratory		Total	
	Gross	Net	Gross	Net	Gross	Net
Natural Gas	1	0.15	3	2.5	4	2.65
Success rate	100%	100%	0%	0%	25%	6%

Drilling operations in 2008 were in Canada and Argentina.

There is still significant industry activity in the Sundance area. The interests in non producing properties are being analyzed to determine whether there are additional prospective drilling locations.

Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) dated April 14, 2011 is a review of the operations and current financial position for Pine Cliff Energy Ltd. ("Pine Cliff" or the "Company") and should be read in conjunction with the audited financial statements for the year ended December 31, 2010, including the notes related thereto.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A include statements which contain words such as "anticipate", "could", "should", "expect", "seek", "may", "intend", "likely", "will", "believe" and similar expressions, statements relating to matters that are not historical facts, and such statements of our beliefs, intentions and expectations about development, results and events which will or may occur in the future, constitute "forward-looking information" within the meaning of applicable Canadian securities legislation and are based on certain assumptions and analysis made by us derived from our experience and perceptions. Forward-looking information in this MD&A includes, but is not limited to: expected cash provided by continuing operations; future capital expenditures, including the amount and nature thereof; oil and natural gas prices and demand; expansion and other development trends of the oil and natural gas industry; business strategy and outlook; expansion and growth of our business and operations; and maintenance of existing customer, supplier and partner relationships; supply channels; accounting policies; credit risks; and other such matters.

All such forward-looking information is based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. The risks, uncertainties, and assumptions are difficult to predict and may affect operations, and may include, without limitation: the risks of foreign operations; foreign exchange fluctuations; equipment and labour shortages and inflationary costs; general economic conditions; industry conditions; changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced; the ability of oil and natural gas companies to raise capital; the effect of weather conditions on operations and facilities; the existence of operating risks; volatility of oil and natural gas prices; oil and gas product supply and demand; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; increased competition; stock market volatility; opportunities available to or pursued by us; and other factors, many of which are beyond our control. The foregoing factors are not exhaustive.

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

The forward-looking information contained herein is expressly qualified by this cautionary statement.

DISCONTINUED OPERATIONS

During 2010, Pine Cliff committed to a plan to dispose of its South American operations to allow the Company to focus its continuing operations on the development of its Canadian oil and natural gas properties. The South American Operations were sold effective September 24, 2010. Accordingly, the South American Operations have been reclassified as discontinued operations in the Consolidated Financial Statements. This is further discussed in the MD&A section entitled "Operating results from discontinued operations."

Annual Financial and Operational Highlights

As at and for the years ended December 31,		**2010**	2009	2008
TOTAL OPERATIONS ($)				
Cash Flow (Deficiency) from Operations		**218,739**	(613,398)	(816,849)
Per Share Basic and Diluted		**0.00**	(0.01)	(0.02)
Net Earnings (Loss)		**57,797**	(2,822,276)	(7,541,868)
Per Share Basic and Diluted		**0.00**	(0.06)	(0.17)
Capital Expenditures		**1,323,639**	996,569	5,377,190
Total Assets		**2,926,513**	3,475,877	5,570,015
Working Capital		**309,805**	491,064	2,316,982
Shareholders' Equity		**2,554,148**	2,363,915	5,044,701
CONTINUING OPERATIONS ($)				
Cash Flow from Operations		**612,844**	94,343	44,099
Per Share Basic and Diluted		**0.01**	0.00	0.00
Net Loss from operations		**(372,776)**	(452,136)	(630,119)
Per Share Basic and Diluted		**(0.01)**	(0.01)	(0.01)
Capital Expenditures		**1,220,300**	871,128	607,941
TOTAL AND CONTINUING OPERATIONS				
Revenue - Oil and Gas ($)		**1,362,570**	518,401	707,012
Natural gas liquids (NGLs)	- Barrels Per Day	**2**	1	1
	- Average Price ($ per barrel)	**77.68**	60.98	90.68
Natural Gas	- MCF Per Day	**876**	315	228
	- Average Price ($ per MCF)	**4.08**	4.22	8.05
Total Barrels of Oil Equivalent (BOE) Per Day [1]		**148**	54	39

[1] Barrels of oil equivalent (BOE) are calculated using a conversion ratio of 6 MCF to 1 barrel of oil. The conversion is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead and as such may be misleading if used in isolation.

Quarterly Financial and Operational Highlights

	2010			
	4th	3rd	2nd	1st
TOTAL OPERATIONS ($)				
Cash Flow (Deficiency) from Operations	38,846	(547)	229,181	(48,741)
Per Share Basic and Diluted	0.00	(0.00)	0.00	(0.00)
Net Earnings (Loss)	(189,701)	613,863	(177,714)	(188,651)
Per Share Basic and Diluted	(0.01)	0.01	(0.00)	(0.00)
Capital Expenditures	81,622	63,106	165,734	1,013,177
Total Assets	2,926,513	3,095,108	2,909,413	3,768,237
Working Capital (Deficiency)	309,805	394,482	(387,016)	(426,596)
Shareholders' Equity	2,554,148	2,743,427	2,129,564	2,305,659
CONTINUING OPERATIONS ($)				
Cash Flow from Operations	38,846	243,335	311,063	19,600
Per Share Basic and Diluted	0.00	0.01	0.01	0.00
Net Loss from Operations	(189,701)	(121,701)	(39,244)	(22,130)
Per Share Basic and Diluted	(0.00)	(0.00)	(0.00)	(0.00)
Capital Expenditures	81,622	40,549	108,879	989,250
TOTAL AND CONTINUING OPERATIONS				
Revenue - Oil and Gas ($)	279,741	323,641	548,391	210,797
NGLs (Barrels Per Day)	1	1	4	3
Natural Gas (MCF Per Day)	768	908	1,387	435

	2009			
	4th	3rd	2nd	1st
TOTAL OPERATIONS ($)				
Cash Flow from Operations	(125,061)	(37,247)	(241,924)	(209,166)
Per Share Basic and Diluted	(0.00)	(0.00)	(0.01)	(0.00)
Net Loss	(1,734,926)	(263,808)	(325,010)	(498,532)
Per Share Basic and Diluted	(0.03)	(0.01)	(0.01)	(0.01)
Capital Expenditures	266,470	600,732	9,581	119,786
Total Assets	3,475,877	4,900,934	4,558,217	4,966,907
Working Capital	491,064	991,619	1,738,974	1,903,038
Shareholders' Equity	2,363,915	4,089,767	4,341,385	4,644,004
CONTINUING OPERATIONS ($)				
Cash Flow from Operations	(15,505)	91,448	(23,450)	41,850
Per Share Basic and Diluted	(0.00)	0.00	(0.00)	0.00
Net Loss from Operations	(107,735)	(94,553)	(64,813)	(185,035)
Per Share Basic and Diluted	(0.00)	(0.00)	(0.01)	(0.00)
Capital Expenditures	296,571	573,041	69	1,447
TOTAL AND CONTINUING OPERATIONS				
Revenue - Oil and Gas ($)	119,726	93,177	111,773	193,725
NGLs (barrels per day)	1	1	2	1
Natural Gas (MCF per day)	264	295	312	392

Continuing Operations

Production

	Three months ended			Twelve months ended	
	Dec. 31, 2010	Sept. 30, 2010	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
Crude oil and NGLs (barrels per day)	**1**	1	1	**2**	1
Natural gas (MCF per day)	**768**	908	264	**876**	315
Total BOE per day [(1)]	**129**	153	45	**148**	54

[(1)] Barrels of oil equivalent (BOE) are calculated using a conversion ratio of 6 MCF to 1 barrel of oil. The conversion is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead and as such may be misleading if used in isolation.

During the first quarter of 2010, the Company completed and placed on production two gross (0.3 net, 15 percent working interest in each well) natural gas wells that were drilled in 2009 on its Sundance property. The wells production averaged approximately 400 MCF per day net to the Company from late February to December.

During the first quarter of 2010, the Company participated in drilling two gross additional (0.3 net) natural gas wells on its Sundance property. These wells came on production in April 2010. Production from these wells averaged 409 MCF per day net to the Company. Production was lower in the fourth quarter of 2010 compared to the third quarter of 2010 due to natural production declines related to these four wells.

Revenue

	Three months ended			Twelve months ended	
($)	**Dec. 31, 2010**	Sept. 30, 2010	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
Revenue:					
NGLs and gas sales	**279,741**	323,641	119,726	**1,362,570**	518,401
Average Realized Prices:					
Crude oil and NGLs (per barrel)	**74.91**	66.90	69.71	**77.68**	60.98
Natural gas (per MCF)	**3.86**	3.79	4.55	**4.08**	4.22

Revenue from NGLs and natural gas sales increased by 163 percent in 2010 compared to 2009. The increase was due to increased production volumes from four (0.6 net) new wells that commenced production in 2010. The decrease in Q4 2010 revenue compared to Q3 2010 was primarily due to natural production declines from the new wells. The Company did not enter into any risk management contracts in either 2010 or 2009 and presently does not anticipate entering into any risk management contracts in 2011.

Royalties

	Three months ended			Twelve months ended	
($)	**Dec. 31, 2010**	Sept. 30, 2010	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
Crown royalties	**6,258**	9,406	9,257	**62,437**	340
Gross overriding royalties	**6,843**	5,698	2,902	**29,339**	12,351
Total royalty expense	**13,101**	15,104	12,159	**91,776**	12,691
Percentage of revenue	**4.7%**	4.7%	10.2%	**6.7%**	2.4%
Per BOE	**1.10**	1.08	2.91	**1.70**	0.64

Royalties paid by the Company in 2010 were higher than 2009 due to higher production volumes and a crown royalty holiday adjustment on a well drilled in 2008. The crown royalty holiday adjustment was not received until the second and third quarters of 2009. The decrease in crown royalties in Q4 2010 compared to Q3 2010 was due to lower production volumes. The increase in gross overriding royalties for Q4 2010 over Q3 2010 was due to prior period adjustments.

Alberta Government Competitiveness Review

On March 11, 2010, the Government of Alberta announced that it will modify conventional oil and natural gas royalties effective January 2011 to increase Alberta's competitiveness in the upstream energy sector. The current five per cent front-end royalty rate on conventional oil and natural gas will become a permanent feature of the royalty system. The maximum royalty rate for conventional oil will be reduced to 40 percent from 50 percent. The maximum royalty rate for conventional and unconventional natural gas will be reduced at higher prices from 50 to 36 percent. Other royalty incentive programs will remain in effect. Management believes these changes to the royalty system should have a positive effect on future cash flow.

Production Costs

	Three months ended			Twelve months ended	
($)	**Dec. 31, 2010**	Sept. 30, 2010	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
Production costs	**78,197**	84,827	31,354	**355,140**	150,691
Per BOE	**6.59**	6.05	7.51	**6.57**	7.65

Total production costs were higher in 2010 versus 2009 due to higher production volumes. The decrease in production costs in the fourth quarter of 2010 compared to the third quarter of 2010 was due to decreased production volumes.

General and Administrative (G&A)

	Three months ended			Twelve months ended	
($)	**Dec. 31, 2010**	Sept. 30, 2010	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
G&A expense	**70,725**	100,497	99,386	**278,077**	319,096

General and administrative expenses from continuing operations decreased by $41,019 in 2010 compared to 2009. The decrease in G&A expenses is primarily due to decreased management fees and decreased continuous disclosure costs. The decrease in G&A expenses in Q4 2010 compared to Q3 2010 is due to decreased legal fees for general matters and decreased continuous disclosure costs.

Pine Cliff does not have any employees at the present time but has engaged Bonterra Energy Corp. (Bonterra), a related party (see Related Party section), to provide management, administrative and technical services. Pine Cliff also engages the services of consultants on a contract or temporary basis if required.

Stock-Based Compensation

	Three months ended			Twelve months ended	
($)	**Dec. 31, 2010**	Sept. 30, 2010	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
Stock-based compensation	**422**	-	6,074	**4,936**	138,490

The Company has a stock-based compensation plan. The Company records a compensation expense over the vesting period based on the fair value of options granted to employees of the management company (see section “Related Party Transactions”), directors and service providers in respect of the Company. No new options were issued in 2010. Stock-based compensation expense for 2010 relates to options issued in prior periods that have vested in 2010.

Depletion, Depreciation, and Accretion

	Three months ended			Twelve months ended	
($)	**Dec. 31, 2010**	Sept. 30, 2010	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
Depletion, Depreciation, and Accretion	**186,224**	238,458	78,488	**878,188**	353,862

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

During 2010, the Company expensed $524,326 more than 2009 on its property and equipment. The increase is related to depletion on the natural gas properties as production volumes almost tripled in 2010 compared to 2009. The fourth quarter of 2010 had a decrease in depletion, depreciation and accretion amount due to lower production volumes compared to the third quarter of 2010.

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

At December 31, 2010, the estimated total undiscounted amount required to settle the asset retirement obligations was $95,032 (2009 - $98,932). These obligations will be settled based on the useful lives of the underlying assets, which extend up to 13 years into the future. This amount has been discounted using a credit-adjusted risk-free interest rate of five percent. The discount rate is reviewed annually and adjusted if considered necessary.

The calculation of the above requires an estimation of the amount of the Company’s petroleum proved reserves by field. This figure is calculated annually by an independent engineering firm and used to calculate depletion. This calculation is to a large extent subjective. Reserve adjustments are affected by economic assumptions as well as estimates of petroleum products in place and methods of recovering those reserves. To the extent reserves are increased or decreased, depletion costs will vary.

Income Taxes

The Company follows 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. The Company has sufficient tax pools such that it is not liable for current income tax.

The Company has the following tax pools from its continuing operations which can be used to reduce future taxable income:

	Rate of Utilization (%)	Amount ($)
Undepreciated capital costs	25	321,399
Canadian oil and gas expenditures	10	477,885
Canadian development expenditures	30	1,554,100
Canadian exploration expenditures	100	392,110
Share issue costs	20	15,663
Non-capital loss carryforward *	100	3,221,089
Capital loss carryforward	100	354,119
		6,336,365

* $700,214 expires 2026, $1,114,518 expires 2027, $675,721 expires in 2028, $447,500 expires in 2029 and $283,136 expires in 2030

Net Loss

	Three months ended			Twelve months ended	
($)	**Dec. 31, 2010**	Sept. 30, 2010	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
Net Loss	**(189,701)**	(121,701)	(107,734)	**(372,776)**	(452,136)
Net Loss per share	**(0.00)**	(0.00)	(0.00)	**(0.01)**	(0.01)

The decrease in net loss for the 2010 year compared to the 2009 year was predominantly due to increased oil and natural gas revenue and decreased stock based compensation expense, partially offset by an increase in depletion, depreciation and accretion and production costs due to increased production volumes and an impairment provision on the note receivable. The increase in the Q4 2010 net loss compared to Q3 2010 net loss was predominantly due to a decrease in oil and gas revenue from reduced production volumes and an impairment provision on the note receivable, offset partially by a decrease in production costs and G&A costs and depletion, depreciation and accretion.

Cash Flow (Deficiency) from Operations

	Three months ended			Twelve months ended	
($)	**Dec. 31, 2010**	Sept. 30, 2010	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
Cash flow (deficiency) from operations	**38,846**	243,335	(15,505)	**612,844**	94,343
Cash flow (deficiency) from operations per share	**0.00**	0.01	(0.00)	**0.01**	0.00

Cash flow increased for the twelve months ended 2010 compared to 2009 as the Company had significantly increased oil and gas revenue which was partially offset by higher crown royalties and production costs. The decrease in cash flow in Q4 2010 compared to Q3 2010 was primarily due to a decrease in oil and gas revenue and decreases in adjustments for non-cash working capital items, which was partially offset by decreased production costs and crown royalties.

Related Party Transactions

Pine Cliff has a management agreement with Bonterra (a company with common directors and management with Pine Cliff), to have Bonterra provide executive services (President and CEO, CFO and COO), technical services, accounting services, oil and gas administration and office administration. The management fee consists of a monthly fee of $7,500 (2009 - $10,000). Total fees for 2010 were $90,000 (2009 - $120,000). As at December 31, 2010, amounts owing to Bonterra were $464 (December 31, 2009 - $448). The agreement with Bonterra can be cancelled by either party by providing 90 days notice.

Liquidity and Capital Resources

As of December 31, 2010, Pine Cliff had positive working capital of $309,805 (December 31, 2009 - $491,064). The Company currently has no budgeted capital commitments for 2011. With current low natural gas prices, management believes there may be opportunities for either corporate or property acquisitions. The Company is examining such opportunities as well as future development of its existing land base.

During 2010 the Company sold its South American Operations which will significantly reduce operating and capital costs in the future. This disposition will allow the Company to focus its resources on its Canadian properties and new opportunities. The proceeds from the disposition of the South American operations was $450,000 consisting of $1,000 of cash, a note receivable for $449,000, a contingent receivable not used to calculate gain on disposal of oil and gas assets and a working capital deficiency of $342,969 that was transferred to the purchaser. Subsequent to year end, the purchaser settled the note by issuing shares in the purchaser's corporation. These shares were valued at $328,227 at year end. The Company has recorded an impairment provision of $120,773 on the note receivable.

With the disposition of its South American Operations, the Company has positive cash flow from operations as well as a positive working capital position. The fact that Pine Cliff has no debt combined with the above should allow it to finance opportunities that it identifies either through bank borrowings or an equity placement.

The Company is authorized to issue an unlimited number of common shares without nominal or par value. Equity transactions during the past years are as follows:

	2010		2009	
	Number	**Amount ($)**	Number	Amount ($)
Common Shares				
Balance, beginning of year	**45,295,695**	**14,593,560**	45,275,695	14,588,722
Issued on exercise of stock options	**850,000**	**127,500**	20,000	3,000
Transfer of contributed surplus to share capital		**98,312**		1,838
Balance, end of year	**46,145,695**	**14,819,372**	45,295,695	14,593,560

A summary of the status of the Company's stock option plan as of December 31, 2010 and December 31, 2009, and changes during the years ended on those dates are presented as follows:

	December 31, 2010		December 31, 2009	
		Weighted-Average		Weighted-Average
	Options	**Exercise Price**	Options	Exercise Price
Outstanding at beginning of year	**3,126,000**	**$0.63**	3,118,000	$0.63
Options granted	**-**	**-**	40,000	0.15
Options exercised	**(850,000)**	**0.15**	(20,000)	0.15
Options cancelled	**(2,236,000)**	**0.79**	(12,000)	0.15
Outstanding at end of year	**40,000**	**$0.15**	3,126,000	$0.63
Options exercisable at end of year	**20,000**	**$0.15**	3,028,500	$0.62

The following table summarizes information regarding stock options outstanding at December 31, 2010:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/10	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 12/31/10	Weighted-Average Exercise Price
$0.15	40,000	1.1 years	$0.15	20,000	$0.15

The Company records a compensation expense over the vesting period based on the fair value of options granted to employees, directors and consultants. Of the unvested options as of December 31, 2010, 20,000 vest in 2011.

The Company had incorporated a subsidiary company, CanAmericas Energy Ltd. (CanAmericas) to explore and develop oil and gas properties primarily in South America. CanAmericas was owned 93 percent by the Company and seven percent by a foreign private corporation (Foreign Corp.). On November 23, 2010, Foreign Corp. sold its interest in CanAmericas to Pine Cliff for proceeds of $10. On January 1, 2011 CanAmericas was amalgamated with Pine Cliff.

Operating Results From Discontinued Operations

The following represents results of the South American operations which have been designated as discontinued operations.

Balance Sheets

($)	**As at December 31, 2010**	As at December 31, 2009
Assets		
Current		
Cash	**-**	39,090
Accounts receivable	**-**	4
Total assets	**-**	39,094
Liabilities		
Current		
Accounts payable and accrued liabilities	**-**	192,818
Asset Retirement Obligations	**-**	35,836
Total liabilities	**-**	228,654

Statements of Net Earnings (Loss)

	For the Years Ended December 31,	
($)	**2010**	2009
Revenue		
Gain on disposal	**807,028**	-
Interest and other income	**-**	1,804
	807,028	1,804
Expenses		
General and administrative	**251,400**	668,579
Foreign exchange (gain) loss	**(4,410)**	86,131
Depletion, depreciation and accretion	**1,344**	2,792
Impairment of oil and gas assets	**80,782**	1,463,712
Dry hole costs	**-**	31,071
	329,116	2,252,285
Net Earnings (Loss) From Discontinued Operations Before Taxes	**477,912**	(2,250,481)
Taxes		
Current	**47,339**	119,659
Future	**-**	-
	47,339	119,659
Net Earnings (Loss) From Discontinued Operations	**430,573**	(2,370,140)

Gain on disposal

On September 24, 2010 the Company disposed of its South American subsidiary, whose assets and liabilities related primarily to the Canadon Ramirez Concession and Laguna de Piedra Concession (South American Properties). The proceeds of disposition were $450,000 consisting of $1,000 of cash, a note receivable for $449,000 and a contingent receivable not used to calculate gain on disposal of oil and gas assets and liabilities. Subsequent to year end, the purchaser settled the note by issuing shares in the purchaser's corporation. These shares were valued at $328,227 at year end. The Company has recorded an impairment provision of $120,773 on the note receivable. At the time of disposition, the Company had a net book value of $23,121 for the South American properties after prior period write-downs of $7,746,705. It also had an asset retirement obligation of $37,180 and a working capital deficiency of $342,969 that was transferred to the purchaser related to the South American property resulting in a gain on sale of $807,028.

Contingent Receivable

Upon disposal of the South American subsidiary, the Company received a contingent consideration of $200,000 (payable in cash or shares in the purchaser corporation) if by September 24, 2012 the purchaser or an affiliate to the purchaser is successful in obtaining a drilling permit followed by the drilling of a well on the Laguna de Piedra concession block in the Rio Negro Province of Argentina or the local permitting authority in the province grants a concession to substitute for the Laguna de Piedra concession and the purchaser or affiliate entity drills a well on the substitute concession. Collection of this receivable is not determinable at this time and therefore has not been recorded by the Company.

General and Administrative

General and administrative (G&A) expenses decreased significantly in 2010 compared to 2009 due to a reduction in the Company's South American activities. With the unsuccessful completion of the three-well drill program on the Canadon Ramirez Concession, the Company's Board of Directors and management reviewed the Company's involvement in Argentina and reduced its consulting services and other international expenses since Q2 2009.

Foreign Exchange Loss (Gain)

The Company had maintained foreign denominated bank accounts to facilitate its foreign operations and kept minimum balances in these accounts. The gain on foreign exchange during the 2010 year relates to the depreciation of the Canadian dollar compared to the Argentine peso.

Depletion, Depreciation, and Accretion and Dry Hole Exploration Costs

For the 2010 year, an impairment provision of $34,626 (2009 - $31,071 as dry hole costs) was taken on the exploration costs related to the Canadon Ramirez Concession. An impairment provision of $46,156 (2009 - $1,463,712) was also taken on the Laguna de Piedra Concession, prior to the disposal of the South American properties.

Taxes

The Company had accrued a $47,339 (2009 - $119,659) current tax expense related to Argentina capital tax. A one percent Argentina capital tax is payable in respect to the exploration costs for the Canadon Ramirez and the Laguna de Piedra Concessions. This liability was transferred to the purchaser on the disposal of its South American subsidiary.

Net Earnings (Loss)

The net earnings from discontinued operations for the twelve months ended 2010 compared to the net loss for 2009 was predominantly due to the disposal of the South American properties on September 24, 2010.

Financial Reporting Update

International Financial Reporting Standards (IFRS)

In October 2009, the Accounting Standards Board issued a third and final IFRS Omnibus Exposure Draft confirming that publicly accountable enterprises will be required to apply IFRS, in full and without modification, for all financial periods beginning January 1, 2011. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by Pine Cliff for the year ended December 31, 2010, including the opening balance sheet as at January 1, 2010.

The Company commenced the process to transition its financial statements from current Canadian GAAP to IFRS in 2008. The Company's project consists of three key phases: the scoping and diagnostic phase, the impact analysis and evaluation phase and the implementation phase.

- Scoping and diagnostic phase – this phase involves performing a high level impact analysis to identify areas that may be affected by the transition to IFRS. The results of this analysis were given a priority ranking according to their complexity and the amount of time required to assess the impact of changes in transitioning to IFRS. The Company identified the following high impact and medium impact areas:

High impact areas include:

- IFRS 1 – First time adoption of IFRS
- IAS 16 – Property and equipment
- IAS 36 – Impairment of assets

Medium impact areas include:

- IFRS 6 – Exploration and evaluation of mineral resources
- IFRS 2 – Share-based payments
- IAS 1 – Presentation of financial statements
- IAS 10 – Events after the balance sheet date
- IAS 12 – Income Taxes
- IAS 18 – Revenues
- IAS 21 – The effects of changes in foreign exchange rates
- IAS 23 – Borrowing costs
- IAS 37 – Provisions, contingent liabilities and contingent assets

- Impact analysis and evaluation phase – during this phase, items identified in the diagnostic were addressed according to the priority ranking assigned to them. The Company conducted analysis of policy choices allowed under IFRS and their impact to the financial statements. Additionally, certain potential differences were further investigated to assess if there was any broader impact to the Company's net earnings, compensation arrangements or management reporting systems. The impact analysis and evaluation phase was concluded by management pending the Audit Committee of the Board of Directors approval on all accounting policies chosen by management. Since Pine Cliff uses successful efforts method of accounting on its petroleum and natural gas properties under Canadian GAAP, the audit committee of the Board of Directors gave management the directive to choose policies that will retain as much comparability to the accounting policies chosen under Canadian GAAP.

- Implementation phase – involved implementation of all changes approved in the impact analysis and evaluation phase, which included minor changes to existing information systems, the creation of new business processes and the modification of training staff impacted by the conversion.

Since its inception, the project has been led by the financial reporting group with sponsorship from the executive team. The Company has effectively completed all phases of its IFRS transition project and continues to review its draft IFRS financial statements and disclosures for completeness and quality assurance. The Audit Committee will review and approve the Company's IFRS accounting policy selections and adjustments prior to the release of the first quarter of 2011 financial statements and MD&A.

First Time Adoption of IFRS

Most adjustments required on transition to IFRS will be made retrospectively against opening retained earnings as of the date of the first comparative balance sheet presented, based on standards applicable at that time. IFRS 1 provides entities adopting IFRS for the first time with certain optional exemptions and mandatory exceptions to the general requirement for full retrospective application of IFRS. Management has analyzed the various accounting policy choices available under IFRS 1 and has implemented those determined to be the most appropriate for Pine Cliff. Accordingly, it has applied the following IFRS 1 exemptions in its IFRS opening balance sheet:

- Business combinations (IFRS 1) - provides the option to apply IFRS 3, business combinations, retrospectively or prospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its Transition Date and such business combinations have not been restated. Any goodwill arising on such business combinations before the Transition Date has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying these exemptions.

- Share-based payments (IFRS 2) - encourages the application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its Transition Date. Further, the Company applied IFRS 2 for all liabilities arising from share-based payment transactions that existed at its Transition Date. This election has no material effect on the Company.

- Borrowing Costs (IAS 23) - requires an entity to capitalize the borrowing costs related to all qualifying assets for which the commencement date for capitalization is on or after January 1, 2010. Since the Company has no debt, this election has no effect on the Company.

- Leases (IAS 17) - requires an entity to assess arrangements outstanding at the Transition Date. It also requires a determination of the appropriate lease classification in accordance with IAS 17, should an arrangement containing a lease be identified as part of the International Financial Reporting Interpretations Committee (IFRIC) 4, Determining Whether an Arrangement Contains a Lease, application. This election has no effect on the Company.

- Decommissioning Liabilities Included in the Cost of Property, Plant and Equipment (IAS 37) - Provisions, Contingent Assets and Contingent Liabilities, requires an entity to estimate the statutory and constructive liabilities that existed at the Transition Date, discounted at the risk free rate. The Company has revalued its asset retirement obligation under GAAP to IFRS. The Company also determined it had no unrecorded statutory or constructive obligations.

Summary of Accounting Changes

The following is a listing of key areas where accounting policies differ and where accounting policy decisions are necessary that will significantly impact our reported financial position and results of operations:

- Asset retirement obligation (ARO) – Under IFRS, the Company is required to revalue its entire liability for asset retirement costs at each balance sheet date using a current liability-specific discount rate, which can generally be interpreted to mean the current risk-free rate of interest. Under Canadian GAAP, obligations are discounted using a credit-adjusted risk-free rate and, once recorded, the asset retirement obligation is not adjusted for future changes in discount rates. At January 1, 2010 Pine Cliff's total asset retirement obligations will increase from $84,134 (including the ARO in discontinued operations) to $89,947, an increase of $5,813, as the liability is revalued to reflect the estimated risk free rate of interest at that time of 4.1%. The offsetting ARO asset's cost will be adjusted by $4,262 due to the changes in the ARO liability. The ARO asset would also incur $4,918 more accumulated depletion. The net offset of these changes is recorded as an increase to deficit.

The table below summarizes the Company's January 1, 2010 balance sheet under Canadian GAAP and the transitional entries required to present the opening balance sheet under IFRS. Pine Cliff has not yet prepared a full set of annual financial statements under IFRS, therefore, amounts disclosed are unaudited.

($)	**Canadian GAAP**	**IFRS Adjustments**	**IFRS**
Current assets	1,518,892	-	1,518,892
Long-term assets	1,956,985	(656)	1,956,329
Total assets	**3,475,877**	**(656)**	**3,475,221**
Current liabilities	1,027,828	-	1,027,828
Long-term liabilities	84,134	5,813	89,947
Equity	2,363,915	(6,469)	2,357,446
Total liabilities and equity	**3,475,877**	**(656)**	**3,475,221**

In addition to accounting policy differences, the Company's transition to IFRS is expected to impact its internal controls over financial reporting, disclosure controls and procedures, certain of Pine Cliff's business activities and IT systems as follows:

- Internal controls over financial reporting (ICFR) – Pine Cliff is currently in the process of reviewing its ICFR documentation and is identifying instances where controls must be amended or added in order to address the accounting policy changes required under IFRS. No material changes in control procedures are expected as a result of transition to IFRS.

- Disclosure controls and procedures – Pine Cliff has assessed the impact of transition to IFRS on its disclosure controls and procedures and has not identified any material changes required in its control environment. It is expected that there will be increased note disclosure around certain financial statement items than what is currently required under Canadian GAAP. Management is currently drafting its IFRS note disclosure in accordance with current IFRS standards and continues to monitor requirements put forth by the International Accounting Standards Board (IASB) in discussion papers and exposure drafts for future disclosure requirements. Throughout the transition process, Pine Cliff has carefully considered its stakeholders' information requirements and will continue to ensure that adequate and timely information is provided to meet these needs.

- Business activities – Management has been cognizant of the upcoming transition to IFRS, and as such, has worked with its counterparties to ensure that any agreements that contain references to Canadian GAAP financial statements are modified to allow for IFRS statements. Based on the changes to the Company's accounting policies, no issues are expected to arise with the existing wording of agreements as a result of the conversion to IFRS.

- IT systems – Pine Cliff has completed the accounting system updates required in order to prepare for IFRS reporting. Since the Company has been using successful efforts method to account for its petroleum and natural gas assets, no significant modifications were deemed critical in order to allow for reporting of both Canadian GAAP and IFRS statements in 2010.

Sensitivity Analysis

Given the current status of the Company, changes of U.S. $1.00 per barrel in the price of crude oil, $0.10 per MCF in the price of natural gas, or a $0.01 change in the Cdn/U.S. exchange rate would have no significant impact on the cash flow or cash flow per share amounts for the Company.

Additional information relating to the Company may be found on www.sedar.com and by visiting its website at **www.pinecliffenergy.com**.

Submitted on behalf of the Board of Directors,

George F. Fink
President, CEO and Director

Management’s Responsibility for Financial Statements

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

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

Deloitte & Touche LLP was appointed by the shareholders to serve as the Company’s external auditors. They have examined the financial statements and provided their auditor’s report. The audit committee has reviewed the financial statements with management and the auditors, and has reported to the Board of Directors. The Board of Directors has approved the financial statements as presented.

George F. Fink
President and Chief Executive Officer
April 14, 2011

Robb D. Thompson
Chief Financial Officer and Secretary
April 14, 2011

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **Pine Cliff Energy Ltd.**

We have audited the accompanying consolidated financial statements of Pine Cliff Energy Ltd., which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of net earnings (loss), comprehensive income (loss) and deficit and cash flow for the years then ended, and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pine Cliff Energy Ltd. as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte Touche LLP

Chartered Accountants

Calgary, Alberta
April 14, 2011

Consolidated Balance Sheets

As at December 31

($)	**2010**	2009
Assets		
Current		
Cash	**108,039**	1,333,553
Accounts receivable	**155,945**	129,900
Prepaid expenses	**26,402**	16,345
Note receivable (Note 4)	**328,227**	-
Discontinued operations (Note 4)	**-**	39,094
	618,613	1,518,892
Property and Equipment (Note 6)		
Property and equipment	**4,561,550**	3,374,830
Accumulated depletion and depreciation	**(2,253,650)**	(1,417,845)
Net Property and Equipment	**2,307,900**	1,956,985
	2,926,513	3,475,877
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 5)	**308,808**	835,010
Discontinued operations (Note 4)	**-**	192,818
	308,808	1,027,828
Asset Retirement Obligations (Note 8)	**63,557**	48,298
Discontinued operations (Note 4)	**-**	35,836
	372,365	1,111,962
Non-Controlling Interests (Note 11)	**-**	-
Shareholders' Equity (Note 9)		
Share capital	**14,819,372**	14,593,560
Contributed surplus	**766,244**	859,620
Deficit	**(13,031,468)**	(13,089,265)
Total Shareholders' Equity	**2,554,148**	2,363,915
	2,926,513	3,475,877

See the accompanying notes to the consolidated financial statements

Approved on Behalf of the Board:

George F. Fink
Director

F. William Woodward
Director

Consolidated Statements of Net Earnings (Loss), Comprehensive Income (Loss) and Deficit

For the years ended December 31

($)	**2010**	2009
Revenue		
Oil and gas sales	**1,362,570**	518,401
Royalties	**(91,776)**	(12,691)
Interest income	**-**	4,293
	1,270,794	510,003
Expenses		
Production costs	**355,140**	150,691
General and administrative (Note 5)	**278,077**	319,096
Stock-based compensation (Note 9)	**4,936**	138,490
Depletion, depreciation and accretion	**878,188**	353,862
Loss on disposal of property and equipment (Note 6)	**6,456**	-
Impairment of note receivable (Note 4)	**120,773**	-
	1,643,570	962,139
Loss Before Taxes	**(372,776)**	(452,136)
Taxes (Note 7)		
Current	**-**	-
Future	**-**	-
	-	-
Net Loss From Continuing Operations	**(372,776)**	(452,136)
Net Earnings (Loss) From Discontinued Operations (Note 4)	**430,573**	(2,370,140)
Net Earnings (Loss) and Comprehensive Income (Loss)	**57,797**	(2,822,276)
Deficit, Beginning of Year	**(13,089,265)**	(10,266,989)
Deficit, End of Year	**(13,031,468)**	(13,089,265)
Net Loss Per Share From Continuing Operations - Basic and Diluted (Note 9)	**(0.01)**	(0.01)
Net Earnings (Loss) Per Share From Discontinued Operations - Basic and Diluted (Note 9)	**0.01**	(0.05)
Net Earnings (Loss) and Comprehensive Income (Loss) Per Share - Basic and Diluted (Note 9)	**0.00**	(0.06)

Consolidated Statements of Cash Flow

For the years ended December 31

($)	2010	2009
Operating Activities		
Net loss from continuing operations	**(372,776)**	(452,136)
Items not affecting cash		
Stock-based compensation	**4,936**	138,490
Depletion, depreciation and accretion	**878,188**	353,862
Loss on disposal of property and equipment	**6,456**	-
Impairment of note receivable	**120,773**	-
	637,577	40,216
Change in non-cash working capital		
Accounts receivable	**(74,492)**	32,825
Prepaid expenditures	**(10,057)**	10,585
Accounts payable and accrued liabilities	**59,816**	10,717
	(24,733)	54,127
Cash provided by continuing operations	**612,844**	94,343
Cash used in discontinued operations	**(394,105)**	(707,741)
Cash Provided (Used in) Operating Activities	**218,739**	(613,398)
Financing Activities		
Share option proceeds	**127,500**	3,000
Cash Provided by Financing Activities	**127,500**	3,000
Investing Activities		
Property and equipment expenditures	**(1,220,300)**	(871,128)
Change in non-cash working capital		
Accounts receivable	**48,447**	(60,000)
Accounts payable and accrued liabilities	**(586,018)**	461,409
Cash used in continuing operations	**(1,757,871)**	(469,719)
Cash provided by (used in) discontinued operations	**186,118**	(70,929)
Cash used in Investing Activities	**(1,571,753)**	(540,648)
Net Cash Outflow	**(1,225,514)**	(1,151,046)
Cash, Beginning of Year	**1,333,553**	2,484,599
Cash, End of Year	**108,039**	1,333,553
Cash interest paid	**-**	-
Cash taxes paid by discontinued operations	**55,169**	57,962

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

1. NATURE OF BUSINESS

Pine Cliff Energy Ltd. ("Pine Cliff" or the "Company") is a public company listed on the TSX Venture Exchange and incorporated under the Business Corporations Act (Alberta). Pine Cliff's continuing operations is in one industry related to the development and production of oil and natural gas in the Western Canadian Sedimentary Basin.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP) as described below.

Consolidated entities

These consolidated financial statements include the accounts of Pine Cliff Energy Ltd. ("Pine Cliff" or the "Company") and its wholly owned subsidiaries CanAmericas Energy Ltd. (CanAmericas) (see note 11) and CanAmericas (Argentina) Energy Ltd. (CanAmericas Argentina) (which was sold in 2010 and presented as discontinued operations, see Note 4). Inter-company transactions and balances are eliminated upon consolidation.

Measurement Uncertainty

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the balance sheets as well as the reported amounts of revenues, expenses, and cash flows during the periods presented. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Actual results could differ materially from estimated amounts.

Amounts recorded for depletion, depreciation and accretion costs and amounts used for impairment test calculations are based on estimates of crude oil and natural gas reserves and future costs required to develop those reserves. Stock-based compensation is based upon expected volatility and option life estimates. Asset retirement obligations are based on estimates of abandonment costs, timing of abandonment, inflation and interest rates. The provision for income taxes is based on judgements in applying income tax law and estimates on the timing, likelihood and reversal of temporary differences between the accounting and tax basis of assets and liabilities. These estimates are subject to measurement uncertainty and changes in these estimates could materially impact the financial statements of future periods.

Revenue Recognition

Revenues associated with sales of petroleum and natural gas are recorded when title passes to the customer.

Joint Interest Operations

Substantially all of the Company's oil and gas operations are conducted jointly with other parties and accordingly the financial statements reflect only the Company's proportionate interest in such activities.

Petroleum and Natural Gas Properties and Related Equipment

The Company follows the successful efforts method of accounting for petroleum and natural gas properties and related equipment. Costs of exploratory wells are initially capitalized pending determination of proved reserves. Costs of wells which are assigned proved reserves remain capitalized, while costs of unsuccessful wells are charged to earnings. All other exploration costs including geological and geophysical costs are charged to earnings as incurred. Development costs, including the cost of all wells, are capitalized.

Producing properties are assessed annually or more frequently as economic events dictate, for potential impairment. Impairment is assessed by comparing the estimated net undiscounted future cash flows to the carrying value of the asset. If required, the impairment recorded is the amount by which the carrying value of the asset exceeds its fair value.

Costs related to undeveloped properties are excluded from the depletion base until it is determined whether or not proved reserves exist or if impairment of such costs has occurred. These properties are assessed at least annually to determine whether impairment has occurred.

Depreciation and depletion of capitalized costs of oil and gas producing properties are calculated using the unit of production method. Development and exploration drilling and equipment costs are depleted over the remaining total proved reserves. Depreciation of other plant and equipment is provided on the straight line method. Straight line depreciation is based on the estimated service lives of the related assets which is estimated to be ten years.

Furniture, Equipment and Other

These assets are recorded at cost and are depreciated on a straight line basis over five to ten years.

Income Taxes

The Company accounts for income taxes using the liability method. Under this method, the Company records a future income tax asset or liability to reflect any difference between the accounting and tax bases of assets and liabilities, using substantively enacted income tax rates. The effect on future tax assets and liabilities of a change in tax rates is recognized in net earnings in the period in which the change occurs. Future income tax assets are only recognized to the extent it is more likely than not that sufficient future taxable income will be available to allow the future income tax asset to be realized.

Asset Retirement Obligations

The Company recognizes an asset retirement obligation (ARO) in the period in which it is incurred when a reasonable estimate of the fair value can be made. On a periodic basis, management will review these estimates and changes, if any, will be applied prospectively. The fair value of the estimated ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a unit of production basis over the life of the reserves. The liability amount is increased each reporting period due to the passage of time and this amount is charged to earnings in the period. Revisions to the estimated timing of cash flows or to the original estimated undiscounted cost would also result in an increase or decrease to the ARO. Actual costs incurred upon settlement of the obligations are charged against the ARO to the extent of the liability recorded and the remaining balance of the actual costs is recorded in the statement of loss as a credit or charge.

Stock-based Compensation

The Company accounts for stock-based compensation using the fair-value method of accounting for stock options granted to directors, officers, employees and other service providers using the Black-Scholes option pricing model. Stock-based compensation expense is recorded over the vesting period with a corresponding amount reflected in contributed surplus. Stock-based compensation expense is calculated as the estimated fair value of the options at the time of grant, amortized over their vesting period. When stock options are exercised, the associated amounts previously recorded as contributed surplus are reclassified to common share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest, rather, the Company accounts for actual forfeitures as they occur.

Financial Instruments

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

Subsequent measurement of financial instruments is based on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. The remaining categories of financial instruments are recognized at amortized cost using the effective interest rate method.

Cash is classified as held-for-trading and measured at fair value which equals the carrying value and any gains or losses are recognized in earnings in the period they occur. Accounts receivable and note receivable are classified as loans and receivables which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Foreign Currency Translation

The Company translates foreign currency denominated monetary assets and liabilities of its integrated foreign subsidiaries at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities are translated at historical exchange rates. Revenues and expenses are translated at estimated transaction date exchange rates except depletion and depreciation expense, which is translated at the same historical exchange rates as the related assets. Exchange gains or losses are included in the determination of net income as foreign exchange gain or loss.

Basic and Diluted per Share Calculations

Basic earnings per share are computed by dividing earnings by the weighted average number of shares outstanding during the year. Diluted per share amounts reflect the potential dilution that could occur if options to purchase shares were exercised. The treasury stock method is used to determine the dilutive effect of common share options, whereby proceeds from the exercise of common share options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period.

3. RECENT ACCOUNTING PRONOUNCEMENTS

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards (IFRS) will replace Canadian GAAP effective January 1, 2011, including comparatives for 2010, for Canadian publicly accountable enterprises.

4. DISCONTINUED OPERATIONS

On September 24, 2010, Pine Cliff sold its South American subsidiary CanAmericas (Argentina) Energy Ltd. to an unrelated party. This disposition will allow the Company to focus on its continuing operations related to the development of its Canadian oil and natural gas operations.

The assets and liabilities of the South American operations have been presented as discontinued operations in the Consolidated Balance Sheets. Operating results related to these assets and liabilities have been included in net earnings (loss) from discontinued operations in the Consolidated Statements of Net Earnings (Loss), Comprehensive Income (Loss) and Deficit for 2010 and on a comparative basis.

Balance Sheets

	As at	As at
($)	**December 31, 2010**	December 31, 2009
Assets		
Current		
Cash	-	39,090
Accounts receivable	-	4
Total assets	-	39,094
Liabilities		
Current		
Accounts payable and accrued liabilities	-	192,818
Asset Retirement Obligations	-	35,836
Total liabilities	-	228,654

Statements of Net Earnings (Loss)

($)	For the Years Ended December 31, **2010**	 2009
Revenue		
Gain on disposal	**807,028**	-
Interest and other income	**-**	1,804
	807,028	1,804
Expenses		
General and administrative	**251,400**	668,579
Foreign exchange (gain) loss	**(4,410)**	86,131
Depletion, depreciation and accretion	**1,344**	2,792
Impairment of oil and gas assets	**80,782**	1,463,712
Dry hole costs	**-**	31,071
	329,116	2,252,285
Net Earnings (Loss) From Discontinued Operations Before Taxes	**477,912**	(2,250,481)
Taxes		
Current	**47,339**	119,659
Future	**-**	-
	47,339	119,659
Net Earnings (Loss) From Discontinued Operations	**430,573**	(2,370,140)

Impairment, dry hole costs and gain on disposal

On September 24, 2010, the Company disposed of its South American subsidiary, whose assets and liabilities related primarily to the Canadon Ramirez Concession and Laguna de Piedra Concession (South American Properties). The proceeds of disposition were $450,000 consisting of $1,000 of cash, a note receivable for $449,000 and a contingent receivable not used to calculate gain on disposal of oil and gas assets and liabilities (see below). The note receivable is due 120 days from the disposal date and bears no interest. Subsequent to year end, the purchaser settled the note by issuing shares in the purchaser's corporation. These shares were valued at $328,227 at year end. The Company has recorded an impairment provision of $120,773 on the note receivable. At the time of disposition, the Company had a net book value of $23,121 for the South American properties after prior period write-downs of $7,746,705. It also had an asset retirement obligation of $37,180 and a working capital deficiency of $342,969 that was transferred to the purchaser related to the South American property resulting in a gain on sale of $807,028.

For the year ended December 31, 2010, an impairment provision of $34,626 (2009 - $31,071 as dry hole costs) was taken on the exploration costs related to the Canadon Ramirez Concession and an impairment provision of $46,156 (2009 - $1,463,712) was taken on the Laguna de Piedra Concession, prior to the disposal of the South American properties.

Contingent Receivable

Upon disposal of the South American subsidiary, the Company received a contingent consideration of $200,000 (payable in cash or shares in the purchaser corporation) if within two years after the closing date the purchaser or an affiliate to the purchaser is successful in obtaining a drilling permit followed by the drilling of a well on the Laguna de Piedra concession block in the Rio Negro Province of Argentina or the local permitting authority in the province grants a concession to substitute for the Laguna de Piedra concession and the purchaser or affiliate entity drills a well on the substitute concession. Collection of this receivable is not determinable at this time and therefore has not been recorded by the Company.

Taxes

The Company accrued $47,339 (2009 - $119,659) current tax expense related to Argentina capital tax. A one percent Argentina capital tax is payable in respect of the exploration costs for the Canadon Ramirez and the Laguna de Piedra Concessions. This liability was transferred to the purchaser on the disposal of its South American subsidiary.

5. RELATED PARTY TRANSACTIONS

Pine Cliff has a management agreement with Bonterra Energy Corp. (Bonterra), an oil and gas corporation publicly traded on the Toronto Stock Exchange, with common directors and management, to provide executive services, technical services, accounting services, oil and gas administration and office administration for Pine Cliff. Total fees for the year were $90,000 (2009 - $120,000) plus minimal administrative costs. The management services agreement may be cancelled by the Company with 90 days notice.

As of December 31, 2010 Pine Cliff owed Bonterra $464 (2009 - $448).

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

6. PROPERTY AND EQUIPMENT

($)	**2010**		2009	
	Cost	**Accumulated Depletion and Depreciation**	Cost	Accumulated Depletion and Depreciation
Petroleum and natural gas properties and related equipment	**4,561,550**	**2,253,650**	3,328,873	1,384,807
Furniture, equipment and other	**-**	**-**	45,957	33,038
	4,561,550	**2,253,650**	3,374,830	1,417,845

In 2010, the Company disposed of its furniture, equipment and other for $Nil proceeds. At the time of disposition the assets had a book value of $6,456.

7. TAXES

The Company has recorded a full valuation allowance for its future income tax assets as it has been determined that their recoverability is not likely.

($)	**2010 Amount**	2009 Amount
Future income tax assets:		
Note receivable	**15,097**	-
Capital assets	**109,398**	100,367
Asset retirement obligation	**15,889**	12,075
Share issue costs	**3,916**	8,231
Loss carry-forward	**805,272**	734,487
Capital loss carry-forward	**88,530**	-
Valuation allowance	**(1,038,102)**	(855,160)
	-	-

Income tax expense differs from the amounts that would be computed by applying Canadian federal and provincial income tax rates as follows:

($)	**2010**	2009
Loss before income taxes	**(372,776)**	(452,136)
Combined federal and provincial income tax rates	**28.0%**	29.0%
Income tax provision calculated using statutory tax rates	**(104,377)**	(131,119)
Increase (decrease) in income taxes resulting from:		
Stock-based compensation	**1,382**	40,162
Non-taxable portion of losses	**16,908**	-
Amounts allocated to discontinued operations	**(129,667)**	(26,696)
Change in valuation allowance	**182,942**	101,425
Change in tax rates	**34,206**	15,074
Other	**(1,394)**	1,154
Income tax provision	**-**	-

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

	Rate of Utilization (%)	Amount ($)
Undepreciated capital costs	25	321,399
Canadian oil and gas property expenditures	10	477,885
Canadian development expenditures	30	1,554,100
Canadian exploration expenditures	100	392,110
Share issue costs	20	15,663
Non-capital loss carryforward [1]	100	3,221,089
Capital loss carryforward	100	354,119
		6,336,365

[1] $700,214 expires 2026, $1,114,518 expires 2027, $675,721 expires 2028, $447,500 expires in 2029 and $283,136 expires in 2030

8. ASSET RETIREMENT OBLIGATIONS

At December 31, 2010, the estimated total undiscounted amount required to settle the asset retirement obligations was $95,032 (December 31, 2009 - $98,932). Costs for asset retirement have been calculated assuming a one and a half percent inflation rate. These obligations will be settled based on the useful lives of the underlying assets, which extend up to 13 years into the future. This amount has been discounted using a credit-adjusted risk-free interest rate of five percent.

Changes to asset retirement obligations were as follows:

($)	**2010**	2009
Asset retirement obligations, January 1	**48,298**	46,808
Change in estimate	**12,919**	10,978
Accretion	**2,340**	2,882
Asset retirement obligations, December 31	**63,557**	48,298

9. 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	**2010**		2009	
	Number	**Amount ($)**	Number	Amount ($)
Common Shares				
Balance, beginning of year	**45,295,695**	**14,593,560**	45,275,695	14,588,722
Issued on exercise of stock options	**850,000**	**127,500**	20,000	3,000
Transfer of contributed surplus to share capital		**98,312**		1,838
Balance, end of year	**46,145,695**	**14,819,372**	45,295,695	14,593,560

The number of weighted average basic and diluted shares outstanding for the years ended December 31:

	2010	2009
Basic shares outstanding[1]	**46,095,805**	45,276,627
Dilutive share options	**22,005**	245,014
Diluted shares outstanding	**46,117,810**	45,521,641

[1] Basic shares outstanding is used to calculate basic and diluted loss per share when the Company is in a loss position

A summary of the changes to the Company's contributed surplus is presented as follows:

Contributed surplus

($)	**2010**	2009
Balance, beginning of year	**859,620**	722,968
Stock-based compensation expensed (non-cash)	**4,936**	138,490
Stock-based options exercised (non-cash)	**(98,312)**	(1,838)
Balance, end of year	**766,244**	859,620

The Company may grant options of up to 4,527,569 (2009 – 4,527,569) common shares. The exercise price of each option granted equals the market price of the common share on the date of grant and the options' maximum term is five years.

A summary of the status of the Company's stock option plan as of December 31, 2010 and December 31, 2009, and changes during the years ended on those dates are presented as follows:

	December 31, 2010		December 31, 2009	
	Options	**Weighted-Average Exercise Price**	Options	Weighted-Average Exercise Price
Outstanding at beginning of year	**3,126,000**	**$0.63**	3,118,000	$0.63
Options granted	**-**	**-**	40,000	0.15
Options exercised	**(850,000)**	**0.15**	(20,000)	0.15
Options cancelled	**(2,236,000)**	**0.79**	(12,000)	1.15
Outstanding at end of year	**40,000**	**$0.15**	3,126,000	$0.63
Options exercisable at end of year	**20,000**	**$0.15**	3,028,500	$0.62

The following table summarizes information about stock options outstanding at December 31, 2010:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/10	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 12/31/10	Weighted-Average Exercise Price
$0.15	40,000	1.1 years	$0.15	20,000	$0.15

The Company records compensation expense over the vesting period based on the fair value of options granted to employees, directors and consultants. Of the unvested options as of December 31, 2010, 20,000 vest in 2011.

The Company did not issue any stock options in 2010. In 2009 the Company issued 40,000 stock options with an estimated fair value of $3,350 ($0.08 per option) using the Black-Scholes option pricing model with the following key assumptions:

	December 31, 2010	December 31, 2009
Weighted-average risk free interest rate (%)	**-**	1.24
Dividend yield (%)	**-**	-
Expected life (years)	**-**	2.5
Weighted-average volatility (%)	**-**	96.0

10. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Factors

The Company undertakes transactions in a range of financial instruments including:

- Cash deposits;
- Receivables;
- Note receivable;
- Payables.

The Company's activities result in exposure to a number of financial risks including market risk (commodity price risk, interest rate risk and foreign exchange risk) credit risk and liquidity risk. Financial risk management is carried out by senior management under the direction of the Board of Directors.

The Company does not enter into risk management contracts. The Company sells its oil and natural gas commodities at market prices at the date of sale in accordance with the Board directive.

Capital Risk Management

The Company's objectives when managing capital, which the Company defines to include shareholders' equity and working capital balances, are to safeguard the Company's ability to continue as a going concern, to continue providing returns to its shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may issue debt or new shares.

The following section (a) of this note provides a summary of the Company's underlying economic positions as represented by the carrying values, fair values and contractual face values of its financial assets and financial liabilities. The Company's working capital to capital expenditure requirement ratio is also provided.

The following section (b) addresses in more detail the key financial risk factors that arise from the Company's activities including its policies for managing these risks.

a) Financial assets, financial liabilities

The carrying amounts, fair value and face values of the Company's financial assets and liabilities are shown in the following table.

Continuing Operations

	As at December 31, 2010			As at December 31, 2009		
	Carrying	Fair	Face	Carrying	Fair	Face
($ 000s)	Value	Value	Value	Value	Value	Value
Financial assets						
Cash	108	108	108	1,334	1,334	1,334
Accounts receivable	156	156	156	130	130	199
Note receivable	328	328	449	-	-	-
Financial liabilities						
Accounts payable and accrued liabilities	309	309	309	835	835	835

Financial instruments, consisting of accounts receivable, note receivable, accounts payable and accrued liabilities carried in the consolidated balance sheet, are carried at amortized cost. Cash is carried at fair value. All of the fair value items are transacted in active markets. Pine Cliff classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Pine Cliff's cash has been assessed on the fair value hierarchy described above and is considered Level 1.

b) Risks and mitigations

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

Commodity price risk

The Company's principal operation is the exploration and development of oil and natural gas properties in Canada. The Company has disposed of its South American exploration properties. Fluctuations in prices of these commodities may directly impact the Company's performance and ability to continue its operations.

The Company's management currently does not use risk management contracts to set price parameters for its production.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that Pine Cliff uses. The principal exposure to the Company is on its cash balances which have a variable interest rate which gives rise to a cash flow interest rate risk.

Pine Cliff's cash consists of Canadian dollar investment chequing accounts on which it earns an insignificant amount of interest. Since these funds need to be accessible for the development of the Company's capital projects, management does not reduce its exposure to interest rate risk through entering into term contracts of various lengths.

Foreign exchange risk

The Company has disposed of its foreign operations. The Company's domestic or continuing operations currently sells all of its Canadian production in Canadian currency. The Company has a Canadian dollar denominated cash balance and as such, Pine Cliff does not have exchange rate risk.

Credit risk

Credit risk is the risk that a contracting party will not complete its obligations under a financial instrument and cause the Company to incur a financial loss. Pine Cliff is exposed to credit risk on all financial assets included on the balance sheet. To help mitigate this risk, the Company maintains the majority of its cash balances with a major Canadian chartered bank.

Substantially all of the continuing operations' accounts receivable balance at December 31, 2010 ($155,945) and December 31, 2009 ($129,900) relates to product sales with Canadian oil and gas companies and crown royalty credits with the province of Alberta, all of which have generally paid within 30 to 60 days.

Pine Cliff assesses its financial assets quarterly to determine if there has been any impairment. An impairment provision was required on the note receivable and no impairment provision was required on the rest of the Company's financial assets. Pine Cliff does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The maximum exposure to credit risk is represented by the carrying amount on the balance sheet. There are no material financial assets that Pine Cliff considers past due.

Liquidity risk

Liquidity risk includes the risk that, as a result of Pine Cliff's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date,
- The Company will not have sufficient funds to continue with its financing of its major development projects,
- The Company will be forced to sell assets at a value which is less than what they are worth, or
- The Company may be unable to settle or recover a financial asset at all.

To help reduce these liquidity risks, the Company:

- May arrange short-term financing at a reasonable interest rate with its CEO and director.
- Has disposed of its South American Operations.

11. NON-CONTROLLING INTERESTS

The Company has incorporated a subsidiary company, CanAmericas Energy Ltd. (CanAmericas) to explore and develop oil and gas properties primarily in South America. CanAmericas was owned 93 percent by the Company and seven percent by a foreign private corporation (Foreign Corp.). On November 23, 2010, Foreign Corp. sold its interest in CanAmericas to Pine Cliff for $10. On January 1, 2011, CanAmericas was amalgamated with Pine Cliff.

CORPORATE INFORMATION

BOARD OF DIRECTORS

G. J. Drummond, Nassau, Bahamas
G. F. Fink, Calgary, Alberta
C. R. Jonsson, Vancouver, British Columbia
F. W. Woodward, Calgary, Alberta

OFFICERS

G. F. Fink – President and Chief Executive Officer
R. M. Jarock – Chief Operating Officer
R. D. Thompson – Chief Financial Officer and Secretary

REGISTRAR AND TRANSFER AGENT

Olympia Trust Company, Calgary, Alberta

AUDITORS

Deloitte and Touche LLP, Calgary, Alberta

SOLICITORS

Borden Ladner Gervais LLP, Calgary, Alberta

BANKERS

The Royal Bank of Canada, Calgary, Alberta

STOCK LISTING

The TSX Venture Exchange, Toronto, Ontario
Trading Symbol: PNE

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