

BIRCHCLIFF

E N E R G Y

BIRCHCLIFF ENERGY LTD.

Annual and Special Meeting of Shareholders

to be held at

**3:00 p.m. (Mountain Daylight Time) on Thursday, May 11, 2017
in the McMurray Room at the Calgary Petroleum Club
319 – 5th Avenue S.W., Calgary Alberta**

NOTICE OF MEETING AND INFORMATION CIRCULAR

March 24, 2017

BIRCHCLIFF ENERGY LTD.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TAKE NOTICE THAT the annual and special meeting (the “**Meeting**”) of the holders of common shares (“**Common Shares**”) of Birchcliff Energy Ltd. (the “**Corporation**”) will be held at 3:00 p.m. (Mountain Daylight Time) on Thursday, May 11, 2017 in the McMurray Room at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta, for the following purposes:

1. to receive and consider the audited financial statements of the Corporation for the financial year ended December 31, 2016 and the report of the auditors thereon;
2. to fix the numbers of directors of the Corporation to be elected at the Meeting at five (5);
3. to elect the directors of the Corporation for the ensuing year;
4. to appoint KPMG LLP, Chartered Professional Accountants, as the auditors of the Corporation for the ensuing year and to authorize the board of directors to fix their remuneration;
5. to consider and, if thought advisable, to pass, with or without variation, an ordinary resolution to approve all unallocated stock options under the Corporation’s stock option plan; and
6. to transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

The specific details of the matters proposed to come before the Meeting are described in further detail in the Information Circular accompanying this Notice of Meeting.

A shareholder may attend the Meeting in person or may be represented by proxy. Registered shareholders of the Corporation who are unable to attend the Meeting in person are requested to date and sign the enclosed form of proxy and return it to the Corporation’s transfer agent, Computershare Trust Company of Canada: (i) by mail using the enclosed return envelope or one addressed to Computershare Trust Company of Canada, Proxy Department, 135 West Beaver Creek, P.O. Box 300, Richmond Hill, Ontario L4B 4R5; (ii) by hand delivery to Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1; or (iii) by facsimile to (416) 263-9524 or 1-866-249-7775. Registered shareholders may also use the internet at www.investorvote.com to vote their Common Shares and to appoint another person to be the shareholder’s proxyholder. Shareholders voting through the internet will be prompted to enter the 15-digit control number found on the form of proxy. In order to be valid, proxies must be received by Computershare Trust Company of Canada on or before 3:00 p.m. (Mountain Daylight Time) on Tuesday, May 9, 2017, or if the Meeting is adjourned or postponed, at least 48 hours (excluding Saturdays, Sundays and holidays) prior to any adjourned or postponed Meeting.

Only shareholders of record as of the close of business on March 23, 2017 (the “**Record Date**”) are entitled to receive notice of and to vote at the Meeting, provided that if a shareholder has transferred the ownership of any of his or her Common Shares after the Record Date and the transferee of those Common Shares produces properly endorsed Common Share certificates or otherwise establishes that he or she owns the Common Shares and demands, not later than ten days before the Meeting, that his or her name be included in the list of shareholders before the Meeting, then the transferee shall be entitled to vote such Common Shares at the Meeting.

DATED at the City of Calgary, in the Province of Alberta, this 24th day of March, 2017.

BY ORDER OF THE BOARD OF DIRECTORS

(Signed) “*A. Jeffery Tonken*”
President and Chief Executive Officer

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BIRCHCLIFF

ENERGY

INFORMATION CIRCULAR

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 11, 2017

GENERAL PROXY AND VOTING INFORMATION

Solicitation of Proxies

This Information Circular (the “**Information Circular**”) is furnished in connection with the solicitation of proxies by the management of Birchcliff Energy Ltd. (“**Birchcliff**” or the “**Corporation**”) for use at the annual and special meeting (the “**Meeting**”) of the holders of common shares of the Corporation (“**Common Shares**”) to be held on Thursday, May 11, 2017 in the McMurray Room at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta at 3:00 p.m. (Mountain Daylight Time), and at any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual and Special Meeting of Shareholders (the “**Notice of Meeting**”).

It is expected that the solicitation of proxies will be primarily by mail. Proxies may also be solicited by personal interviews, telephone or by other methods of communication, by executive officers, directors and employees of the Corporation, who will not be specifically remunerated therefor. The cost of the solicitation of proxies by or on behalf of management will be borne by the Corporation.

The information contained in this Information Circular is given as of March 24, 2017, except where otherwise indicated.

Appointment of Proxies

A shareholder may attend the Meeting in person or may be represented by proxy. Registered shareholders of the Corporation who are unable to attend the Meeting in person are requested to date and sign the enclosed form of proxy or complete another appropriate form of proxy and return such proxy to the Corporation’s transfer agent, Computershare Trust Company of Canada: (i) by mail using the enclosed return envelope or one addressed to Computershare Trust Company of Canada, Proxy Department, 135 West Beaver Creek, P.O. Box 300, Richmond Hill, Ontario L4B 4R5; (ii) by hand delivery to Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1; or (iii) by facsimile to (416) 263-9524 or 1-866-249-7775. Registered shareholders may also use the internet at www.investorvote.com to vote their Common Shares and to appoint another person to be the shareholder’s proxyholder. Shareholders voting through the internet will be prompted to enter the 15-digit control number found on the form of proxy.

In order to be valid, proxies must be received by Computershare Trust Company of Canada on or before 3:00 p.m. (Mountain Daylight Time) on Tuesday, May 9, 2017, or if the Meeting is adjourned or postponed, at least 48 hours (excluding Saturdays, Sundays and holidays) prior to any adjourned or postponed Meeting. The Chairman of the Meeting will have the discretion, but is not obligated, to accept proxies that are deposited with Computershare Trust Company of Canada or with the Chairman of the Meeting less than 48 hours prior to the time of the Meeting or any adjournment or postponement thereof.

The persons named as proxyholders in the enclosed form of proxy are directors and/or executive officers of the Corporation. **A shareholder has the right to appoint a person or company to attend and represent the shareholder at the Meeting, other than the persons designated in the form of proxy furnished by the Corporation. To exercise this right, the shareholder is required to either insert the name of the shareholder’s**

appointee in the blank space provided in the form of proxy or complete another appropriate form of proxy and, in either case, deliver the completed proxy to Computershare Trust Company of Canada, at the places and within the time specified above for the deposit of proxies.

Revocation of Proxies

A shareholder of the Corporation who has given a proxy has the power to revoke it. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing and deposited either at the registered (head) office of the Corporation at any time up to and including the last business day preceding the day of the Meeting or any adjournment or postponement thereof or deposited with the Chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof.

Exercise of Discretion with Respect to Proxies

The Common Shares represented by proxy in favour of management nominees will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for. If the shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly, but if no specification is made, the Common Shares will be voted in favour of the matters to be acted upon as set forth herein.

If any amendment or variation to the matters identified in the Notice of Meeting is proposed or if any other matters properly come before the Meeting or any adjournment or postponement thereof, the enclosed form of proxy confers discretionary authority on the persons named therein to vote on any such amendment or variation or such other matters. As at the date of this Information Circular, management of the Corporation is not aware of any such amendments or variations or other matters to come before the Meeting.

Advice to Beneficial Shareholders

The information set forth in this section is of significant importance to many shareholders of Birchcliff, as a substantial number of shareholders do not hold Common Shares registered in their own name. Shareholders who do not hold their Common Shares in their own name (referred to herein as "**Beneficial Shareholders**") should note that only proxies deposited by shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting or any adjournment or postponement thereof.

In most cases, shareholders are the beneficial holders of Common Shares registered in the name of an intermediary, such as a broker. If Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Common Shares will not be registered in the shareholder's name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co., the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms. Under Canadian securities laws, Common Shares held by brokers or their nominees for Beneficial Shareholders can only be voted upon the instructions of the Beneficial Shareholder. Without specific instructions, intermediaries are prohibited from voting Common Shares for their clients. The directors and executive officers of Birchcliff do not know for whose benefit the Common Shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy or voting instruction form supplied to a Beneficial Shareholder by its broker is similar to the form of proxy provided to registered shareholders. **The purpose of the form of proxy or voting instruction form distributed by the intermediary is limited to instructing the registered shareholder how to vote on behalf of the Beneficial Shareholder.**

The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**") in Canada. Broadridge prepares a machine readable voting instruction form, mails

this form to Beneficial Shareholders and asks Beneficial Shareholders to communicate voting instructions to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting.

A Beneficial Shareholder cannot use the voting instruction form received from Broadridge to vote Common Shares directly at the Meeting. Voting instructions must be conveyed to Broadridge by the date specified on the voting instruction form in order to have the Common Shares voted at the Meeting.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of an intermediary, a Beneficial Shareholder may attend at the Meeting as a proxyholder for the registered shareholder and vote the Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered shareholder should enter their own names in the blank space on the voting instruction form provided to them and return the same in accordance with the instructions provided, well in advance of the Meeting.

Management of the Corporation does not intend to pay for intermediaries to forward to objecting beneficial owners (“OBOs”) under NI 54-101 the proxy-related materials and Form 54-101F7 – *Request for Voting Instructions Made by Intermediary*. In the case of an OBO, the OBO will not receive the materials unless the OBO’s intermediary assumes the cost of delivery.

Notice-and-Access

The Corporation has elected to use “notice-and-access” (“**Notice-and-Access**”) under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”) in respect of the Meeting for delivery of meeting materials to its Beneficial Shareholders. Notice-and-Access is a set of rules developed by the Canadian Securities Administrators that are intended to reduce the volume of materials mailed to shareholders by allowing a reporting issuer to post proxy-related materials in respect of a shareholders’ meeting online, rather than mailing paper copies.

The Corporation has also elected to use procedures known as “stratification” in relation to its use of Notice-and-Access. Stratification occurs when a reporting issuer using Notice-and-Access provides a paper copy of an information circular and, if applicable, a paper copy of financial statements and related management’s discussion and analysis, to some shareholders together with a notice of a meeting of its shareholders.

In relation to the Meeting, registered shareholders, those Beneficial Shareholders with existing instructions on their account to receive paper materials and those Beneficial Shareholders holding 50,000 or more Common Shares will receive a paper copy of each of: (i) the Notice of Meeting and this Information Circular; (ii) a form of proxy or voting instruction form, as applicable; and (iii) the Corporation’s Annual Report that contains the Corporation’s annual financial statements and related management’s discussion and analysis for the most recently completed financial year (collectively, the “**Financial Information**”). Beneficial Shareholders holding less than 50,000 Common Shares will receive only a Notice-and-Access notification and a voting instruction form. A paper copy of the Financial Information will also be mailed to those Beneficial Shareholders who previously requested to receive such paper copies.

Voting Securities and Principal Holders of Voting Securities

On March 24, 2017, Birchcliff had 264,173,701 Common Shares issued and outstanding. Only shareholders of record at the close of business on March 23, 2017 (the “**Record Date**”) are entitled at the Meeting to one vote for each Common Share held, provided that if a shareholder has transferred the ownership of any of his or her Common Shares after the Record Date and the transferee of those Common Shares produces properly endorsed Common Share certificates or otherwise establishes that he or she owns the Common Shares and demands, not later than ten days before the Meeting, that his or her name be included in the list of shareholders before the Meeting, then the transferee shall be entitled to vote such Common Shares at the Meeting.

As at March 24, 2017 and to the best of the knowledge of the directors and executive officers of the Corporation, no person or company beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares other than as set forth in the table below:

Name of Shareholder	Number and Percentage of Common Shares
Seymour Schulich	37,500,000 (14.2%)
Fidelity ⁽¹⁾	28,654,833 (10.8%)

Note:

- (1) According to a report under National Instrument 62-103 filed on SEDAR on July 11, 2016. Fidelity may include the following entities: Fidelity Management & Research Company, FMR Co., Inc., Fidelity Management Trust Company, FIAM LLC, Fidelity Institutional Asset Management Trust Company, Strategic Advisers, Inc., FIL Limited and certain of its affiliates, Crosby Advisors LLC, Fidelity SelectCo, LLC and Fidelity (Canada) Asset Management ULC.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer of the Corporation at any time since the beginning of the financial year ended December 31, 2016, any proposed nominee for election as a director of the Corporation or any associate or affiliate of any of the foregoing, in any matter to be acted upon at the Meeting, other than: (i) the election of the directors; and (ii) the approval of the unallocated stock options under the Corporation’s stock option plan, to the extent such persons participate in the stock option plan.

BUSINESS OF THE MEETING

To the knowledge of the board of directors of the Corporation (the “**Board**”), the only matters to be brought before the Meeting are those set forth in the accompanying Notice of Meeting.

Annual Report and Financial Statements

Pursuant to the *Business Corporations Act* (Alberta) (the “**ABCA**”), the directors will place before the shareholders at the Meeting, the audited financial statements of the Corporation for the financial year ended December 31, 2016 and the auditors’ report thereon, as presented in the 2016 Annual Report of the Corporation. Shareholder approval is not required in relation to the audited financial statements.

Fixing Number of Directors

The Corporation is required to have a minimum of three and a maximum of eleven directors. The Board presently consists of five (5) directors, namely Mr. Larry Shaw (Chairman), Mr. Ken Cullen, Mr. Dennis Dawson, Ms. Rebecca Morley and Mr. Jeff Tonken.

Mr. Ken Cullen has been a member of the Board since 2011 and will not be standing for re-election at the Meeting. Accordingly, Mr. Cullen will cease to hold office at the close of the Meeting. The Board and management of the Corporation wish to thank Mr. Cullen for his valuable contributions to Birchcliff over his years of service.

In addition to Mr. Larry Shaw, Mr. Dennis Dawson, Ms. Rebecca Morley and Mr. Jeff Tonken, management proposes to nominate Mr. James W. Surbey, Vice-President, Corporate Development and Corporate Secretary, for election as a director. Mr. James W. Surbey is retiring as Vice-President Corporation Development and Corporate Secretary effective June 30, 2017.

Accordingly, shareholders will be asked at the Meeting to fix the number of directors to be elected at the Meeting at five (5). Details relating to the proposed nominees are set forth in the table below under the heading “*Business of the Meeting – Election of Directors*”.

Pursuant to the ABCA, the current directors of the Corporation cease to hold office at the close of the Meeting. Each person elected as a director of the Corporation will hold office until the close of the next annual meeting of shareholders. All proposed nominees have consented to be named in this Information Circular and to serve as directors, if elected.

It is the intention of the persons named in the enclosed form of proxy, if not expressly directed to the contrary, to vote proxies in favour of the ordinary resolution to fix the number of directors of the Corporation to be elected at the Meeting at five (5).

Election of Directors

The following table sets forth for each person proposed to be nominated for election as a director: (i) their name and province and country of residence; (ii) the voting results from the Corporation’s annual meeting of shareholders held in 2016, as applicable; (iii) information regarding their committee memberships and their attendance at Board and committee meetings during 2016, as applicable; (iv) their principal occupation within the past five years and a brief biography; (v) the period served as a director, if applicable; and (vi) the number of Common Shares that each proposed nominee beneficially owns, or exercises control or direction over, directly or indirectly, as of the date of this Information Circular.

None of the proposed nominees are directors of any other public company.

DENNIS A. DAWSON

Independent Director	Mr. Dawson is a director of the Corporation and was previously the Vice-President General Counsel and Corporate Secretary of AltaGas. Mr. Dawson joined AltaGas as Associate General Counsel in August 1997, after consulting with AltaGas Services Inc. from July 1996. Effective July 1998, he became AltaGas’ General Counsel and Corporate Secretary and effective December 1998, Mr. Dawson became Vice-President General Counsel and Corporate Secretary. Mr. Dawson has over 31 years of oil and natural gas experience, including nine years as General Counsel for Pan-Alberta Gas Ltd., a major Canadian natural gas export and marketing company. Mr. Dawson received his Bachelor of Arts degree from the University of Lethbridge and his Bachelor of Laws degree from the University of Alberta.
Alberta, Canada	
Age: 63	
Director Since: May 14, 2015	
Common Shares: 51,216 ⁽¹⁾⁽²⁾	

Voting Results of 2016 Annual Meeting	Number of Votes	% of Votes
Votes For	90,973,901	99.90
Votes Withheld	91,461	0.10

Board and Board Committees	2016 Meeting Attendance
Board	13 of 13
Reserves Evaluation Committee	4 of 4
Audit Committee	5 of 5
Compensation Committee	4 of 4

REBECCA MORLEY

Independent Director

Alberta, Canada

Age: 37

Director Since:
August 10, 2016

Ms. Morley is a director of the Corporation. Ms. Morley has 15 years of experience in the capital markets, having worked as an Equity Research Associate at TD Securities and GMP Securities and then as a Partner and Research Analyst at Paradigm Capital. Ms. Morley then moved to Cypress Capital where she worked as a Research Analyst and Associate Portfolio Manager and was most recently Vice President of Corporate Development at Rayne Capital. Ms. Morley is currently the Chair of the Board of Directors of the YWCA of Calgary, was the Chair of the Audit Committee in 2014 and 2015 and has been a director since 2012. Ms. Morley received a Bachelor of Business Administration with a Major in Finance (Honours) from St. Francis Xavier University and is a CFA Charterholder.

Common Shares: N/A⁽¹⁾

Voting Results of 2016 Annual Meeting⁽³⁾	Number of Votes	% of Votes
Not applicable		

Board and Board Committees	2016 Meeting Attendance⁽³⁾
Board	5 of 5
Reserves Evaluation Committee	2 of 2
Audit Committee	2 of 2
Compensation Committee	2 of 2

LARRY A. SHAW

Independent Director

Alberta, Canada

Age: 79

Director Since:
January 18, 2005

Mr. Shaw is a director of the Corporation and is the Chairman of the Board and Chairman of each committee on which he serves. He has more than 29 years of experience in the oil and natural gas industry and is one of the Corporation's founders. Prior to joining Birchcliff, Mr. Shaw served as Chairman of the Board of Case Resources Inc., Big Bear Exploration Ltd. and Stampeder Exploration Ltd. He was President of Shaw Automotive Group Ltd. and Shaw G.M.C. Pontiac Buick Hummer Ltd. Mr. Shaw received his Honors Degree in Business Administration from the University of Western Ontario.

Common Shares: 3,038,450⁽¹⁾⁽⁴⁾

Voting Results of 2016 Annual Meeting	Number of Votes	% of Votes
Votes For	86,051,334	94.49
Votes Withheld	5,014,028	5.51

Board and Board Committees	2016 Meeting Attendance
Board – Chairman	13 of 13
Reserves Evaluation Committee – Chairman	4 of 4
Audit Committee – Chairman	5 of 5
Compensation Committee – Chairman	4 of 4

JAMES W. SURBEY⁽⁵⁾

Non-Independent Director

Alberta, Canada

Age: 66

Director Since:
N/A

Mr. Surbey is the Vice-President, Corporate Development of Birchcliff and is a member of the Law Society of Alberta. He has more than 40 years of experience in the oil and natural gas industry and is one of the Corporation's founders. Prior to joining Birchcliff, he served as Vice-President, Corporate Development of Case Resources Inc., Senior Vice-President, Corporate Development of Big Bear Exploration Ltd. and Vice-President, Corporate Development of Stampeder Exploration Ltd. Mr. Surbey was previously a Senior Partner of the law firm Howard, Mackie (now Borden Ladner Gervais LLP). Mr. Surbey received his Bachelor of Engineering degree and Bachelor of Laws degree from McGill University.

Common Shares: 568,900⁽¹⁾

A. JEFFERY TONKEN

Non-Independent Director Mr. Tonken is a director of the Corporation and is the President and Chief Executive Officer. He has more than 36 years of experience in the oil and natural gas industry and is one of the Corporation's founders. Prior to creating Birchcliff, Mr. Tonken founded and served as President and Chief Executive Officer of Case Resources Inc., Big Bear Exploration Ltd. and Stampeder Exploration Ltd. Mr. Tonken was previously a partner of the law firm Howard, Mackie (now Borden Ladner Gervais LLP). Mr. Tonken is a Governor of the Canadian Association of Petroleum Producers (CAPP). Mr. Tonken received his Bachelor of Commerce degree from the University of Alberta and his Bachelor of Laws degree from the University of Wales.

Alberta, Canada

Age: 60

Director Since:
January 18, 2005

Common Shares: 2,815,502⁽¹⁾⁽⁶⁾

Voting Results of 2016 Annual Meeting	Number of Votes	% of Votes
Votes For	80,916,056	88.85
Votes Withheld	10,149,306	11.15

Board and Board Committees	2016 Meeting Attendance
Board	13 of 13

Notes:

- (1) The information as to Common Shares owned beneficially, not being within the knowledge of the Corporation, has been provided by each nominee.
- (2) Includes 3,000 Common Shares held by Mr. Dawson's spouse, over which Mr. Dawson does not exercise control or direction.
- (3) Ms. Morley was appointed as a director on August 10, 2016 and attended every meeting of the Board and its committees held after her appointment. The information with respect to Ms. Morley's meeting attendance during 2016 has been presented for those meetings held on and after August 10, 2016.
- (4) Includes 2,479,991 Common Shares held by Western Automotive Management Ltd., over which Mr. Shaw exercises control or direction.
- (5) Mr. Surbey is not currently a member of the Board.
- (6) Includes 1,402,724 Common Shares held by Mr. Tonken's spouse and 150,064 Common Shares held by a trust for the benefit of Mr. Tonken's children, in each case, over which Mr. Tonken does not exercise control or direction.

Voting on Individual Basis

Voting for the election of the directors will be conducted on an individual, and not slate, basis. **It is the intention of the persons named in the enclosed form of proxy, if not expressly directed to the contrary, to vote proxies in favour of the election of each of the nominees listed herein as directors of the Corporation for the ensuing year.**

The Corporation will publicly disclose the voting results, providing the percentage of votes for and withheld from each individual director.

Majority Voting for Directors

The Board has adopted a majority voting policy (the "**Majority Voting Policy**") stipulating that if, with respect to any particular nominee for election as a director, the number of votes "for" the nominee does not exceed the number of votes recorded "withheld" from voting for such nominee, then such nominee shall promptly following certification of the shareholder vote, submit to the Board his or her resignation which shall state that it is effective upon the acceptance thereof by the Board. Such director shall not participate in any meeting of the Board or any committee thereof to consider whether his or her resignation shall be accepted. The Board shall consider the acceptance of a director's resignation tendered pursuant to the Majority Voting Policy within 90 days of the applicable meeting of shareholders and shall cause a press release to be issued promptly by the Corporation disclosing the Board's determination and if the resignation is not accepted by the Board, the reasons therefor. A copy of such press release must be provided to the TSX.

If a resignation tendered pursuant to the Majority Voting Policy is accepted, subject to any corporate law restrictions, the Board may: (i) leave the resultant vacancy unfilled until the next annual meeting of shareholders; (ii) fill the vacancy through the appointment, in accordance with the articles and by-laws of the Corporation, of a new director whom the Board considers in its sole discretion is an appropriate person for such appointment; or (iii)

call a special meeting of shareholders at which there will be presented management nominees to fill the vacant position or positions.

The Board shall accept each resignation tendered in accordance with the Majority Voting Policy absent exceptional circumstances. In considering whether to accept or reject such a resignation, the Board shall exercise its fiduciary duty to act in the best interests of the Corporation and shall consider all circumstances and factors it deems relevant, including, without limitation: (i) any stated reasons as to why shareholders withheld votes from the election of such director; (ii) the length of service and the qualifications of the director; (iii) the director's past contributions to the Corporation; (iv) the director's attendance at past meetings of the Board or of any committee the director is a member of; (v) the effect such resignation may have on the Corporation's ability to comply with any applicable laws, rules and policies (regulatory, securities or corporate laws or stock exchange rules); (vi) the dynamics and composition of the existing Board; (vii) the number of shares of the Corporation owned by the director; and (viii) the effect such resignation might reasonably be expected to have on any covenants or agreements to which the Corporation or any of its affiliates is a party.

For the purposes of the Majority Voting Policy, "uncontested elections" means elections of directors at shareholder meetings where the number of nominees for election to the Board is equal to the number of directors to be elected at such meetings of shareholders.

Corporate Cease Trade Orders or Bankruptcies

No proposed director of the Corporation is, or has been within the past ten years, a director, chief executive officer or chief financial officer of any company, including the Corporation, that was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days, which was issued: (i) while that person was acting in such capacity; or (ii) after that person ceased to act in such capacity but which resulted from an event that occurred while that person was acting in such capacity.

No proposed director of the Corporation is, or has been within the past ten years, a director or executive officer of any company, including the Corporation, that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than as disclosed below.

Mr. Surbey resigned from his role as a director of Fair Sky Resources Ltd. in December 2007 and within a year of his resignation, a secured lender enforced its security and appointed a receiver of that corporation.

No proposed director of the Corporation has, within the past ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Penalties or Sanctions

No proposed director of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

Appointment of Auditors

Management is soliciting proxies, in the accompanying form of proxy, in favour of the appointment of the firm of KPMG LLP, Chartered Professional Accountants, as auditors of the Corporation, to hold office until the next annual meeting of shareholders of the Corporation and to authorize the Board to fix their remuneration as such. The appointment of the auditors must be approved by a majority of votes cast by the shareholders. KPMG LLP was first appointed as the auditors of the Corporation on August 30, 2011.

It is the intention of the persons named in the enclosed form of proxy, if not expressly directed to the contrary, to vote proxies in favour of the appointment of KPMG LLP as the auditors of the Corporation and to authorize the Board to fix their remuneration.

Approval of Unallocated Options Under Stock Option Plan

The Corporation has implemented a stock option plan (the “**Stock Option Plan**”) pursuant to which options to purchase Common Shares (“**Options**”) may be granted to officers, directors, employees and consultants of the Corporation (each, an “**Optionee**”). No Options have been granted to non-employee directors since 2011. The Stock Option Plan is described under the heading “*Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation – The Stock Option Plan*” and a copy is attached to this Information Circular as Appendix “A”.

The Stock Option Plan is a “rolling plan” whereby the maximum number of Common Shares that may be issued under the Stock Option Plan at any time shall not exceed 10% of the aggregate number of Common Shares actually outstanding at that time, on a non-diluted basis. A “rolling plan” allows the number of shares covered by Options that have been exercised, to be available for subsequent grants under the Stock Option Plan. When Options have been granted pursuant to the Stock Option Plan, the Common Shares that are reserved for issuance under the outstanding Options are referred to as “allocated Options”. Additional Common Shares that may be issued pursuant to the Stock Option Plan but which are not subject to current Option grants are referred to as “unallocated Options”.

Pursuant to the rules of the Toronto Stock Exchange (the “**TSX**”), every three years after institution, all unallocated options, rights or other entitlements under a security based compensation arrangement which does not have a fixed maximum aggregate of securities issuable (which includes the Stock Option Plan), must be approved by a majority of the issuer’s directors and the issuer’s securityholders. Shareholders last approved the unallocated Options under the Stock Option Plan at the annual general and special meeting of the shareholders of the Corporation held on May 15, 2014. Accordingly, shareholder approval of the unallocated Options under the Stock Option Plan is being sought at the Meeting.

Based on 264,173,701 issued and outstanding Common Shares as at March 24, 2017, the number of Common Shares issuable upon the exercise of Options that may be granted under the Stock Option Plan is currently limited to 26,417,370 Common Shares. As at March 24, 2017, there are 17,046,476 Options outstanding (representing approximately 6.5% of the issued and outstanding Common Shares), leaving unallocated Options to purchase an aggregate of 9,370,894 Common Shares (representing approximately 3.5% of the issued and outstanding Common Shares) available for future Option grants under the Stock Option Plan.

The Stock Option Plan is an integral component of the Corporation’s total compensation program and is critical to the Corporation’s ability to attract and retain qualified and dedicated personnel. The Stock Option Plan is designed, through the grant of Options, to reward participants under the Stock Option Plan with additional compensation relative to an increase in the market price of the Common Shares – value is realized as the market price of the Common Shares exceeds that of the exercise price of the Option. Accordingly, the Stock Option Plan is intended to enhance shareholder value by aligning the interests of Optionees with the interests of shareholders by attempting to create a direct link between compensation and shareholder return. See “*Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation – The Stock Option Plan*”.

The Board unanimously approved all unallocated Options under the Stock Option Plan on March 24, 2017 and unanimously recommends that shareholders vote “FOR” the approval of all unallocated Options under the Stock Option Plan.

At the Meeting, shareholders will be asked to consider and, if thought advisable, to pass the following ordinary resolution relating to the approval of unallocated Options under the Stock Option Plan:

“BE IT RESOLVED as an ordinary resolution of the shareholders of Birchcliff Energy Ltd. (the **“Corporation”**) that:

1. all unallocated stock options under the Corporation’s stock option plan (the **“Stock Option Plan”**) are hereby approved;
2. the Corporation have the ability to continue granting stock options under the Stock Option Plan until May 11, 2020; and
3. any one officer or director of the Corporation be and is hereby authorized for and on behalf of the Corporation, whether under corporate seal or otherwise, to execute and deliver all documents and instruments and to take all such other actions as such officer or director may deem necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of such documents and other instruments or the taking of any of such actions.”

The foregoing resolution must be approved by a simple majority of votes cast by shareholders who vote in person or by proxy on such resolution at the Meeting.

It is the intention of the persons named in the enclosed form of proxy, if not expressly directed to the contrary, to vote proxies in favour of the foregoing resolution.

If shareholders do not approve the foregoing resolution at the Meeting, all unallocated Options under the Stock Option Plan will be cancelled, the Corporation will not be able to make any further grants of Options under the Stock Option Plan and any outstanding Options that are thereafter exercised, cancelled or expire will not be available for re-grant until such time as shareholder approval is obtained. Regardless of whether or not this resolution is passed, all currently outstanding Options will be unaffected. If approval is not obtained at the Meeting, the Corporation will have to consider alternate forms of performance-based compensation, including additional cash bonuses or other means in order to attract and retain qualified and dedicated personnel.

Other Business

If any other matters properly come before the Meeting or any adjournment or postponement thereof, the enclosed form of proxy confers discretionary authority on the persons named therein to vote on any such other matters. As at the date of this Information Circular, management of the Corporation is not aware of any other matters to come before the Meeting.

EXECUTIVE COMPENSATION

Year in Review – 2016 Performance

Birchcliff is an intermediate oil and gas company based in Calgary, Alberta that is engaged in the business of exploring for, developing and producing oil and natural gas resources in the Western Canadian Sedimentary Basin with operations concentrated within its one core area, the Peace River Arch of Alberta.

Notwithstanding the difficult conditions that persisted throughout 2016, Birchcliff had a very successful year in 2016. Birchcliff’s key accomplishments during the financial year ended December 31, 2016 include the following:

- Completed the acquisition of significant petroleum and natural gas properties, interests and related assets primarily located in the Gordondale area in the Province of Alberta for \$613.5 million, after closing adjustments (the **“Gordondale Acquisition”**).
- In connection with the Gordondale Acquisition, completed equity financings for gross proceeds of \$690.8 million. The net proceeds were used to finance the purchase price for the Gordondale Acquisition and to reduce indebtedness under the Corporation’s credit facilities.
- In connection with the closing of the Gordondale Acquisition, the Corporation’s credit facilities were increased to \$950 million from \$750 million.
- Achieved record annual average production of 49,236 boe/d, a 26% increase over annual average production of 38,950 boe/d in 2015.

- Achieved record quarterly average production of 60,750 boe/d in the fourth quarter of 2016, a 50% increase over fourth quarter average production of 40,445 boe/d in 2015.
- Achieved low operating costs of \$4.18/boe, an 8% decrease from \$4.54/boe in 2015.
- Reduced long-term bank debt by 8% as compared to December 31, 2015.
- Drilled 22 wells, including 14 Montney/Doig horizontal wells in the Pouce Coupe area and 6 Montney/Doig horizontal wells in the Gordondale area.
- Delivered significant reserves growth in all categories of reserves.
- Implemented a hedging program to protect the Corporation's balance sheet and funds flow.

In addition, the Board approved a dividend policy for the Common Shares in November 2016. This policy establishes that until changed by the Board, cash dividends will be paid to holders of Common Shares on the last day of March, June, September and December in each year (or if such date is not a business day, on the next business day). The first dividend under this policy was declared by the Board on March 1, 2017 in the amount of \$0.025 per Common Share for the calendar quarter ending March 31, 2017. This dividend is payable on March 31, 2017 to the holders of Common Shares at the close of business on March 15, 2017.

Disclosure provided herein in respect of boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 million cubic feet of natural gas to one barrel of 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. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Compensation Discussion and Analysis

This Compensation Discussion and Analysis describes the executive compensation program for the financial year ended December 31, 2016 applicable to the Corporation's "Named Executive Officers" (the "**Named Executive Officers**"). "Named Executive Officer" is defined by Form 51-102F6 – *Statement of Executive Compensation* to mean: (i) the chief executive officer of the Corporation; (ii) the chief financial officer of the Corporation; (iii) each of the Corporation's three most highly compensated executive officers or three most highly compensated individuals acting in a similar capacity, other than the chief executive officer and chief financial officer, at the end of the most recently completed financial year and whose total compensation was, individually, more than \$150,000.00 for that financial year; and (iv) each individual who would be a "Named Executive Officer" under paragraph (iii) above but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of the most recently completed financial year. The Corporation's Named Executive Officers for the financial year ended December 31, 2016 were:

- Mr. A. Jeffery Tonken – President and Chief Executive Officer;
- Mr. Myles R. Bosman – Vice-President, Exploration and Chief Operating Officer;
- Mr. Christopher A. Carlsen – Vice-President, Engineering;
- Mr. Bruno P. Geremia – Vice-President and Chief Financial Officer;
- Mr. David Humphreys – Vice-President, Operations; and
- Mr. James W. Surbey – Vice-President, Corporate Development.

This Compensation Discussion and Analysis discusses the objectives and principles of the Corporation's compensation program, the roles and responsibilities of the Compensation Committee in determining and approving executive compensation, the process for determining compensation and the elements of the Corporation's compensation program.

Compensation Objectives and Principles

The overall philosophy of Birchcliff is to provide a compensation program that rewards performance, aligns with shareholder interests and attracts and retains high quality and experienced executives and employees. The Corporation believes that compensation should be fair and equitable compared to compensation paid generally in the Alberta oil and gas industry.

The principal objectives of Birchcliff's compensation program for the financial year ended December 31, 2016 were as follows:

- to attract, motivate and retain the management talent needed to achieve Birchcliff's business objectives and create long-term value for shareholders;
- to motivate short and longer-term performance of the Named Executive Officers and other employees and attempt to align their interests with those of the Corporation's shareholders;
- to reward performance, individual contributions and leadership in the achievement of the Corporation's business objectives and the creation of shareholder value; and
- to provide compensation that is competitive with other companies of a similar size in the Alberta oil and gas industry and is reflective of the experience, performance and contribution of the individuals involved and the overall performance of the Corporation.

Compensation Governance

The Corporation has a Compensation Committee whose responsibility is to review compensation matters and to recommend to the Board the appropriate levels of compensation for all Named Executive Officers and directors.

Mandate of the Compensation Committee

The Compensation Committee has a formal charter which sets out the roles and responsibilities of the Compensation Committee. Pursuant to the charter, the roles and responsibilities of the Compensation Committee include:

- providing oversight and guidance for the compensation and benefit philosophy for all employees of the Corporation;
- reviewing and making recommendations to the Board with respect to the compensation of the Named Executive Officers;
- making recommendations to the Board with respect to the compensation of non-employee directors; and
- reviewing the Corporation's incentive compensation and other benefit plans and practices and recommending changes in such plans and practices to the Board.

Members of the Compensation Committee

The members of the Compensation Committee are Mr. Larry Shaw (Chairman), Mr. Ken Cullen, Mr. Dennis Dawson and Ms. Rebecca Morley. All members of the Compensation Committee are independent within the meaning of applicable securities laws. Each of the Compensation Committee members has direct experience relevant to executive compensation. The skills and experience of each member of the Compensation Committee necessary to enable them to make decisions of the suitability of the Corporation's compensation policies and practices are summarized below:

- Mr. Shaw has more than 29 years of experience in the oil and natural gas industry and has served as chairman of the board of directors of several other public oil and gas companies. Mr. Shaw was President of Shaw Automotive Group Ltd. and Shaw G.M.C. Pontiac Buick Hummer Ltd. for many years. Mr. Shaw received his Honors Degree in Business Administration from the University of Western Ontario.

- Mr. Cullen has more than 35 years of experience working with companies in the oil and natural gas industry as a partner of Deloitte & Touche LLP, an international accounting firm. Mr. Cullen has a Chartered Accountant designation from the Institute of Chartered Accountants of British Columbia.
- Mr. Dawson was previously the Vice-President General Counsel and Corporate Secretary of AltaGas. Mr. Dawson joined AltaGas as Associate General Counsel in August 1997, after consulting with AltaGas Services Inc. from July 1996. Effective July 1998, he became AltaGas' General Counsel and Corporate Secretary and effective December 1998, Mr. Dawson became Vice-President General Counsel and Corporate Secretary. Mr. Dawson has over 31 years of oil and natural gas experience, including nine years as General Counsel for Pan-Alberta Gas Ltd., a major Canadian natural gas export and marketing company. Mr. Dawson received his Bachelor of Arts degree from the University of Lethbridge and his Bachelor of Laws degree from the University of Alberta.
- Ms. Morley has 15 years of experience in the capital markets, having worked as an Equity Research Associate at TD Securities and GMP Securities and then as a Partner and Research Analyst at Paradigm Capital. Ms. Morley then moved to Cypress Capital where she worked as a Research Analyst and Associate Portfolio Manager and was most recently Vice President of Corporate Development at Rayne Capital. Ms. Morley is currently the Chair of the Board of Directors of the YWCA of Calgary, was the Chair of the Audit Committee in 2014 and 2015 and has been a director since 2012. Ms. Morley received a Bachelor of Business Administration with a Major in Finance (Honours) from St. Francis Xavier University and is a CFA Charterholder.

Compensation Consultants or Advisors

The Compensation Committee has the authority to engage outside advisors to the extent it considers it necessary or desirable. During the financial year ended December 31, 2016, neither the Board nor the Compensation Committee engaged any outside compensation advisors.

Compensation Committee Review Process

Executive compensation for each financial year (excluding bonuses) is typically set in January of that year, whereas bonuses are typically awarded in January in respect of the previous financial year. For the financial year ended December 31, 2016, salaries and Option grants were set in January 2016 and bonuses were awarded in January 2017. With respect to the compensation paid to the Named Executive Officers, the President and Chief Executive Officer of the Corporation provides his recommendation to the Compensation Committee as to the compensation that should be paid to such officers. The Compensation Committee then reviews this recommendation and submits its full recommendation to the Board.

Elements of Compensation

The significant elements of the Corporation's executive compensation program are set forth in the table below:

Element	Fixed or Variable	Cash or Equity	Long-Term or Short-Term
Base Salary	Fixed	Cash	Short-Term
Bonus	Variable	Cash	Short-Term
Options	Variable	Equity	Long-Term
Performance Warrants ⁽¹⁾	N/A	Equity	Long-Term

Note:

(1) Performance warrants ("Performance Warrants") to acquire Common Shares were granted to the executive management at the inception of the Corporation in 2005.

In addition, the Named Executive Officers are entitled to participate in the Corporation's employee group savings plan (the "Group Savings Plan") and to receive other employee benefits.

The Compensation Committee endeavours to find an appropriate balance between fixed and variable, long-term and short-term and cash and equity-based incentive compensation. Cash compensation primarily rewards short-term and individual performance, whereas equity-based incentive awards (Options granted under the Stock Option Plan and historically Performance Warrants) align the Corporation with market performance and encourages the Named Executive Officers to deliver improved corporate performance over a longer period of time so the Corporation's value continues to grow.

The elements of the Corporation's compensation program and the specific process for determining the amounts of each element are described in further detail below. None of the elements of the Corporation's compensation program are determined based on specific benchmarks or performance goals or by using a specific formula.

Base Salaries

The first element of the Corporation's compensation program is the payment of base salaries. The payment of base salaries is a fundamental component of the Corporation's compensation program and serves to attract and retain highly qualified executive officers. The Named Executive Officers are paid a base salary to compensate them for providing the leadership and skills necessary to fulfill their responsibilities as executive officers of the Corporation.

Salaries for the Named Executive Officers are reviewed annually by the President and Chief Executive Officer, based on a review of corporate and personal performance and individual levels of responsibility. Although no formal industry-peer benchmarking group has been established, the President and Chief Executive Officer reviews publicly available information regarding the executive compensation of certain of the Corporation's competitors. Based on his review, the President and Chief Executive Officer submits his recommendation for the salaries of the Named Executive Officers for consideration by the Compensation Committee. The Compensation Committee then reviews the recommendation of the President and Chief Executive Officer and submits its recommendation to the full Board.

In determining the salaries to be paid to the Named Executive Officers in respect of the financial year ended December 31, 2016, the Compensation Committee had regard to the contributions made by such executive officers, their individual levels of responsibility, their experience and expertise, how their compensation levels related to compensation packages that would be achievable by such executive officers from other opportunities and available salary survey data and other information publicly disclosed by certain of the Corporation's competitors. Notwithstanding corporate and individual performance, the base salaries of the Named Executive Officers for 2016 were frozen at their 2015 levels and remain frozen for 2017 in light of general economic conditions.

The Bonus Plan

The second element of the Corporation's compensation program is the Corporation's bonus plan (the "**Bonus Plan**"). Pursuant to the Bonus Plan, discretionary cash bonuses are paid to the Named Executive Officers and other employees where deemed appropriate by the Compensation Committee. The Bonus Plan serves as a short-term retention incentive to encourage the Named Executive Officers and employees to remain employed with the Corporation. In addition, the Bonus Plan rewards the Named Executive Officers and other employees for their individual performance and their contribution to the achievement of the Corporation's goals and objectives, as well as the performance of the Corporation as a whole.

Bonus amounts for the Named Executive Officers are set by the Compensation Committee on the recommendation of the President and Chief Executive Officer. In determining the amount of bonuses to be paid to the Named Executive Officers in respect of the financial year ended December 31, 2016, the Compensation Committee had regard to a variety of factors, including the execution of the Corporation's business plan, the Corporation's production, capital costs, operating costs, reserves additions, performance based metrics commonly used in the oil and gas industry and the health, safety and environmental record of the Corporation. The determination of the bonuses paid was not based on a prescriptive formula as the Compensation Committee and the Board believe that such formulas could lead to unintended consequences and foster excessive risk taking to the overall detriment of the Corporation.

In light of the significant accomplishments achieved by the Corporation during 2016 as outlined above under “*Year in Review – 2016 Performance*”, the Compensation Committee and the Board approved the payment of a bonus in the amount of \$650,000 to each of the Named Executive Officers in January 2017. These bonuses were in recognition of the extraordinary efforts made by each of the Named Executive Officers in executing the Corporation’s business plan and also in recognition of the successful Gordondale Acquisition and the financings that were completed in connection with the Gordondale Acquisition.

The Stock Option Plan

The third element of the Corporation’s compensation program is the Stock Option Plan.

Purpose

The Stock Option Plan is an integral component of the Corporation’s total compensation program and serves to enhance shareholder value by aligning the interests of Optionees with the interests of shareholders in the growth and profitability of the Corporation. The Stock Option Plan is designed, through the grant of Options, to reward participants under the Stock Option Plan with additional compensation relative to an increase in the price of the Common Shares. In addition, the deferred vesting of Options over a three-year period serves as a long-term retention incentive to encourage the Named Executive Officers and employees to remain employed with the Corporation.

Participants

The Stock Option Plan permits the granting of Options to officers, directors, employees and consultants of the Corporation. Although the Stock Option Plan does not prohibit the granting of Options to non-employee directors of the Corporation, no Options have been granted to any non-employee director of the Corporation since 2011.

Grant Process

Pursuant to the Stock Option Plan, the Board may grant Options from time to time. At the time of the grant, the Board fixes the exercise price, vesting dates and the expiry date of such Options. The Board may also fix such other terms and conditions, not inconsistent with the Stock Option Plan, as the Board in its discretion may determine.

Generally, the number of Options granted to any Optionee is a function of the level of authority and responsibility of the Optionee, the contribution that has been made by the Optionee to the business and affairs of the Corporation, the number of Options that have already been granted to the Optionee and such other factors as the Compensation Committee may consider relevant.

Option grants for the Named Executive Officers for the financial year ended December 31, 2016 were set by the Compensation Committee on the recommendation of the President and Chief Executive Officer in January 2016. In determining the number of Options to be granted to the Named Executive Officers during 2016, the Compensation Committee had regard to the amount, terms and vesting levels of existing Options and Performance Warrants held by the Named Executive Officers and also the number of Options remaining available for grant by the Corporation in the future to attract and maintain qualified technical and administrative staff. The Named Executive Officers were each granted 140,000 Options on January 21, 2016. The Compensation Committee believes that these Options granted under the Stock Option Plan will provide above-market compensation to the Named Executive Officers only upon the significant enhancement of shareholder value.

Expiry Date, Black-Outs and Vesting

The Stock Option Plan provides that the expiry date of an Option shall be no later than 10 years from the date of grant of such Option. If the expiry date of an Option falls within any period during which employees of the Corporation are prohibited from trading securities of the Corporation that is imposed by the Corporation (a “**Black-Out Period**”), or within two business days thereafter, the expiry date of such Option shall be automatically extended for a period of ten business days following the end of the Black-Out Period.

All of the Options granted to date under the Stock Option Plan provide for: (i) the expiry of such Options not later than the fifth anniversary of the date of grant; and (ii) the vesting of such Options with respect to one-third of the Common Shares issuable thereunder on each of the first, second and third anniversaries of the date of grant.

Exercise Price

The Stock Option Plan provides that the exercise price of an Option shall not be lower than the higher of: (i) the closing price of the Common Shares on the TSX on the first trading day immediately preceding the date of grant; or (ii) the lowest price permitted by the TSX; provided that if the Common Shares are not listed and posted for trading on a stock exchange, the exercise price of an Option shall be the value determined by the Board on the date of grant.

Restrictions on Number of Common Shares Issuable

The maximum number of Common Shares that are issuable under Options that are issued and outstanding at any time under the Stock Option Plan shall not exceed 10% of the aggregate number of Common Shares actually outstanding at that time, as determined on a non-diluted basis. The maximum number of Common Shares that may be issued under the Stock Option Plan to insiders of the Corporation within any one-year period and the maximum number of Common Shares that are issuable under the Stock Option Plan to insiders of the Corporation at any time, together with all Common Shares issuable to insiders under all other share compensation arrangements, may not exceed 10% of the outstanding Common Shares. The maximum number of Common Shares that may be issued under the Stock Option Plan to any single participant in the Stock Option Plan may not exceed 5% of the outstanding Common Shares.

Amendments

The Board may, at any time, but subject always to the receipt of required regulatory approvals, alter, amend or revise the terms of the Stock Option Plan or an outstanding Option, or suspend, discontinue or terminate the Stock Option Plan, provided that, without the prior written consent of an Optionee, no such action shall adversely affect (except as specifically provided in the Stock Option Plan or an applicable Option Agreement) any Options previously granted to such Optionee.

Any alteration, amendment or revision to the Stock Option Plan or any outstanding Options (other than suspension, discontinuance or termination of the Stock Option Plan or any outstanding Options) is subject to the prior approval of shareholders of the Corporation. Notwithstanding the foregoing, the Board has the authority to make certain amendments to the Stock Option Plan without further approval of the shareholders of the Corporation, to the extent that such amendments relate to: (i) altering, extending or accelerating the terms and conditions of vesting applicable to any Option or group of Options; (ii) changing the termination provisions of an Option, provided such change does not entail an extension beyond the original expiry date of such Option; (iii) accelerating the expiry date of an Option; (iv) determining the adjustment provisions pursuant to the Stock Option Plan; (v) making changes of a "housekeeping" nature; and (vi) amending or modifying the mechanics of exercise of the Options.

Shareholder approval is specifically required for the Board to make amendments of the following nature: (i) to increase the maximum number or percentage of Common Shares that may be issued pursuant to Options; (ii) to reduce the exercise price of Options benefiting an insider; (iii) to alter limits to insider participation; (iv) to extend the expiry date of Options for the benefit of an insider; and (v) to amend the amendment provisions of the Stock Option Plan.

Cessation of Participation

The Stock Option Plan provides an Optionee who has ceased to be a participant under the Stock Option Plan, for any reason, a limited amount of time to exercise any or all of his or her vested Options, after which time such vested Options shall expire. All of such Optionee's unvested Options expire immediately upon cessation of participation. Vested Options granted under the Stock Option Plan will expire on the earlier of: (i) the original expiry date; (ii) three years after the Optionee's death; (iii) one year after the Optionee becomes permanently disabled; (iv) one year after the Optionee ceases to be a director; and (v) 30 days after the Optionee ceases to be a participant for any other reason. In the context of an Optionee ceasing to be a participant under the Stock Option Plan, the directors of the Corporation have the discretion to vest unvested Options and to extend the expiry date of Options, provided that such extended expiry date shall be no later than the earlier of the original expiry date of

such Options and the third anniversary date of the date upon which the Optionee ceased to be a participant under the Stock Option Plan.

Assignability

Options granted under the Stock Option Plan are for the benefit of the Corporation's officers, directors, employees and consultants and are not assignable to any third party under any circumstance except for a limited right of an Optionee's legal representative to exercise Options in the event of the death or permanent disability of an Optionee.

Adjustment in Connection with Certain Corporate Events

In the event: (i) of any change or proposed change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; (ii) of any issuance, dividend or distribution to all or substantially all of the holders of Common Shares of any shares, securities, property or assets of the Corporation other than in the ordinary course; (iii) that any rights are granted to holders of Common Shares to purchase Common Shares at prices materially below fair market value; or (iv) that as a result of any recapitalization, merger, consolidation or otherwise the Common Shares are converted into or exchangeable for any other shares or securities; then in any such case: (v) the Board will proportionately adjust the number of Common Shares that underlie each Option, the number of Common Shares that are available for issuance pursuant to the exercise of all outstanding Options, the securities or other property that may be acquired upon the exercise of an Option and the exercise price of such Option, or one or more of the foregoing, to prevent substantial dilution or enlargement of the rights granted to Optionees; and (vi) the Board may amend to an earlier date the date on which any or all unvested Options become vested Options and may decide whether such Options will remain as vested Options for a limited period of time only. Upon any such determination having been made, the Optionee shall be bound by such determination.

Change of Control

The Stock Option Plan contains various provisions that apply in the context of a transaction resulting in a "change of control" (as such term is defined in the Stock Option Plan). In most change of control situations, all unvested Options will be vested. In the context of a change of control where not less than $66\frac{2}{3}\%$ of vested Options have been exercised, all remaining unexercised Options shall expire and automatically terminate and the Corporation shall make a cash payment to the former holders of such Options in an amount equal to the "in-the-money" value of such expired Options at such time.

Performance Warrants

Performance Warrants were originally granted on January 18, 2005 at the founding of the Corporation as a long-term incentive to the members of the Corporation's management team at the time and to enhance shareholder value by aligning the interests of the holders with the growth and profitability of the Corporation. As a performance-based incentive, the Performance Warrants were not exercisable unless the trading price of the Common Shares exceeded \$6.00 for a period of 20 consecutive trading days. This condition was satisfied in November of 2005 and accordingly, all of the Performance Warrants have been exercisable since November 2005. At the annual and special meeting of shareholders held on May 15, 2014, the shareholders of the Corporation approved an amendment to the Performance Warrants to extend the expiry date from January 31, 2015 to January 31, 2020.

At March 24, 2017, the Corporation had 2,939,732 Performance Warrants outstanding, representing approximately 1.1% of the issued and outstanding Common Shares. Each Performance Warrant entitles the holder thereof to purchase one Common Share of the Corporation at an exercise price of \$3.00 per Common Share, which was the price at which the Corporation originally raised its initial \$60 million of equity financing. The Performance Warrants are held by Messrs. Tonken, Geremia, Surbey and Bosman, each of whom is a Named Executive Officer. Mr. Geremia holds 50% of his Performance Warrants in trust for the benefit of his former spouse.

Group Savings Plan and Benefits

The Corporation provides the Named Executive Officers, along with all other employees, with the opportunity to voluntarily participate in the Group Savings Plan. In addition, the Named Executive Officers are provided with other employment benefits, including life insurance, disability insurance, extended health and dental coverage and a health care spending account.

The Corporation implemented the Group Savings Plan to assist employees in meeting their saving goals. Employees who join the Group Savings Plan contribute a percentage of their base salary each pay period and the Corporation matches the employee contributions to a maximum of 5% of the employee's base salary. All employees are eligible to join the Group Savings Plan and vesting of the Corporation's contribution is immediate. The Group Savings Plan is administered for the Corporation by an independent third party investment firm. Investment options include a suite of professionally managed investment funds. The Corporation deposits contributions with the advisory firm on a semi-monthly basis and thereafter all investment decisions, transfers and withdrawals are completed directly between the employee and the third party investment firm.

Risks of Compensation Policies and Practices

The Board and the Compensation Committee have not formally considered the implications of the risks associated with the Corporation's compensation policies and practices. The Corporation's compensation policies and practices give significant weight toward long-term incentives to mitigate the risk of encouraging short-term goals at the expense of long-term sustainability. The discretionary nature of the bonus awards under the Bonus Plan and of the Option grants under the Stock Option Plan are significant elements of the Corporation's compensation program and provide the Board with the ability to reward historical performance and behaviour that the Board considers to be aligned with the Corporation's best interests.

Anti-Hedging Policy

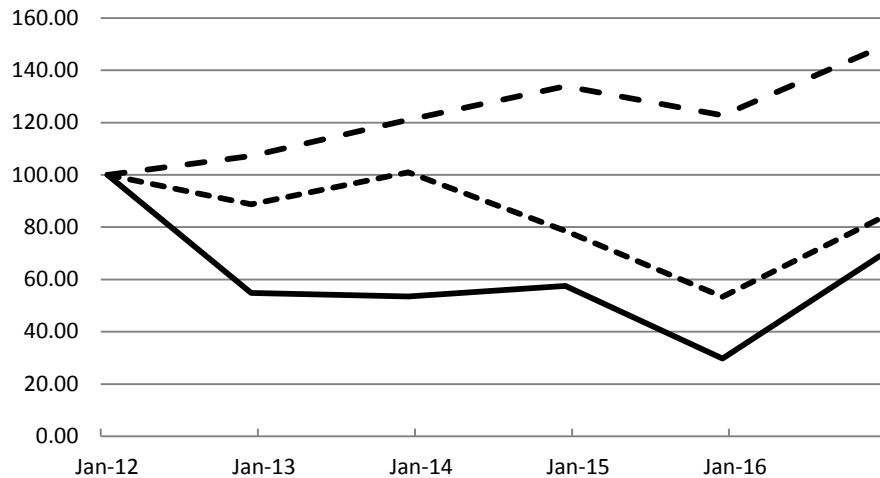
The Corporation has implemented a policy which restricts its directors and officers from knowingly selling, directly or indirectly, a security of the Corporation if such person selling such security does not own or has not fully paid for the security to be sold. Directors and officers of the Corporation may not, directly or indirectly, sell a call or buy a put in respect of a security of the Corporation or any of its affiliates. Notwithstanding these prohibitions, directors and officers of the Corporation may sell a security which such person does not own if such person owns another security convertible into the security sold or an option or right to acquire the security sold and, within 10 days after the sale, such person: (i) exercises the conversion privilege, option or right and delivers the security so acquired to the purchaser; or (ii) transfers the convertible security, option or right, if transferable to the purchaser.

As a matter of corporate policy, hedging transactions involving directors and officers are prohibited. Directors and officers may not, for the purpose of hedging to protect against a decrease in the market price or value of an equity-based award or securities of the Corporation, buy, sell or enter into any derivative instruments, agreements or securities, the market price, value or payment obligations of which are derived from, referenced to or based on the value of the applicable securities, or any other derivative instruments, agreements, arrangements, or understandings (commonly known as equity monetization transactions) the effect of which is to alter, directly or indirectly, the director's or officer's economic interest in securities of, or economic exposure to, the Corporation.

Performance Graph

The following graph compares the cumulative total shareholder return for the five most recently completed financial years, assuming a notional \$100.00 investment in the Common Shares, with the cumulative total shareholder return on the S&P/TSX Composite Total Return Index and the Oil & Gas Exploration & Production Total Return Index.

2012 to 2016 Performance Graph



	1-Jan-12	31-Dec-12	31-Dec-13	31-Dec-14	31-Dec-15	31-Dec-16
BIR	100.00	54.85	53.46	57.50	29.71	68.90
S&P/TSX Comp Total Return	100.00	107.19	121.11	133.90	122.76	148.64
Oil & Gas E & P Total Return	100.00	88.73	100.99	78.64	53.40	83.26

— BIR - - S&P/TSX Comp Total Return - . - Oil & Gas E & P Total Return

The decrease in the closing trading price of the Common Shares on December 31, 2016 relative to the closing trading price of the Common Shares on January 1, 2012 was significantly more than the comparable relative decrease in value of the Oil & Gas Exploration and Production Total Return Index.

On a relative basis, the closing trading price of the Common Shares on December 31, 2016 was 31% less than the closing trading price of the Common Shares on January 1, 2012. On a similar relative basis, the closing trading price of the S&P/TSX Composite Total Return Index on December 31, 2016 was 49% more than the closing trading price of such index on January 1, 2012.

Over the same five year period, executive compensation has generally remained fairly consistent, after excluding the effect of the incremental fair value of the extension of the Performance Warrants in 2014 (see Note 3 to the table under the heading “Executive Compensation – Summary Compensation for Named Executive Officers”), with slight increases in 2014 and 2016. Executive compensation is not directly tied to the trading price of the Common Shares.

Summary Compensation for Named Executive Officers

The following table provides a summary of the compensation earned by each Named Executive Officer for the three most recently completed financial years:

Summary Compensation Table for Named Executive Officers

Name and Principal Position	Year	Salary (\$)	Option- based awards ⁽¹⁾ (\$)	Annual incentive plans (\$)	All other compensation ⁽²⁾ (\$)	Total compensation (\$)
A. Jeffery Tonken	2016	480,000	165,200	650,000	24,000	1,319,200
President and Chief Executive Officer ⁽⁴⁾	2015	480,000	294,000	450,000	24,000	1,248,000
	2014	454,000	390,600	450,000	503,800 ⁽³⁾	1,798,400
Myles R. Bosman	2016	438,000	165,200	650,000	21,900	1,275,100
Vice-President, Exploration and Chief Operating Officer	2015	438,000	294,000	450,000	21,900	1,203,900
	2014	414,000	390,600	450,000	323,600 ⁽³⁾	1,578,200
Christopher A. Carlsen	2016	438,000	165,200	650,000	21,900	1,275,100
Vice-President, Engineering	2015	438,000	294,000	450,000	21,900	1,203,900
	2014	414,000	390,600	450,000	20,700	1,275,300
Bruno P. Geremia	2016	438,000	165,200	650,000	21,900	1,275,100
Vice-President and Chief Financial Officer	2015	438,000	294,000	450,000	21,900	1,203,900
	2014	414,000	390,600	450,000	501,800 ⁽³⁾⁽⁵⁾	1,756,400
Dave M. Humphreys	2016	438,000	165,200	650,000	21,900	1,275,100
Vice-President, Operations	2015	438,000	294,000	450,000	21,900	1,203,900
	2014	414,000	390,600	450,000	20,700	1,275,300
James W. Surbey	2016	438,000	165,200	650,000	21,900	1,275,100
Vice-President, Corporate Development	2015	438,000	294,000	450,000	21,900	1,203,900
	2014	414,000	390,600	450,000	501,800 ⁽³⁾	1,756,400

Notes:

- (1) The Corporation has calculated the grant date fair value of the Options granted to the Named Executive Officers using the Black-Scholes-Merton model. The Corporation chose the Black-Scholes-Merton model because it is recognized as the most common methodology used for valuing Options and doing value comparisons. The value of each Option granted on January 21, 2016 under International Financial Reporting Standards (“IFRS”) was \$1.18 and the Black-Scholes-Merton assumptions used were: (i) an initial expected life of 4.0 years; (ii) a historical volatility of 44.8%; and (iii) a risk-free interest rate of 0.6%. The value of each Option granted on January 23, 2015 under IFRS was \$2.10 and the Black-Scholes-Merton assumptions used were: (i) an initial expected life of 4.0 years; (ii) a historical volatility of 40.8%; and (iii) a risk-free interest rate of 0.7%. The value of each Option granted on January 27, 2014 under IFRS was \$2.79 and the Black-Scholes-Merton assumptions used were: (i) an initial expected life of 3.9 years; (ii) a historical volatility of 39.6%; and (iii) a risk-free interest rate of 1.4%. The aggregate number of Options held by each of the Named Executive Officers as at December 31, 2016 is disclosed in the table under the heading “Executive Compensation – Incentive Plan Awards – Outstanding Option-Based Awards”.
- (2) The amounts under “All other compensation” include the matching contributions made by the Corporation on behalf of the Named Executive Officers under the Group Savings Plan. See “Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation – Group Savings Plan and Benefits”. For each of the three most recently completed financial years, the value of perquisites and benefits for each Named Executive Officer that are not generally available to all employees is less than \$50,000 and less than 10% of each Named Executive Officer’s total salary.
- (3) Includes the amount of \$481,100 in the case of Messrs. Tonken, Geremia and Surbey and \$302,900 in the case of Mr. Bosman, which amounts represent the incremental fair value of the extension of the Performance Warrants that were extended on May 15, 2014. See “Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation – Performance Warrants”. The incremental fair value of the extension was determined as at May 15, 2014 by the difference between the fair value of the outstanding Performance Warrants with the expiration date of January 31, 2020 (the “extended term”) and the fair value of the outstanding Performance Warrants with the original expiration date of January 31, 2015 (the “original term”). The Corporation has calculated the fair value of the extended term Performance Warrants held by the Named Executive Officers that were extended using the Black-Scholes-Merton model using the following assumptions: (i) an initial expected life of 5.7 years; (ii) a forfeiture rate of 0%; (iii) a historical volatility of 51.5%; and (iv) a risk-free interest rate of 1.7%. The Corporation has calculated the fair value of the original term Performance Warrants held by the Named Executive Officers that were extended using the Black-Scholes-Merton model using the following assumptions: (i) an initial expected life of 0.72 years; (ii) a forfeiture rate of 0%; (iii) a historical volatility of 27.0%; and (iv) a risk-free interest rate of 1.0%. The fair value of each Performance Warrant with the extended term was \$9.746 and the fair value of each Performance Warrant with the original term was \$9.152.
- (4) Mr. Tonken also serves as a director of the Corporation but receives no compensation for serving as a director of the Corporation.
- (5) Fifty percent of the amount of \$481,100, which is in respect of the Performance Warrants, is held in trust for the benefit of Mr. Geremia’s former spouse. Mr. Geremia does not exercise control or direction over the underlying securities.

Incentive Plan Awards

Outstanding Option-Based Awards

The following table sets forth information in respect of all option-based awards (consisting of Options and Performance Warrants) that were outstanding at the end of the financial year ended December 31, 2016 for the Named Executive Officers:

Outstanding Option-Based Awards at December 31, 2016

Name	Number of securities underlying unexercised Options or Performance Warrants (#)	Exercise price (\$)	Expiration date	Value of unexercised in-the-money Options or Performance Warrants ⁽¹⁾ (\$)
A. Jeffery Tonken President and Chief Executive Officer	175,000 ⁽²⁾	5.96	April 24, 2017	596,750
	111,000 ⁽²⁾	7.32	January 24, 2018	227,550
	140,000 ⁽²⁾	8.63	January 27, 2019	103,600
	140,000 ⁽²⁾	6.53	January 23, 2020	397,600
	140,000 ⁽²⁾	3.35	January 21, 2021	842,800
	809,933 ⁽³⁾	3.00	January 31, 2020	5,159,273
Myles R. Bosman Vice-President, Exploration and Chief Operating Officer	111,000 ⁽²⁾	7.32	January 24, 2018	227,550
	140,000 ⁽²⁾	8.63	January 27, 2019	103,600
	140,000 ⁽²⁾	6.53	January 23, 2020	397,600
	140,000 ⁽²⁾	3.35	January 21, 2021	842,800
	509,933 ⁽³⁾	3.00	January 31, 2020	3,248,273
Christopher A. Carlsen Vice-President, Engineering	85,000 ⁽²⁾	5.96	April 24, 2017	289,850
	55,200 ⁽²⁾	7.32	January 24, 2018	113,160
	210,000 ⁽²⁾	8.56	July 22, 2018	170,100
	140,000 ⁽²⁾	8.63	January 27, 2019	103,600
	140,000 ⁽²⁾	6.53	January 23, 2020	397,600
	140,000 ⁽²⁾	3.35	January 21, 2021	842,800
Bruno P. Geremia Vice-President and Chief Financial Officer	175,000 ⁽²⁾	5.96	April 24, 2017	596,750
	111,000 ⁽²⁾	7.32	January 24, 2018	227,550
	140,000 ⁽²⁾	8.63	January 27, 2019	103,600
	140,000 ⁽²⁾	6.53	January 23, 2020	397,600
	140,000 ⁽²⁾	3.35	January 21, 2021	842,800
	809,933 ⁽³⁾⁽⁴⁾	3.00	January 31, 2020	5,159,273 ⁽⁴⁾
Dave M. Humphreys Vice-President, Operations	111,000 ⁽²⁾	7.32	January 24, 2018	227,550
	140,000 ⁽²⁾	8.63	January 27, 2019	103,600
	140,000 ⁽²⁾	6.53	January 23, 2020	397,600
	140,000 ⁽²⁾	3.35	January 21, 2021	842,800
James W. Surbey Vice-President, Corporate Development	175,000 ⁽²⁾	5.96	April 24, 2017	596,750
	111,000 ⁽²⁾	7.32	January 24, 2018	227,550
	140,000 ⁽²⁾	8.63	January 27, 2019	103,600
	140,000 ⁽²⁾	6.53	January 23, 2020	397,600
	140,000 ⁽²⁾	3.35	January 21, 2021	842,800
	809,933 ⁽³⁾	3.00	January 31, 2020	5,159,273

Notes:

- (1) Value is calculated based on the difference between the exercise price of the Options or Performance Warrants, as applicable, and the closing price of the Common Shares on the TSX on December 30, 2016 of \$9.37.
- (2) Represents Options.
- (3) Represents Performance Warrants.
- (4) Fifty percent of this amount is held in trust for the benefit of Mr. Geremia's former spouse. Mr. Geremia does not exercise control or direction over these securities.

For a description of the process used by the Corporation to grant option-based awards to the Named Executive Officers, see the disclosure under the headings "Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation – The Stock Option Plan" and "Executive Compensation – Compensation Discussion and

Analysis – Elements of Compensation – Performance Warrants”. For a more detailed description of the Stock Option Plan, see the disclosure under the heading *“Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation – The Stock Option Plan”*. For a more detailed description of the Performance Warrants, see the disclosure under the heading *“Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation – Performance Warrants”*.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth information in respect of the value of incentive plan awards vested or earned during the Corporation’s financial year ended December 31, 2016, in respect of option-based and non-equity incentive plan awards for the Named Executive Officers:

Incentive Plan Awards – Value Vested or Earned During Financial Year Ended December 31, 2016

Name	Option-based awards – Value vested during the year ⁽¹⁾ (\$)	Non-equity incentive plan awards – Value earned during the year ⁽²⁾ (\$)
A. Jeffery Tonken President and Chief Executive Officer	–	650,000
Myles R. Bosman Vice-President, Exploration and Chief Operating Officer	–	650,000
Christopher A. Carlsen Vice-President, Engineering	5,600	650,000
Bruno P. Geremia Vice-President and Chief Financial Officer	–	650,000
Dave M. Humphreys Vice-President, Operations	–	650,000
James W. Surbey Vice-President, Corporate Development	–	650,000

Notes:

- (1) Value is calculated for each of the Options based on the difference between the exercise price of the Options and the closing price of the Common Shares on the TSX on the vesting date for such Options or, if such day was not a trading day, the following trading day.
- (2) Non-equity incentive plan compensation represents the cash bonuses earned under the Bonus Plan for the financial year ended December 31, 2016.

Pension Plan Benefits

The Corporation does not have a pension plan or a deferred compensation plan.

Termination and Change of Control Benefits

The Corporation entered into executive employment agreements: (i) effective December 19, 2009 with each of the Named Executive Officers, other than Mr. Tonken and Mr. Carlsen; (ii) effective May 16, 2011 with Mr. Tonken; and (iii) effective July 22, 2013 with Mr. Carlsen (collectively, the **“Employment Agreements”**). These Employment Agreements are for an indefinite term and contain provisions for payments upon: termination, with or without just cause; resignation following a change of control or constructive dismissal; or a change of duties or remuneration following a change of control. Pursuant to the Employment Agreements, a “change of control” is deemed to have occurred if:

- any person or group of persons acquires effective control of the Corporation (where “control” means the ability to exercise effective control of the management and policies of the Corporation and the ability to elect the majority of the Board and “group” refers to a combination of persons that act in concert);
- there is an acquisition of 20% or more of the Common Shares or securities convertible into Common Shares (other than by Mr. Seymour Schulich and his associates or affiliates);

- an amalgamation, arrangement or other such transaction is completed, which results in: the directors of the Corporation comprising less than two-thirds of the directors of the new entity; a sale of all or substantially all of the assets of the Corporation (other than to a partnership of which the Corporation is a partner); the liquidation, dissolution or winding up of the Corporation; or any person, partnership, entity or group acquiring control of the Corporation; or
- the Board determines that a change of control has occurred.

The following table sets forth a summary of the potential payments and other benefits that are payable or otherwise provided to the Named Executive Officers upon the occurrence of the triggering events set forth below, as well as certain conditions and obligations of the Named Executive Officer’s employment as provided for in the Employment Agreements.

Summary of Termination and Change of Control Benefits

Conditions and Obligations of Employment	<ul style="list-style-type: none"> • Confidentiality obligations and non-solicitation of employees for a period of one year following termination.
Potential Payments in the event of: <ul style="list-style-type: none"> a. termination without just cause; b. resignation within 30 days following a change of control or constructive dismissal; or c. a change of duties or remuneration following a change of control 	<ul style="list-style-type: none"> • A lump sum equal to: (i) the Named Executive Officer’s current annual salary owed to the date of termination; and (ii) an amount equal to “Annual Compensation”⁽¹⁾ multiplied by two. • All outstanding and accrued vacation pay. • All previously unvested convertible securities to acquire Common Shares will become immediately exercisable and shall remain exercisable until the later of 180 days following the date of termination and January 31 of the following calendar year. • All Corporation-paid life, medical and dental insurance benefits will be continued until the first to occur of: two months from the date of termination; alternative employment with comparable benefits; or death.
Potential Payments in the event of termination for just cause	<ul style="list-style-type: none"> • Any unpaid portion of salary accrued to the date of termination, any amounts due for unused vacation and any outstanding expenses not yet reimbursed.

Note:

(1) “Annual Compensation” is defined in the Employment Agreements to mean the sum of: (i) the annual salary of the Named Executive Officer in effect at the date of termination; plus (ii) the simple average of the aggregate amount received or entitled to be received in respect of each of such last two fiscal years pursuant to any profit sharing, officer or employee incentive, compensation or bonus program; plus (iii) the annual cost of providing the Named Executive Officer with the employment benefits to which such officer is entitled.

The following table sets forth the estimated incremental payments and benefits that would be received by each of the Named Executive Officers pursuant to their respective Employment Agreements upon the occurrence of a termination without just cause, a resignation within 30 days following a change of control or a change of duties or remuneration following a change of control, in each case assuming the date of the triggering event was December 31, 2016:

Summary of Potential Termination or Change of Control Payments and Benefits

Name	“Annual Compensation” multiplied by two ⁽¹⁾⁽²⁾ (\$)	Value of Accelerated Option Vesting ⁽³⁾ (\$)
A. Jeffery Tonken President and Chief Executive Officer	2,193,144	1,142,399
Myles R. Bosman Vice-President, Exploration and Chief Operating Officer	2,092,244	1,142,399
Christopher A. Carlsen Vice-President, Engineering	2,093,444	1,142,399
Bruno P. Geremia Vice-President and Chief Financial Officer	2,085,594	1,142,399
Dave M. Humphreys Vice-President, Operations	2,093,444	1,142,399
James W. Surbey Vice-President, Corporate Development	2,091,017	1,142,399

Notes:

- (1) Includes the total value of the “Annual Compensation” as defined in the Employment Agreements.
- (2) Assumes no salary or vacation pay owing at the date of termination. In addition, the Employment Agreements provide that the Corporation will continue to maintain all of the Corporation-paid life, medical and dental insurance benefits at the level existing as at the date of a change of control or the date of termination until: (i) the Named Executive Officer obtains alternative employment benefits of a comparable nature; (ii) the death of the Named Executive Officer; or (iii) two months from the date of termination or change of control, whichever should first occur. At December 31, 2016, the value of such benefits for a period of two months from the date of the triggering event is equal to approximately \$2,000 for each Named Executive Officer.
- (3) Calculated based on the difference between the market price of the Common Shares underlying the accelerated Options (based on the closing price of the Common Shares on the TSX on December 30, 2016 of \$9.37, being the last trading day of the year) and the exercise price of the Options.

In addition, the Stock Option Plan contains various provisions that apply in the context of a transaction resulting in a “change of control” (as such term is defined in the Stock Option Plan). In most change of control situations, all unvested Options will be vested. In the context of a change of control where not less than 66²/₃% of vested Options have been exercised, all remaining unexercised Options shall expire and automatically terminate and the Corporation shall make a cash payment to the former holders of such Options in an amount equal to the “in-the-money” value of such expired Options at such time. Assuming a change of control occurred on December 31, 2016, the estimated incremental value of the unvested Options for which vesting would be accelerated for each of the Named Executive Officers is \$1,142,399, based on the difference between the market price of the Common Shares underlying the accelerated Options (which is based on the closing price of the Common Shares on the TSX on December 30, 2016 of \$9.37) and the exercise price of the Options.

DIRECTOR COMPENSATION

Summary Compensation for Directors

Compensation for the directors of the Corporation, excluding Mr. Tonken, consists of an annual retainer and a fee for each meeting of the Board or any committee thereof attended. The annual retainer for 2016 was \$90,000 and the per meeting fees were \$1,500. Mr. Tonken receives no compensation for acting as a director of the Corporation. Compensation information for Mr. Tonken is provided under the heading “Executive Compensation – Summary Compensation for Named Executive Officers”.

The directors may be granted Options under the Stock Option Plan, although no Options have been granted to non-employee directors since 2011. All matters related to the compensation of directors are determined by the Compensation Committee.

The following table sets forth information in respect of all amounts of compensation provided to the directors of the Corporation for the financial year ended December 31, 2016, excluding Mr. Tonken, whose compensation information is provided under the heading “Executive Compensation – Summary Compensation for Named Executive Officers”.

Summary Compensation Table for Directors for Financial Year Ended December 31, 2016

Name	Annual retainer and meeting fees earned (\$)	Option-based awards (\$)	All other compensation ⁽¹⁾ (\$)	Total (\$)
Kenneth N. Cullen	127,500	–	4,761	132,261
Dennis A. Dawson	129,000	–	10,711	139,711
Rebecca Morley	84,309	–	4,116	88,425
Larry A. Shaw	129,000	–	10,697	139,697

Note:

(1) Includes life and medical insurance premiums in the case of Mr. Dawson and Ms. Morley, Best Doctors Medical Access and medical travel insurance in the case of Mr. Cullen, Mr. Dawson and Ms. Morley, reimbursement of amounts under the Corporation’s health care spending account in the case of Mr. Dawson and Mr. Shaw and a club membership and taxable parking benefits in the case of Mr. Shaw.

Incentive Plan Awards

Outstanding Option-Based Awards

At the end of December 31, 2016, there were no outstanding option-based awards held by the directors of the Corporation, other than Mr. Tonken.

Incentive Plan Awards – Value Vested or Earned During the Year

During the financial year ended December 31, 2016, no value vested in respect of any option-based awards held by any of the directors and no non-equity incentive plan compensation was earned by any of the directors, other than Mr. Tonken.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth the details relating to the outstanding equity compensation plans of the Corporation at December 31, 2016:

Plan Category	Number of Common Shares to be issued upon exercise of outstanding Options, Performance Warrants and rights (A)	Weighted-average exercise price of outstanding Options, Performance Warrants and rights (B)	Number of Common Shares remaining available for future issuance under equity compensation plans (excluding those included in column (A)) (C)
Equity Compensation Plans approved by shareholders ⁽¹⁾	Options: 12,899,775 Performance Warrants: 2,939,732 Options and Performance Warrants: 15,839,507	Options: \$6.45 Performance Warrants: \$3.00 Options and Performance Warrants: \$5.81	Options: 13,504,415 ⁽²⁾ Performance Warrants: Nil Options and Performance Warrants: 13,504,415
Equity Compensation Plans not approved by shareholders	Nil	N/A	N/A

Notes:

- (1) For a description of the Stock Option Plan and the Performance Warrants, see *“Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation”*.
- (2) The maximum number of Common Shares issuable under Options that are issued and outstanding at any time under the Stock Option Plan shall not exceed 10% of the aggregate number of Common Shares actually outstanding at that time, as determined on a non-diluted basis. At December 31, 2016, there were 264,041,902 Common Shares issued and outstanding. Accordingly, at December 31, 2016, a maximum of 26,404,190 Common Shares could be issued under the Stock Option Plan, leaving 13,504,415 Common Shares available for issuance under the Stock Option Plan.

During the year ended December 31, 2016, an aggregate of 1,209,363 Common Shares were issued pursuant to the exercise of Options.

CORPORATE GOVERNANCE DISCLOSURE

Pursuant to National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, the Corporation is required to include in this Information Circular the disclosure required under Form 58-101F1.

Board of Directors

A director is considered to be “independent” if the director is independent within the meaning of Section 1.4 of National Instrument 52-110 – *Audit Committees (“NI 52-110”)*. The Board currently consists of five directors, of which four are independent. Accordingly, a majority of the directors are independent. The Board has determined that following the Meeting, three of five directors will be considered independent, provided that all of management’s nominees are elected to the Board.

The current independent directors are Ken Cullen, Dennis Dawson, Rebecca Morley and Larry Shaw. Mr. Tonken is not considered an independent director by virtue of his position as the President and Chief Executive Officer of the Corporation. Mr. Surbey will not be considered to be independent by virtue of his position as the Vice-President, Corporate Development of the Corporation.

The Chairman of the Board is Larry Shaw, an independent director.

Independent Board members generally conduct *in-camera* sessions following regularly scheduled Board meetings, chaired by the Chairman of the Board. During the year ended December 31, 2016, a total of ten *in-camera* sessions were held by the independent directors of the Corporation. In addition, the Board facilitates open and candid discussion among its independent directors by encouraging the independent directors to meet by themselves whenever they wish to do so and by providing an opportunity for the independent directors to meet without any members of management present at meetings of the Audit Committee, the Reserves Evaluation Committee and the Compensation Committee. The independent directors, as members of the Audit Committee and the Reserves Evaluation Committee, meet with the Corporation’s auditors and the Corporation’s independent qualified reserves evaluators. These meetings are independent of management for the purposes of planning their activities and thereafter to supervise such activities. These meetings also ensure that the auditors and the independent qualified reserves evaluators have an opportunity to: (i) advise if they received full access to all requested information and received full cooperation of management; and (ii) confirm that they are not subject to any pressure from management, that there are no outstanding disagreements with management, that they are not aware of any evidence of illegal or fraudulent acts and that they are not aware of any other significant matters that should be brought to the attention of the independent directors.

None of the current or proposed directors of the Corporation are directors of any other reporting issuer.

The attendance record of each of the directors of the Corporation for the Board and the Board committee meetings held in 2016 is as follows:

Director	2016 Board Meetings Attended	2016 Audit Committee Meetings Attended	2016 Compensation Committee Meetings Attended	2016 Reserves Evaluation Committee Meetings Attended
Kenneth N. Cullen	12 of 13	5 of 5	4 of 4	4 of 4
Dennis A. Dawson	13 of 13	5 of 5	4 of 4	4 of 4
Rebecca Morley ⁽¹⁾	5 of 5	2 of 2	2 of 2	2 of 2
Larry A. Shaw (Chairman)	13 of 13	5 of 5	4 of 4	4 of 4
A. Jeffery Tonken	13 of 13	N/A	N/A	N/A

Note:

- (1) Ms. Morley was appointed as a director on August 10, 2016 and attended every meeting of the Board and its committees held after her appointment. The information with respect to Ms. Morley’s meeting attendance during 2016 has been presented for those meetings held on and after August 10, 2016.

Board Mandate

The Board does not have a written mandate. The Board delineates its role and responsibilities based on the statutory and common law applicable to the Corporation. The Board believes its mandate is to manage the business and affairs of the Corporation. While day-to-day management of the Corporation has been delegated by the Board to executive management, the Board fulfills its responsibility for the broader stewardship of the Corporation's business and affairs through its regular meetings at which members of the Corporation's management provide reports to the Board with respect to the Corporation's business and operations, make proposals to the Board and receive the Board's decisions for implementation.

To monitor corporate performance, the Board reviews and approves budgets prepared by management on at least an annual basis, the Board receives monthly production updates and the Board receives internal monthly financial reports. The Board also receives operational, financial and health, safety and environment reports at its meetings. In addition, the Board receives informal updates from the President and Chief Executive Officer on a regular basis. The Board may retain persons having special expertise and obtain independent professional advice to assist the Board in fulfilling its responsibilities at the expense of the Corporation. At the end of each year, the Board reviews production growth, finding and development costs, outstanding debt and cash flow as compared to the Corporation's budget and as compared to industry peers.

Position Descriptions

The Board has developed and approved written position descriptions for the Chairman of the Board, the President and Chief Executive Officer and the Chair of each committee of the Board.

The principal role of the Chairman of the Board is to organize and manage the affairs of the Board, including ensuring the Board is organized properly, functions effectively and meets its obligations and responsibilities, including those relating to corporate governance matters. The Chairman is accountable to the Board and acts as a direct liaison between the Board and the management of the Corporation.

The principal role of the Chief Executive Officer is to provide leadership and direction for the Corporation in accordance with the corporate strategy and objectives approved by the Board. The Chief Executive Officer is ultimately responsible for all day-to-day management decisions and for implementing the Corporation's current and long-term objectives.

The principal role of the Chair of any committee of the Board is to effectively engage and manage the business of the committee.

Orientation and Continuing Education

The Corporation does not currently have a formal orientation program for new directors. As new directors join the Board, they are provided with, amongst other things, corporate policies, charters for the Corporation's committees, historical information about the Corporation and information on the Corporation's performance and its strategic plan. The Board believes that these procedures are a practical and effective approach in light of the Corporation's particular circumstances, including the size of the Corporation, limited turnover of the directors and the experience and expertise of the directors.

The Board has not implemented a continuing education program for directors; however, the Board supports any relevant educational initiative by any individual director. Management regularly provides the Board with continuing education materials and the Board obtains legal and accounting advice whenever it considers it necessary to keep abreast of current developments relating to the obligations of directors.

Ethical Business Conduct

The Board has adopted a written policy of ethical business conduct (the "**Ethics Policy**") for the directors, officers and employees of the Corporation. A copy of the Ethics Policy is available on the Corporation's intranet site and each new employee receives a copy of the Ethics Policy. The Board does not formally monitor compliance with the Ethics Policy; however, all employees agree to comply with all of the Corporation's policies when they commence employment with the Corporation.

The Board expects that each director will exercise independent judgment in considering transactions and agreements in respect of which such director has a material interest and in those circumstances will comply with applicable law and disclose his interest and refrain from participating in discussions or voting on the matter, in accordance with the requirements of the ABCA.

The Audit Committee and the Board have adopted a Whistleblower Policy to provide for the confidential and anonymous submission by employees of concerns regarding questionable accounting or audit matters. Under the Whistleblower Policy, the Board encourages the submission of all good faith concerns and complaints regarding the Corporation’s accounting, auditing and financial reporting matters.

Nomination of Directors

The Board has not initiated any formal process to identify new candidates for Board nomination. The Board encourages the independent directors to put forward their suggestions regarding candidates for new directors and encourages an objective nomination process.

The Board has not established and has no current intention of establishing either a nominating committee or corporate governance committee. The Board will normally establish a committee when it considers that independence and exclusion of management participation is required to effectively and properly manage the relevant subject matter or when it feels that the frequency of meetings or time commitments required to effectively manage the relevant subject matter make it impractical for such matters to be managed by the full board. The Board does not consider that either of these concerns has arisen in relation to matters that would normally be managed by a nominating or corporate governance committee.

Board Committees

The Board has established the following Board committees currently comprised of the members and chaired by the individuals set out in the following table:

Committee	Members⁽¹⁾	Independent?
Audit Committee	Kenneth N. Cullen	Yes
	Dennis A. Dawson	Yes
	Rebecca Morley	Yes
	Larry A. Shaw (Chairman)	Yes
Compensation Committee	Kenneth N. Cullen	Yes
	Dennis A. Dawson	Yes
	Rebecca Morley	Yes
	Larry A. Shaw (Chairman)	Yes
Reserves Evaluation Committee	Kenneth N. Cullen	Yes
	Dennis A. Dawson	Yes
	Rebecca Morley	Yes
	Larry A. Shaw (Chairman)	Yes

Note:

(1) Mr. Cullen is not standing for re-election at the Meeting. If Mr. Surbey is elected as a director of the Corporation at the Meeting, it is expected that he will be appointed as a member of the Reserves Evaluation Committee. Accordingly, following the Meeting, it is expected that: (i) the Audit Committee will be comprised of Mr. Dawson, Ms. Morley and Mr. Shaw; (ii) the Compensation Committee will be comprised of Mr. Dawson, Ms. Morley and Mr. Shaw; and (iii) the Reserves Evaluation Committee will be comprised of Mr. Dawson, Ms. Morley, Mr. Shaw and Mr. Surbey. Mr. Surbey will not be considered independent.

Audit Committee

The Audit Committee is responsible for, amongst other things: (i) overseeing the work of the auditors engaged for the purpose of preparing or issuing an auditors’ report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the auditors regarding financial reporting; (ii) reviewing and reporting to the Board on the Corporation’s interim and annual financial statements and related management’s discussion and analysis, before those materials are filed with applicable securities regulatory authorities; (iii) reviewing annual and interim earnings press releases and any other documents for

public disclosure containing information extracted from financial statements that have not previously been reviewed by the Audit Committee; and (iv) overseeing management's reporting on internal controls. The Audit Committee has developed and adopted a formal Charter and the text of that Charter together with other disclosure required by NI 52-110 is contained in the Annual Information Form of the Corporation for the year ended December 31, 2016, under the heading "*Audit Committee*", which is available on SEDAR at www.sedar.com.

Compensation Committee

The Compensation Committee has the responsibility to review compensation matters and to recommend to the Board the compensation for all of the directors and executive officers of the Corporation. In addition, it has the responsibility to provide oversight and guidance for the compensation and benefit philosophy for all of the Corporation's employees. Further information regarding compensation matters and the Compensation Committee is disclosed under the heading "*Executive Compensation*".

The Reserves Evaluation Committee

The Reserves Evaluation Committee assists the Board in fulfilling its oversight responsibilities in relation to the determination and reporting of the Corporation's reserve estimates, the qualifications of the Corporation's independent qualified reserves evaluators and their corporate procedures. The Reserves Evaluation Committee is responsible for, amongst other things: (i) monitoring the Corporation's compliance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities ("NI 51-101")*; (ii) reviewing and making recommendations to the Board regarding the appointment of independent qualified reserves evaluators under NI 51-101; (iii) overseeing the work of the independent qualified reserves evaluators; and (iv) reviewing all reserves reports and all statements required to be filed pursuant to NI 51-101.

Assessments

The Board has established a formal process for the regular evaluation of the effectiveness and contribution of the Board, its committees and individual directors.

Each director is required to annually complete an anonymous questionnaire to assess the Board's effectiveness and performance. The questionnaire includes both quantitative and qualitative commentary and solicits feedback on other areas such as director knowledge and corporate governance. The questionnaire is administered by the Chairman of the Board, who compiles and analyzes the results. A summary of responses to the questionnaire, without attribution to individual Board members, is provided to the Board. The results of the evaluation are reviewed by the Board, who considers whether any changes to the Board's processes, composition or committee structure are appropriate. Additionally, senior management is advised of any suggestions made by directors for enhancement of processes to support the work of the Board. In an effort to continuously improve the process, the format and focus of the written questionnaire is reviewed annually by the Chairman.

Director Term Limits and Other Mechanisms of Board Renewal

The Board has not adopted term limits for the directors on the Board, mandatory retirement ages or other mechanisms of board renewal, other than the assessment process described above under the heading "*Corporate Governance Disclosure – Assessments*". The Board believes that the imposition of director term limits and mandatory retirement ages implicitly discount the value of experience and continuity amongst board members and runs the risk of excluding experienced and potentially valuable board members as a result of an arbitrary determination. The Board believes that it is important to have directors who understand the business of the Corporation and the industry in which it operates, which the Board believes comes from time and experience.

As discussed above, the Board has established a formal process for the regular evaluation of the effectiveness and contribution of the Board, its committees and individual directors. The results of the evaluation are reviewed by the Board, who considers whether any changes to the Board's composition or committee structure are appropriate.

Gender Diversity

The Board considers the level of representation of women on the Board in identifying and nominating candidates for the appointment or election to the Board. In identifying and nominating candidates for election or

appointment to the Board, the Board considers various factors, including, but not limited to: (i) the individual merits of each potential candidate, including their skills, education, background, experience and any previous contributions to the Corporation; (ii) the number and qualities of potential candidates and whether any such candidates are women; (iii) the current composition of the Board; and (iv) the needs of the Corporation. The ultimate selection will be based on serving the best interests of the Corporation.

Although the Board considers the level of representation of women on the Board in identifying and nominating candidates, the Board has not adopted a written policy relating to the identification and nomination of women directors. The directors of the Corporation have a fiduciary duty to act in the best interests of the Corporation. As part of that duty, the Board believes that it should be able to select and nominate for election or appointment as directors those individuals who will best serve the interests of the Corporation, regardless of gender. The Board believes that implementing such a policy will potentially restrict the Board's ability to select those individuals that will best serve the interests of the Corporation.

The Corporation considers the level of representation of women in executive officer positions when making executive officer appointments. In making executive officer appointments, the Corporation considers various factors, including, but not limited to: (i) the individual merits of each potential candidate, including their skills, education, background, experience and any previous contributions to the Corporation; (ii) the number and qualities of potential candidates and whether any such candidates are women; (iii) the current composition of the executive officers; and (iv) the needs of the Corporation. The ultimate selection will be based on serving the best interests of the Corporation.

The Corporation has not adopted specific targets for gender or other dimensions of diversity at the Board or executive officer level due to the relatively small size of these groups. In addition, the Corporation believes that it is important that each appointment to the Board and at the executive officer level be made, and be perceived as being made, based on the merits of the individual and the needs of the Corporation at the relevant time. If specific targets were adopted based on specific criteria, including gender, this could limit the Corporation's ability to ensure that the overall composition of the Board and its team of executive officers meets the needs of the Corporation.

As at the date hereof, the number of women on the Board is one (20%) and the number of women in executive officer positions is zero. As at the date hereof, the number of women in manager positions within the Corporation is approximately 11%.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No person who is or has been a director, executive officer or employee of the Corporation at any time since the beginning of the financial year ended December 31, 2016, nor any proposed nominee for election as a director of the Corporation, nor any associate of any such directors, executive officers or proposed nominees, is or was indebted to: (i) the Corporation; or (ii) another entity where such indebtedness is or was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation, in either case at any time since the beginning of the financial year ended December 31, 2016.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No informed person of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any one of them, has or has had at any time since the beginning of the financial year ended December 31, 2016, any material interest, direct or indirect, in any transaction or proposed transaction that has materially affected or would materially affect the Corporation.

There are potential conflicts of interest to which the directors and executive officers of the Corporation may be subject in connection with the operations of the Corporation. Some of the directors and executive officers of the Corporation are engaged and will continue to be engaged in other business opportunities on their own behalf and on behalf of other corporations and situations may arise where such directors and executive officers will be in competition with the Corporation. Any such actual or potential conflicts of interest shall be governed by applicable law.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information relating to the Corporation is provided in the Corporation's financial statements and management's discussion and analysis for the financial year ended December 31, 2016, copies of which are available on SEDAR at www.sedar.com.

Any securityholder may obtain a copy of the Corporation's financial statements and management's discussion and analysis for the financial year ended December 31, 2016 by contacting Ms. Robyn Bourgeois, General Counsel, by e-mail, regular mail, fax or telephone as set forth below:

Birchcliff Energy Ltd.
1000, 600 – 3rd Avenue S.W.
Calgary, Alberta T2P 0G5
Phone: 1-844-261-6401
Fax: 403-261-6424
Email: RBourgeois@birchcliffenergy.com

APPENDIX "A"
STOCK OPTION PLAN

BIRCHCLIFF

E N E R G Y

BIRCHCLIFF ENERGY LTD.

STOCK OPTION PLAN

January 18, 2005

as

Amended and Restated

April 21, 2005

and

May 15, 2008

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ARTICLE 1 INTERPRETATION

1.1 Purpose of Plan

The purpose of the Plan is to develop the interest of Optionees in the growth and development of the Corporation by providing such persons with the opportunity to acquire an increased proprietary interest in the Corporation and to better enable the Corporation and its subsidiaries to attract and retain persons of desired experience and ability.

1.2 Definitions

In this Plan, the following terms have the following meanings:

- (a) “**Act**” means the *Securities Act* (Ontario), as amended;
- (b) “**Affiliate**” has the meaning assigned by the Act;
- (c) “**Associate**” has the meaning assigned by the Act;
- (d) “**Board of Directors**” means the board of directors of the Corporation;
- (e) “**Change of Control Transaction**” means:
 - (i) the acquisition (including the acquisition through the issuance by the Corporation) or continuing ownership of Voting Securities and/or Convertible Securities by a Control Person as a result of which such Control Person holds Voting Securities and/or Convertible Securities in excess of the number that, alone or following conversion of all then outstanding Convertible Securities, would entitle such Control Person to cast more than fifty percent (50%) of the votes attaching to all securities of the Corporation that may be cast to elect directors of the Corporation;
 - (ii) the amalgamation, consolidation, merger or arrangement of the Corporation with any other corporation or entity that is not a subsidiary of the Corporation that results in the Voting Securities and/or Convertible Securities being exchanged for a number of securities (“Amalco Securities”) of the amalgamated, consolidated, merged or arranged corporation or entity (“Amalco”) that, either alone or following conversion of all convertible securities of Amalco, would not entitle the holders thereof (after excluding from consideration Amalco Securities that were acquired by such holders other than in exchange for Voting Securities or Convertible Securities) to cast fifty percent (50%) or more of the votes attaching to all Amalco Securities that may be cast to elect directors of Amalco; or
 - (iii) the sale, transfer or lease by the Corporation of all or substantially all of its assets;
- (f) “**Common Share**” means a common share in the capital of the Corporation and, after any adjustments pursuant to Section 6.1 hereof, means the shares or other securities or property which, as a result of such adjustments and all prior adjustments pursuant to Section 6.1 hereof, the holders of Options are then entitled to receive on the exercise thereof;
- (g) “**Control Person**” means, collectively, a person or group of persons, any one or more persons acting jointly or in concert with such person or group of persons, and any one or more associates or affiliates (within the meaning of the *Securities Act* (Alberta)) of such person or group of persons;
- (h) “**Convertible Securities**” means securities convertible into, exchangeable for or representing the right to acquire Common Shares, including (without limitation) Options;

- (i) **“Corporation”** means Birchcliff Energy Ltd. and any successor or continuing corporation resulting from any form of corporate reorganization;
- (j) **“Exercise Price”** means the price at which a Common Share may be purchased pursuant to the exercise of an Option;
- (k) **“Expiry Date”** means the date upon which an Option expires and is of no further force or effect, as may be adjusted pursuant to Article 6 or Article 7 hereof;
- (l) **“Insider”** means (i) an insider (as defined in the Act) of the Corporation; and (ii) an Affiliate or Associate of any person who is an Insider of the Corporation by virtue of sub-paragraph (i);
- (m) **“Option”** means a right to purchase one Common Share that is granted pursuant to this Plan, including such a right that is deemed to have been granted pursuant to this Plan;
- (n) **“Option Agreement”** means an agreement between the Corporation and a Participant pursuant to which an Option is granted to such Participant;
- (o) **“Optionee”** means a Participant to whom an Option has been granted pursuant to this Plan;
- (p) **“Participant”** means, at any time, a person who at such time is (i) a director, officer or employee of the Corporation or one of its subsidiaries or (ii) a consultant (which may be a corporation) who provides services to the Corporation or one of its subsidiaries;
- (q) **“Plan”** means this stock option plan, as amended from time to time;
- (r) **“Preferred Share”** means a preferred share in the capital of the Corporation;
- (s) **“Stock Exchange”** means, at any time, The Toronto Stock Exchange if the Common Shares are listed and posted for trading thereon at such time or, otherwise, any other stock exchange upon which the Common Shares are listed and posted for trading at such time;
- (t) **“Unvested Option”** means, at any time, an Option that is not exercisable at such time;
- (u) **“Vested Option”** means, at any time, an Option that is exercisable at such time; and
- (v) **“Voting Securities”** means Common Shares and Preferred Shares (to the extent that such shares have voting rights attached thereto).

1.3 Number and Gender

In this Plan, unless there is something in the subject or context inconsistent therewith, words importing the singular number include the plural, and vice versa, and words importing the masculine gender include the feminine and neuter genders, and vice versa.

1.4 No Effect on Employment or Retainer

Participation in this Plan by a Participant is entirely voluntary and does not affect the Participant’s employment or continued retainer by, or other engagement with, the Corporation or its subsidiaries. Neither this Plan nor the granting to a Participant of an Option thereunder of itself gives such Participant any right to continue to be a director, officer, employee or consultant of the Corporation or any of its subsidiaries. None of the terms and conditions governing an Option shall be affected by any change in the terms of Optionee’s employment by or engagement with the Corporation so long as the Optionee continues to be a Participant. The terms of this Plan or of any Option Agreement shall not affect in any manner whatsoever the terms or validity of any employment agreement to which the Corporation or any of its subsidiaries is a party.

1.5 No Rights as Shareholder

An Optionee has no rights as a shareholder in respect of a Common Share to which he is entitled upon the valid exercise of a Vested Option unless and until he has validly exercised such Option and has been issued such Common Share.

1.6 No Assurance of Value

The Corporation does not assure a profit or protect against a loss upon the exercise of any Option or the subsequent sale of any Common Share acquired thereby. The Corporation assumes no responsibility relating to any tax liability of the Optionee by reason of any transaction entered into pursuant to this Plan.

1.7 No Limitations on Board of Directors

Nothing contained in this Plan shall or shall be deemed to restrict or in any way limit the rights and powers of the Board of Directors in relation to any allotment and issuance of any securities of the Corporation that are not reserved for issuance hereunder.

1.8 No Inconsistencies with Stock Exchange Rules

This Plan is subject to the rules of any stock exchange or exchange facility through which the Common Shares may be traded. To the extent that any provision of this Plan conflicts with any such rule, such rule shall govern and this Plan shall be deemed to be amended to be consistent therewith.

ARTICLE 2 ADMINISTRATION OF PLAN

2.1 Board of Directors Responsible

This Plan shall be administered by the Board of Directors. However, the Board of Directors may delegate to a committee thereof or to one or more officers of the Corporation the responsibility for administering the Plan or any portion thereof. Any reference in this Plan to the Board of Directors shall include a reference to such a committee or officer(s), as the case may be. In administering this Plan, the Board of Directors may approve the form and content and may prescribe the use of such forms of option agreements and other documents or instruments, either generally or in specific cases, and make all other determinations and interpretations, all as it may deem necessary or advisable for the proper administration and operation of the Plan.

2.2 Decisions Final and Binding

All decisions and interpretations by the Board of Directors respecting this Plan or Options granted hereunder, including decisions as to adjustments in the number of Common Shares to be received upon the exercise of an Option or the Exercise Price thereof in accordance with Article 6, shall, absent bad faith, be final and binding on the Corporation, all Optionees and Participants and their respective successors.

2.3 Regulatory Approvals

The administration of this Plan, including the grant or exercise of any Options pursuant hereto, is subject to receipt by the Corporation of all approvals, advance rulings, exemptions or registrations required or desired under applicable laws and regulations, including all approvals or registrations required by any stock exchange or exchange facility through which the Common Shares may be traded.

2.4 Maintenance of Records

The Corporation will maintain all records relating to the administration of this Plan as may be necessary or advisable. Upon request, the Corporation will furnish an Optionee with a statement indicating the number of Options held on his behalf.

2.5 Amendments to and Termination of Plan

- (a) The Board of Directors may at any time, but subject always to the receipt of required regulatory approvals, alter, amend or revise the terms and conditions of this Plan or of any outstanding Options, or suspend, discontinue or terminate this Plan or any portion hereof, all provided that, without the prior written consent of an Optionee, no such action shall adversely affect (except as specifically provided in this Plan or an applicable Option Agreement) any Options previously granted to such Optionee and in respect of which the conditions of Section 4.3 hereof have been satisfied. Upon the suspension, discontinuance or termination of this Plan or any portion hereof, any Option granted prior thereto and in respect of which the conditions in Section 4.3 hereof have been satisfied shall remain exercisable in accordance with its terms as specified herein and in the Option Agreement.
- (b) Any alteration, amendment or revision to be made to this Plan or any outstanding Options (other than any suspension, discontinuance or termination of this Plan or any outstanding Options) is subject to the prior approval of the shareholders of the Corporation.
- (c) Notwithstanding Article 2(b), the Board of Directors shall have the power and authority to approve and effect amendments to the Plan or a specific option without further approval of the shareholders of the Corporation, to the extent that such amendments relate to:
 - (i) Altering, extending or accelerating the terms and conditions of vesting applicable to any Option or group of Options;
 - (ii) Changing the termination provisions of an Option, provided that the change does not entail an extension beyond the original expiry date of such Option;
 - (iii) Accelerating the Expiry Date in respect of an Option;
 - (iv) Determining the adjustment provisions pursuant to the Plan;
 - (v) Amending the definitions contained within the Plan and other amendments of a “housekeeping” nature; and
 - (vi) Amending or modifying the mechanics of exercise of the Options.
- (d) Notwithstanding the provisions of Article 2.5(c), the Directors may not, without the approval of the security holders of the Corporation, make any amendments to the Plan or any Option of the following nature:
 - (i) To increase the maximum number or percentage of Shares that may be issued pursuant to Options granted under the Plan;
 - (ii) To reduce the exercise price of Options benefiting an Insider;
 - (iii) To alter the limits to Insider participation in the Plan as set out in Articles 3.2(b) and 3.4;
 - (iv) To extend the Expiry Date of Options for the benefit of an Insider; and
 - (v) To amend the provisions of this Article 2.5.

- (e) No alteration, amendment or revision of the Plan or any outstanding Options may contravene the requirements of the Toronto Stock Exchange or any securities commission or regulatory body to which the Plan or the Corporation is now or may hereafter be subject.

**ARTICLE 3
COMMON SHARES ISSUABLE AND ISSUED PURSUANT TO PLAN**

3.1 Interpretation

In this Article 3, the following terms shall have the following meanings:

- (a) **“Available Option Shares”** means, at any time, the number of Common Shares by which the Maximum Option Shares exceeds the sum of (i) the aggregate number of Common Shares issued prior to such time pursuant to the exercise of Options and (ii) the aggregate number of Common Shares issuable pursuant to the exercise of all Options outstanding at such time;
- (b) **“Maximum Options Shares”** means the maximum number of Common Shares provided for in Section 3.2;
- (c) **“Outstanding Issue”** means, at any time, the aggregate number of Common Shares actually issued and outstanding as determined on a non-diluted basis at such time, and in determining such number, Common Shares issuable but not yet issued shall not be included;
- (d) **“Service Provider”** means an employee or Insider of the Corporation or of any of its subsidiaries and any other person or corporation engaged to provide ongoing management, consulting, engineering, technical or other services for the Corporation or for any entity controlled by the Corporation; and
- (e) **“Share Compensation Arrangement”** means an employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Common Shares to one or more Service Providers, including a share purchase from treasury which is financially assisted by the Corporation by way of a loan, guaranty or otherwise, but excluding Options.

3.2 Aggregate Number of Common Shares Issuable Pursuant to Plan

- (a) The aggregate number of Common Shares issuable under Options that are issued and outstanding at any time under the Plan, shall not exceed 10% of the aggregate number of Common Shares actually outstanding at that time, as determined on a non-diluted basis;
- (b) In calculating the number of Common Shares actually outstanding at any time, Common Shares issuable but not yet not yet issued shall not be included;
- (c) The number of shares issuable shall not take into account shares issued or shares issuable pursuant to options that were terminated, exercised, or cancelled; and
- (d) The foregoing number shall be adjusted to account for any subdivision, consolidation or other event described in Section 6.1 hereof. Calculation of the aggregate number of Common Shares that have been issued upon the exercise of Options shall not include Common Shares not issued upon the exercise of Options in respect of which a cash payment has been made pursuant to Section 5.4, 5.5 or 5.6 hereof.

3.3 Limitations on Common Shares Issuable Pursuant to Plan

- (a) The Corporation shall not grant an Option to a Participant if such proposed grant would result in the number of Common Shares issuable pursuant to the exercise of all Options outstanding to such Participant at the time of the proposed grant exceeding 5% of the number of Common Shares issued and outstanding at such time.

- (b) The Corporation shall not grant an Option to an Insider if such proposed grant would result in the number of Common Shares issuable pursuant to:
 - (i) the exercise of all Options outstanding to Insiders at the time of the proposed grant; and
 - (ii) all other Share Compensation Arrangements existing between the Corporation and any one or more Insiders at the time of the proposed grant,exceeding 10% of the Outstanding Issue at the time of the proposed grant.

3.4 Limitations on Common Shares Issued Pursuant to Plan

- (a) The Corporation shall not issue Common Shares upon the exercise of Options granted to an Insider if such proposed issuance would result in the aggregate of the number of Common Shares to be issued pursuant to such proposed issuance and the number of Common Shares issued in the one year period immediately preceding the proposed issuance pursuant to:
 - (i) the exercise of Options granted to Insiders; and
 - (ii) all other Share Compensation Arrangements existing between the Corporation and any one or more Insiders,exceeding 10% of the Outstanding Issue immediately prior to the proposed issuance.
- (b) The Corporation shall not issue Common Shares upon the exercise of Options granted to an Insider if such proposed issuance would result in the aggregate of the number of Common Shares to be issued pursuant to such proposed issuance and the number of Common Shares issued in the one year period immediately preceding the proposed issuance to such Insider and all of his Associates pursuant to:
 - (i) the exercise of Options granted to such Insider or any of his Associates; and
 - (ii) all other Share Compensation Arrangements existing between the Corporation and such Insider or any of his Associates,exceeding 5% of the Outstanding Issue immediately prior to the proposed issuance.

ARTICLE 4 GRANT OF OPTIONS

4.1 Discretionary Grants of Options

The Board of Directors may from time to time and in its discretion grant a specified number of Options to any one or more Participants. At the time of grant, the Board of Directors shall fix the following terms in respect of each grant of Options to each Participant:

- (a) the Exercise Price thereof;
- (b) the Vesting Date applicable thereto; and
- (c) the Expiry Date thereof.

The Board of Directors may also fix such other terms and conditions of the Option Agreement, not inconsistent with this Plan, as the Board of Directors in its discretion may determine.

4.2 Limitations on Terms of Options

The terms fixed by the Board of Directors in respect of a grant of Options shall be subject to the following conditions:

- (a) the Expiry Date of an Option shall be no later than ten (10) years from the date of grant of such Option, provided that while the Common Shares are listed for trading on the TSX Venture Exchange the Expiry Date of Options granted shall be no later than five (5) years from the dates of grant subject to the rules of the Stock Exchange upon which the Common Shares are listed;
- (b) the Option shall not be assignable; and
- (c) the Exercise Price of an Option shall not be lower than the higher of (i) the closing price of the Common Shares on the Stock Exchange on which the Common Shares are traded on the first trading day immediately preceding the date of grant or (ii) the lowest Exercise Price permitted by such Stock Exchange, provided that if the Common Shares are not listed and posted for trading on a Stock Exchange, the Exercise Price of an Option shall be the value determined by the Board of Directors on the date of grant.

4.3 Conditions Precedent to Effectiveness of Options

The grant of an Option to a Participant is conditional and is of no force and effect until the following conditions shall have been satisfied:

- (a) all regulatory approvals, including the approval for listing of the Common Shares to be received upon the exercise of such Option on all stock exchanges or exchange facilities through which the Common Shares are traded, have been obtained; and
- (b) an Option Agreement has been duly executed by the Corporation and delivered to such Participant.

4.4 Execution and Delivery of Option Agreement

An Option Agreement shall be in the form attached as Schedule "A" to this Plan or in such other form as the Board of Directors may from time to time approve. An Option Agreement may be executed and delivered for and on behalf of the Corporation by any one of the Chairman, the President, or such other officer of the Corporation who may be identified for such purpose by the Board of Directors.

ARTICLE 5 EXERCISE OF OPTIONS

5.1 Exercise of Vested Options

- (a) A Vested Option may be exercised by delivery from the Optionee to the Corporation at its head office of a written notice of exercise that specifies the number of Common Shares with respect to which such Vested Option is being exercised and payment in full by way of cash or cheque of the purchase price of the Common Shares that are being purchased pursuant to such exercise.
- (b) An Optionee may elect the exercise of a Vested Option to be conditional upon the successful completion of a Change of Control Transaction on or before a stipulated date by so stating in the written notice delivered pursuant to paragraph (a) above. If such condition is not satisfied, then the Vested Option shall be deemed to not have been exercised and the Corporation shall return to the Optionee the payment made by the Optionee to the Corporation pursuant to paragraph (a) above.

5.2 Issuance of Common Shares Upon Exercise

Subject to Sections 5.4, 5.5 or 5.6 hereof, upon the exercise of Vested Options, the Corporation shall cause to be delivered to the Optionee a certificate registered in the name of such Optionee representing the number of Common Shares to which the Optionee is entitled upon such exercise. Common Shares issued upon the exercise of Vested Options shall be validly issued as fully paid and non-assessable. The issuance of such Common Shares shall not require further approval of the Board of Directors and shall be deemed to have occurred on the date that the related Options were exercised.

5.3 Restrictions on Resale of Common Shares

Any trade by the Optionee in any Common Shares issued to him pursuant to the exercise of Vested Options, including any sale or disposition for valuable consideration, and any transfer, pledge or encumbrance of such Common Shares, is subject to such regulatory approvals and other restrictions under applicable securities laws as may be required or applicable at the time of such trade. Accordingly, the Corporation makes no representation as to the ability of any Optionee to trade such Common Shares.

5.4 Prohibition on Exercise of Vested Options

Notwithstanding any other provision of this Plan or of any Option Agreement, no Common Share shall be issued upon the exercise of a Vested Option where such issuance would result in a violation of Article 3 hereof. Where an Optionee exercises an Option in such circumstances, he may elect to either withdraw his notice of exercise (upon which the Option subject to the written notice of exercise shall be deemed to not have been exercised) or to demand and receive from the Corporation payment of a cash amount calculated in accordance with Section 5.6 hereof in lieu of his right to receive a Common Share. Any cash amount paid to an Optionee pursuant to this Section shall be reduced by the amount of all withholdings required by law.

5.5 Conditions Precedent to Issuance of Common Shares

If at any time the Corporation receives advice from legal counsel that:

- (a) the registration or qualification of the Common Shares that underlie any Options, or the consent or approval of any securities exchange or any stock exchange upon which the Common Shares are listed;
- (b) the registration or qualification under any laws of Canada or any Province thereof or of the United States or any state thereof or the consent or approval of any regulatory authority thereof;
- (c) evidence (in form and content satisfactory to the Board of Directors) of the investment intent of the Optionee; or
- (d) an undertaking of the Optionee as to the sale or disposition of the Common Shares that would be received upon an exercise of Options to the effect that such Common Shares are not to be traded by the Optionee for a specified period of time;

is necessary or desirable as a condition of the issuance of any Common Shares upon the exercise of Vested Options, then the Corporation may elect to not issue such Common Shares unless and until such registration, qualification, consent, approval, evidence or undertaking has been effected or obtained free of any condition not acceptable to the Corporation. Where an Optionee exercises an Option in such circumstances, he may elect to either withdraw his notice of exercise (upon which the Option subject to the written notice of exercise shall be deemed to not have been exercised) or to demand and receive from the Corporation payment of a cash amount calculated in accordance with Section 5.6 hereof in lieu of his right to receive a Common Share. Any cash amount paid to an Optionee pursuant to this Section shall be reduced by the amount of all withholdings required by law.

5.6 Cash Payment in Lieu of Common Shares

If a written notice of exercise pursuant to Section 5.1 hereof is received by the Corporation from an Optionee:

- (a) at any time when the Common Shares are listed and posted for trading on a Stock Exchange, or
- (b) subsequent to the earlier occurrence of (i) the formal proposal to the shareholders of the Corporation (through the mailing of a circular or otherwise) of a transaction that if successfully completed would constitute a Change of Control Transaction, or (ii) the successful completion of a Change of Control Transaction

then the Board of Directors may in its discretion permit the Optionee to demand and receive from the Corporation in respect of the exercise of each Vested Option that is subject to such written notice payment of a cash amount equal to the amount, if any, by which (c) where paragraph (b) is not applicable, the closing price of the Common Shares on the Stock Exchange on which the Common Shares traded on the first trading day immediately preceding the date of exercise and where paragraph (b) is applicable, the price attributed to the Common Shares for the purposes of the Change of Control Transaction exceeds (d) the Exercise Price of such Vested Option, all in lieu of his right to receive a Common Share. The cash amount paid to an Optionee pursuant to this Section will be reduced by the amount of all withholdings required by law.

ARTICLE 6 ADJUSTMENTS TO TERMS OF OPTION AGREEMENTS

6.1 Subdivision, Consolidation and Other Changes in Value

In the event:

- (a) of any change or proposed change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise;
- (b) of any issuance, dividend or distribution to all or substantially all the holders of Common Shares of any shares, securities, property or assets of the Corporation other than in the ordinary course;
- (c) that any rights are granted to holders of Common Shares to purchase Common Shares at prices materially below fair market value; or
- (d) that as a result of any recapitalization, merger, consolidation or otherwise the Common Shares are converted into or exchangeable for any other shares or securities;

then in any such case:

- (e) the Board of Directors will proportionately adjust the number of Common Shares that underlie each Option, the number of Common Shares that are available for issuance pursuant to the exercise of all outstanding Options, the securities or other property that may be acquired upon the exercise of an Option and the Exercise Price of such Option, or one or more of the foregoing, to prevent substantial dilution or enlargement of the rights granted to, or available for, Optionees; and
- (f) the Board of Directors may amend to an earlier date the date on which any or all Unvested Options shall become Vested Options and may decide whether such Options will remain as Vested Options for a limited period of time only

and, any such determination is deemed to be incorporated into the applicable Option Agreement(s).

6.2 Change of Control Transactions

- (a) If a transaction that:
 - (i) if successfully completed would constitute a Change of Control transaction within the meaning of Section 1.2(e)(ii);

- (ii) has been approved by the Board of Directors; and
- (iii) contemplates that, upon the successful completion thereof, a majority of the members of the board of directors of Amalco will be comprised of then current members of the Board of Directors,

has been formally proposed (through the mailing of a circular or otherwise) to the shareholders of the Corporation, then the Board of Directors may determine that any or all Unvested Options shall become Vested Options on a date prior to that on which they would otherwise have become Vested Options and whether such Options will remain as Vested Options for a limited period of time only, and any such determination is deemed to be incorporated into the applicable Option Agreements.

(b) If a transaction that:

- (i) if successfully completed would constitute a Change of Control Transaction other than one to which Section 6.2(a) applies;
- (ii) has been either (A) formally proposed to the shareholders of the Corporation (through the mailing of a circular or otherwise) or (B) successfully completed,

then immediately upon the earlier occurrence of either of the events described in paragraph (ii) above, all Unvested Options shall become Vested Options, provided that:

- (iii) any previously Unvested Options that remain unexercised on the tenth day following the successful completion of the Change of Control Transaction; and
- (iv) all previously Unvested Options (whether or not conditionally exercised pursuant to Section 5.1 hereof) on the tenth day following the unsuccessful termination of the Change of Control Transaction

will revert to be Unvested Options and be subject to the original terms of their Option Agreements as if the Change of Control Transaction had not been proposed, and such amendment is deemed to be incorporated into the applicable Option Agreements.

(c) If either:

- (i) a formal proposal to the shareholders of the Corporation (through the mailing of a circular or otherwise) of a transaction that if successfully completed would constitute a Change of Control Transaction is made; or
- (ii) a Change of Control Transaction is successfully completed,

and Optionees have delivered written notices of exercise pursuant to Section 5.1 hereof that in the aggregate represent not less than 66⅔% of the then outstanding Vested Options, then on the date of closing of the Change of Control Transaction, all Options that are not subject to a written notice of exercise pursuant to Section 5.1 hereof shall expire, automatically terminate and be of no further force and effect. In such circumstances, the Corporation shall make a cash payment to the former holders of such expired Options equal to the amount, if any, by which (iii) the price attributed to the Common Shares for the purposes of the Change of Control Transaction exceeds (iv) the Exercise Price of such expired Options. The cash amount paid to a former Optionee pursuant to this Section will be reduced by the amount of all withholdings required by law.

ARTICLE 7
CESSATION OF PARTICIPATION

7.1 No Further Grants and Expiry of Unvested Options Upon Cessation

- (a) If an Optionee ceases to be a Participant for any reason, such Optionee shall thereafter not receive any further grants of Options.
- (b) Immediately upon an Optionee ceasing to be a Participant, all of such Optionee's Unvested Options shall expire, automatically terminate, and be of no further force or effect.

7.2 Cessation Due to Death

If an Optionee ceases to be a Participant by reason of his death, then at any time on or before 5:00 p.m. (Calgary time) on the earliest of:

- (a) the Expiry Date of a particular Option;
- (b) the date that is three years after the date on which he died (the "First New Expiry Date"); and
- (c) the latest date permitted by the Stock Exchange, if any

the Optionee's legal representatives may, for the benefit of the Optionee's estate, exercise any Option that was a Vested Option at the time the Optionee died. Immediately after such time, all of such Optionee's Vested Options shall expire, automatically terminate, and be of no further force and effect.

7.3 Cessation Due to Disability

If an Optionee ceases to be a Participant by reason of his permanent physical or mental disability, then at any time on or before 5:00 p.m. (Calgary time) on the earliest of:

- (a) the Expiry Date of a particular Option;
- (b) the date that is one year after the date on which he became permanently disabled (the "First New Expiry Date"); and
- (c) the latest date permitted by the Stock Exchange, if any

the Optionee (or his legal representatives) may exercise any Option that was a Vested Option at the time of the Optionee's disablement. Immediately after such time, all of such Optionee's Vested Options shall expire, automatically terminate, and be of no further force and effect.

For greater certainty but without limiting the generality of the foregoing, if an Optionee is deemed to be an employee of the Corporation pursuant to a medical or disability plan of the Corporation or a subsidiary thereof, such Optionee is deemed to be an employee for the purpose of this Plan and all Options granted hereunder.

7.4 Cessation For Any Other Reason

If an Optionee ceases to be a Participant for any reason other than one of those enumerated in Section 7.2 or 7.3 hereof, then at any time on or before 5:00 p.m. (Calgary time) on the earlier of:

- (a) the Expiry Date of each of such Optionee's Vested Options; or

- (b) the date that is (i) in the case of a Participant who was a director or the Corporation, one year and (ii) in any other case, 30 days, after the date on which the Optionee ceases to be a Participant pursuant to this Section (the “Second New Expiry Date”),

the Optionee may exercise any Option that was a Vested Option at the time the Optionee ceased to be a Participant. Immediately after such time, all of such Optionee’s Vested Options shall expire, automatically terminate, and be of no further force and effect.

7.5 Discretion of Board of Directors to Vest or Extend Expiry Date

Notwithstanding the foregoing provisions of this Article, at any time in its discretion and with deemed effect immediately prior to an Optionee ceasing to be a Participant, the Board of Directors may (a) deem Unvested Options of an Optionee that has ceased to be a Participant to be Vested Options and/or (b) extend the First New Expiry Date or Second New Expiry Date, as the case may be, in respect of any or all of such Optionee’s Unvested Options or Vested Options, provided that such extended First New Expiry Date or Second New Expiry Date, as the case may be, shall not be later than the earlier of the Expiry Date of the applicable Options and third anniversary of the date on which such Optionee ceased to be a Participant.

7.6 Extension of Date During Black-Out Periods

Notwithstanding any other provisions contained herein, if the Expiry Date of an Option falls within any period during which employees of the Corporation are prohibited from trading securities of the Corporation that is imposed by the Corporation pursuant to its policies (a “**Black-Out Period**”), or within two (2) business days thereafter, the Expiry Date of such Option shall be automatically extended for a period of ten (10) business days following the end of the Black-Out Period.

ARTICLE 8 GENERAL

8.1 Waiver

No waiver by the Corporation of any term of this Plan or any breach thereof by an Optionee is effective or binding on the Corporation unless it is expressed in writing and any waiver so expressed does not limit or affect its rights with respect to any other or future breach.

8.2 Governing Law

This Plan and each Option granted under this Plan shall be governed by and construed in accordance with the laws of the Province of Alberta and any Option Agreement entered into pursuant to this Plan shall be treated in all respects as an Alberta contract.

8.3 Enurement

This Plan and any Option Agreement entered into pursuant hereto shall enure to the benefit of and be binding upon the Corporation, its successors and assigns. The interest of any Optionee hereunder or under any Option Agreement is not transferable or alienable by the Optionee either by assignment or in any other manner and, during his lifetime, is vested only in him, but, subject to the terms hereof and of the Option Agreement, shall enure to the benefit of and be binding upon his legal personal representatives.

8.4 Conflict

In the event of a conflict between the terms of this Plan and an Option Agreement, the terms of this Plan shall prevail.

APPROVED AND ADOPTED at Calgary, Alberta, this 18th of January, 2005 as amended and restated on April 21, 2005 and amended and restated on May 15, 2008.

BIRCHCLIFF ENERGY LTD.

Per: "A. Jeffery Tonken"
A. Jeffery Tonken
President & CEO

SCHEDULE "A"

STOCK OPTION AGREEMENT

THIS AGREEMENT effective as of the • day of •, 20•, between

BIRCHCLIFF ENERGY LTD. (the "Corporation")

and

• (the "Optionee")

WHEREAS the Corporation adopted a stock option plan effective January 18, 2005 as amended and restated on April 21, 2005 and amended and restated on May 15, 2008 (the "Plan") to develop the interest of directors, officers, employees and consultants of the Corporation and its subsidiaries in the growth and development of the Corporation by providing such persons with the opportunity to acquire an increased proprietary interest in the Corporation and to better enable the Corporation and its subsidiaries to attract and retain persons of desired experience and ability;

AND WHEREAS pursuant to the Plan, the board of directors of the Corporation has approved the granting to the Optionee of a stock option to purchase • common shares in the capital of the Corporation (the "Common Shares").

NOW THEREFORE, the Corporation and the Optionee hereby agree as follows:

1. The Corporation hereby grants to the Optionee, subject to the terms and conditions set forth in this Agreement and the Plan, the right to purchase the aggregate number of Common Shares set forth below, and each such option shall be exercisable at the exercise price set forth opposite such grant on or after the vesting date set forth opposite such grant and prior to the close of business on the expiry date set forth opposite such grant:

Number of Shares Under Option Grant	Exercise Price	Vesting Date	Expiry Date
•	\$•	•	•
•	\$•	•	•
•	\$•	•	•

2. Subject to earlier termination or expiry in accordance with the terms of the Plan, each stock option granted hereby shall expire on the close of business on the expiry date set forth in Section 1 opposite such option grant and shall thereafter automatically terminate and be of no further force or effect.
3. Each option granted hereunder shall not be transferable or assignable by the Optionee.
4. Time is of the essence of this Agreement.
5. The Optionee acknowledges receipt of a copy of the Plan and hereby agrees that the terms and conditions of the Plan shall govern each stock option granted hereunder, including all amendments required by any applicable stock exchange or other regulatory authority or otherwise consented to by the Optionee. **The Plan contains provisions permitting the termination of the Plan or outstanding options in certain circumstances. The Optionee is encouraged to read and understand the provisions of the Plan.** In the event of any inconsistency between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall govern.

Dated at Calgary, Alberta with effect as of the date first above written.

BIRCHCLIFF ENERGY LTD.

Per: _____
•

Witness

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