



**BIRCHCLIFF ENERGY LTD.**

**Annual General and Special Meeting of Shareholders**

**to be held at**

**3:00 pm on Thursday, May 15, 2014**

**in the McMurray Room of the Calgary Petroleum Club  
319 – 5<sup>th</sup> Avenue SW, Calgary, Alberta**

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**NOTICE OF MEETING AND INFORMATION CIRCULAR**

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**March 14, 2014**

## BIRCHCLIFF ENERGY LTD.

### NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

**TAKE NOTICE THAT** the annual general 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 pm (Calgary time) on Thursday, May 15, 2014 in the McMurray Room of the Calgary Petroleum Club, 319 – 5<sup>th</sup> Avenue SW 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, 2013 and the report of the auditors thereon;
2. to fix the numbers of directors of the Corporation to be elected at the Meeting at four;
3. to elect the directors of the Corporation for the ensuing year;
4. to appoint KPMG LLP, Chartered 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 an ordinary resolution of shareholders approving the unallocated options under the Corporation’s stock option plan;
6. to consider and, if thought advisable, to pass an ordinary resolution of shareholders approving an amendment of the outstanding performance warrants of the Corporation to extend their expiry date; and
7. to transact such other business as may properly come before the Meeting.

The nature of the business to be transacted at the Meeting and 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 form of proxy for use at the Meeting or any adjournment thereof is enclosed with this Notice of Meeting.

**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 such person or company’s name in the blank space provided in the form of proxy, or complete another form of proxy and, in either case, delivery the completed proxy to the Corporation’s transfer agent, Olympia Trust Company, 2300, 125 – 9<sup>th</sup> Avenue SE, Calgary, Alberta T2G 0P6 in the enclosed self-addressed envelope. In order to be valid, proxies must be received by Olympia Trust Company at least 48 hours prior to the Meeting or any adjournment thereof, excluding Saturdays, Sundays and holidays. **Proxies must be received on or before 3:00 pm (Calgary time) on Tuesday, May 13, 2014 to be effective for the Meeting.**

Only shareholders of record as of the close of business March 28, 2014, the record date, are entitled to receive notice of and vote at the Meeting.

**DATED** at the City of Calgary, in the Province of Alberta, this 14<sup>th</sup> day of March, 2014.

**BY ORDER OF THE BOARD OF DIRECTORS**

(Signed) “A. Jeffery Tonken”

President and Chief Executive Officer

## INFORMATION CIRCULAR

### Persons Making the Solicitation

This Information Circular (the “**Information Circular**”) is furnished in connection with the solicitation of proxies by or on behalf of the management of Birchcliff Energy Ltd. (“**Birchcliff**” or the “**Corporation**”) for use at the annual general and special meeting (the “**Meeting**”) of the holders of common shares of the Corporation (“**Common Shares**”) or at any adjournment thereof, to be held in the McMurray Room of the Calgary Petroleum Club, 319 – 5<sup>th</sup> Avenue SW, Calgary, Alberta at 3:00 pm (Calgary time) on Thursday, May 15, 2014 for the purposes set forth in the accompanying Notice of Annual General 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 personally by executive officers of the Corporation. 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 14, 2014, except where otherwise indicated.

### Appointment of Proxies

Shareholders of the Corporation who wish to be represented at the Meeting by proxy must complete and deliver a proper proxy to the Corporation’s transfer agent, Olympia Trust Company at 2300, 125 – 9<sup>th</sup> Avenue SE, Calgary, Alberta T2G 0P6, in the enclosed self-addressed envelope. In order to be valid, proxies must be received by Olympia Trust Company at least 48 hours prior to the Meeting or any adjournment thereof, excluding Saturdays, Sundays and holidays. Proxies must be received on or before 3:00 pm (Calgary time) on Tuesday, May 13, 2014 to be effective for the Meeting. The Chairman of the Meeting will have the discretion, but is not obligated, to accept proxies that are deposited with Olympia Trust Company or with the Chairman of the Meeting less than 48 hours prior to the time of the Meeting or any adjournment thereof. The persons named as proxyholders in the enclosed form of proxy are directors 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 such person or company’s name 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 Olympia Trust Company, at the place and within the time specified above for the deposit of proxies.

### Notice-and-Access

The Corporation has elected to use “notice-and-access” under National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer* and National Instrument 51-102 – *Continuous Disclosure Obligations* (“**Notice-and-Access**”) in respect of mailings to beneficial shareholders only. Notice-and-Access is a new set of rules developed by the Canadian Securities Administrators that are intended to reduce the volume of material mailed to shareholders by allowing a reporting issuer to post proxy-related materials online, rather than mailing paper copies.

The Corporation has elected to use procedures known as “stratification” in relation to the use of the Notice-and-Access. Stratification occurs when a reporting issuer using Notice-and-Access provides a paper copy of proxy-related materials to some shareholders but not others.

In relation to the Meeting, all registered shareholders and those beneficial shareholders holding 1,000 or more Common Shares will receive a paper copy of each of the Notice of Meeting, the Information Circular, a form of proxy and the annual financial statements and related management’s discussion and analysis. Beneficial shareholders holding less than 1,000 shares of the Corporation will receive only a Notice-and-Access notification and a form of proxy. A paper copy of the annual financial statements and

related management's discussion and analysis in respect of the most recent financial year will also be mailed to those shareholders who previously requested to receive such information.

### **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 signed by the shareholder or the shareholder's attorney authorized in writing and either delivered to the Corporation's transfer agent, Olympia Trust Company at the place specified at any time up to and including the close of business on the last business day preceding the day of the Meeting or any adjournment thereof, or deposited with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

### **Exercise of Discretion with Respect to Proxies**

**The Common Shares represented by the proxy duly received and not withdrawn will be voted for or against or withheld from voting on any motion, by ballot or otherwise, in accordance with the instructions of the shareholder. In the absence of such instructions, such Common Shares will be voted at the Meeting in favour of the matters set forth in the proxy.**

**If any amendment or variation to the matters identified in the Notice of Meeting is proposed at the Meeting or any adjournment thereof, or if any other matters properly come before the Meeting or any adjournment thereof, the enclosed form of proxy confers discretionary authority on the persons named therein to vote on any such amendment or variation or other such 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 Holders of Securities**

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. In most cases shareholders are the "beneficial holders" of Common Shares registered in the name of an intermediary such as a broker or trustee. Shareholders who do not hold Common Shares in their own name (referred to in this Information Circular as "**Beneficial Shareholders**") should note that only proxies deposited by shareholders whose names appear on the records of the Corporation as registered holders of the Common Shares can be recognized and acted upon at the Meeting.

If Common Shares are listed in an account statement provided to a shareholder by a broker or trustee, 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 trustee.

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 supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered

shareholders. **The purpose of the form of proxy 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 to the Corporation's transfer agent, Olympia Trust Company.

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.

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, by the date specified on the voting instruction form.

#### **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, 2013, or of any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any of the foregoing, in any matter to be acted upon at the Meeting except as disclosed in this Information Circular under the headings "*Business of the Meeting – Fixing Number of Directors*", "*Business of the Meeting – Election of Directors*", "*Business of the Meeting – Approval of Unallocated Options under the Stock Option Plan*" and "*Business of the Meeting – Approval of Amendment of Performance Warrants*".

#### **Voting Securities and Principal Holders of Voting Securities**

On March 10, 2014, Birchcliff had 144,125,677 Common Shares issued and outstanding. Only shareholders of record at the close of business on March 28, 2014 (the "**Record Date**") are entitled at the Meeting to one vote for each Common Share held. 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, the transferee shall be entitled to vote such Common Shares at the Meeting.

As at March 10, 2014 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 indicated in the table below.

<b>Name and Municipality of Residence of Shareholder</b>	<b>Number and Percentage of Common Shares</b>
Seymour Schulich Toronto, Ontario	40,000,000 27.8%

## 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.

### 1. Annual Report and Financial Statements

Pursuant to the *Business Corporations Act* (Alberta), the directors will place before the shareholders at the Meeting, the audited financial statements of the Corporation for the financial year ended December 31, 2013 and the auditors’ report thereon, as presented in the 2013 Annual Report of the Corporation. Shareholder approval is not required in relation to the audited financial statements.

### 2. 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 four directors, each of whom management proposes to nominate for re-election at the Meeting to hold office until the next annual meeting. At the Meeting, shareholders will be asked to fix the number of directors to be elected at the Meeting at four. 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 four.**

### 3. Election of Directors

The following table sets forth the name of each of the persons proposed to be nominated for election as a director, their province and country of residence, their committee membership, their present and principal occupation within the past five years, the period served as a director and 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. The information as to Common Shares owned beneficially, not being within the knowledge of the Corporation, has been provided by each nominee.

#### ***Nominees for Election***

<b>Name, Province and Country of Residence</b>	<b>Present Position, Principal Occupation During with Past Five Years</b>										
<b>Kenneth N. (Ken) Cullen</b> <i>Alberta, Canada</i> Independent Director Director Since: February 16, 2011 Common Shares: 20,000 <sup>(1)</sup>	Mr. Cullen is a director of the Corporation. He has more than 32 years of experience working with companies in the oil and gas industry as a partner at Deloitte & Touche LLP in the Assurance and Advisory (Audit) group prior to his retirement in 2006. Mr. Cullen currently serves as a director of each of Southern Pacific Resource Corp. and Parkbridge Lifestyle Communities Inc. Mr. Cullen received his Chartered Accountant Designation from the Institute of Chartered Accountants of British Columbia.										
	<table border="1"><thead><tr><th><b>Board and Board Committees</b></th><th><b>Meeting Attendance</b></th></tr></thead><tbody><tr><td>Board</td><td>15 of 15</td></tr><tr><td>Reserves Evaluation Committee</td><td>5 of 5</td></tr><tr><td>Audit Committee</td><td>6 of 6</td></tr><tr><td>Compensation Committee</td><td>2 of 2</td></tr></tbody></table>	<b>Board and Board Committees</b>	<b>Meeting Attendance</b>	Board	15 of 15	Reserves Evaluation Committee	5 of 5	Audit Committee	6 of 6	Compensation Committee	2 of 2
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<p><b>Larry A. Shaw</b>  <i>Alberta, Canada</i>            Independent Director            Director Since:            January 18, 2005            Common Shares: 3,038,450<sup>(2)</sup></p>	<p>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 26 years of experience in the oil and 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.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Board and Board Committees</th> <th style="text-align: right;">Meeting Attendance<sup>(3)</sup></th> </tr> </thead> <tbody> <tr> <td>Board – Chairman</td> <td style="text-align: right;">13 of 15</td> </tr> <tr> <td>Reserves Evaluation Committee – Chairman</td> <td style="text-align: right;">4 of 5</td> </tr> <tr> <td>Audit Committee – Chairman</td> <td style="text-align: right;">5 of 6</td> </tr> <tr> <td>Compensation Committee – Chairman</td> <td style="text-align: right;">2 of 2</td> </tr> </tbody> </table>	Board and Board Committees	Meeting Attendance <sup>(3)</sup>	Board – Chairman	13 of 15	Reserves Evaluation Committee – Chairman	4 of 5	Audit Committee – Chairman	5 of 6	Compensation Committee – Chairman	2 of 2
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<p><b>Werner A. (Vern) Siemens</b>  <i>Alberta, Canada</i>            Independent Director            Director Since:            January 18, 2005            Common Shares: 2,000</p>	<p>Mr. Siemens is a director of the Corporation. He has more than 25 years of experience in the oil and gas industry and is one of the Corporation's founders. Prior to joining Birchcliff, Mr. Siemens served as a Director of Case Resources Ltd., Big Bear Exploration Ltd. and Stampeder Exploration Ltd. He was Vice-President of Agra Industries Ltd. and President and Chief Executive Officer of Blue Label Beverages Ltd.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Board and Board Committees</th> <th style="text-align: right;">Meeting Attendance</th> </tr> </thead> <tbody> <tr> <td>Board</td> <td style="text-align: right;">15 of 15</td> </tr> <tr> <td>Reserves Evaluation Committee</td> <td style="text-align: right;">5 of 5</td> </tr> <tr> <td>Audit Committee</td> <td style="text-align: right;">6 of 6</td> </tr> <tr> <td>Compensation Committee</td> <td style="text-align: right;">2 of 2</td> </tr> </tbody> </table>	Board and Board Committees	Meeting Attendance	Board	15 of 15	Reserves Evaluation Committee	5 of 5	Audit Committee	6 of 6	Compensation Committee	2 of 2
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<p><b>A. Jeffery Tonken</b>  <i>Alberta, Canada</i>            Director            Director Since:            January 18, 2005            Common Shares: 2,788,942<sup>(4)</sup></p>	<p>Mr. Tonken is a director of the Corporation and is the President and Chief Executive Officer. He has more than 33 years of experience in the oil and 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 former 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.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Board and Board Committees</th> <th style="text-align: right;">Meeting Attendance<sup>(5)</sup></th> </tr> </thead> <tbody> <tr> <td>Board</td> <td style="text-align: right;">13 of 15</td> </tr> </tbody> </table>	Board and Board Committees	Meeting Attendance <sup>(5)</sup>	Board	13 of 15						
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**Notes:**

- (1) Includes 7,000 Common Shares held by Mr. Cullen's spouse and 13,000 Common Shares held by KCullen Holdings Ltd., over which Mr. Cullen exercises control and direction.
- (2) Includes 163,000 Common Shares held by Mr. Shaw's spouse and 2,479,991 Common Shares held by Western Automotive Management Ltd., over which Mr. Shaw exercises direction or control.
- (3) Mr. Shaw's absence was as a result of out-of-country travel, where as a result of the time zone, it was not practical to call into the meeting.
- (4) 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.
- (5) Mr. Tonken's absence was as a result of travel for corporate business where it was not practical to call into the meeting.

**Voting on Individual Basis**

Voting for the election of the above named directors will be conducted on an individual 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.**

### ***Majority Voting Policy***

The Toronto Stock Exchange (the “TSX”) adopted amendments to its Company Manual, which became effective December 31, 2012, requiring listed companies to disclose whether they have adopted a majority voting policy for the election of directors. Shareholders are entitled to vote “for” or “withhold” their vote in respect of the election of each director. A majority voting policy generally provides that a director who receives a majority of “withhold” votes but is elected as a matter of law, must tender his resignation for consideration by the board of directors. The board of directors is generally expected to accept such director’s resignation and make a public announcement of its decision.

The Corporation has not adopted a majority voting policy. The Board believes that a majority voting policy is unsuitable for the Corporation given its structure, size and needs and could put the Corporation at risk of losing directors with particular experience or expertise.

The Corporation will publicly disclose the voting results, providing the percentage of votes for and withheld from each individual director. In 2010, the Corporation adopted voting on an individual basis and since that time no director has received less than 85% of the votes in favor of such individual director.

### ***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 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.

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.

## **4. Appointment of Auditors**

The persons named in the enclosed form of proxy intend to have nominated and to vote for the appointment of KPMG LLP, Chartered Accountants, of Calgary, Alberta as auditors of the Corporation to hold such office until the next annual meeting of shareholders of the Corporation and to authorize the



Board to fix the remuneration to be paid to the auditors. The appointment of the auditors must be approved by a majority of votes cast by the shareholders.

**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, at a remuneration to be fixed by the Board.**

## **5. Approval of Unallocated Options**

The Corporation has a Stock Option Plan dated January 18, 2005, as amended and restated on April 21, 2005 and May 15, 2008 (the “**Stock Option Plan**”), which is an integral component of compensation arrangements for employees and executive officers. Pursuant to the Stock Option Plan, options to purchase Common Shares (“**Options**”) may be granted to directors, executive officers, employees and consultants of the Corporation. For a summary of the Stock Option Plan see *Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation – The Stock Option Plan*.

When Options have been granted, Common Shares reserved for issuance under outstanding Options are referred to as “allocated Options”. Additional Common Shares that may be issued pursuant to the Stock Option Plan, but are not subject to current Option grants, are referred to as “unallocated Options”.

The Stock Option Plan is a “rolling plan” whereby the Corporation is entitled to issue Options in respect of a maximum number of Common Shares equal to 10% of the issued and outstanding Common Shares of the Corporation. 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. Pursuant to the rules of the TSX, every three years all unallocated Options, rights or other entitlements available under the Stock Option Plan must be approved by a majority of the Corporation’s directors and the Corporation’s shareholders.

Based on 144,125,677 issued and outstanding Common Shares as at March 10, 2014, the number of Options that may be issued under the Stock Option Plan is currently limited to 14,412,568, of which Options to purchase 12,955,336 Common Shares are outstanding. Under the “rolling plan”, this leaves 1,457,232 Common Shares available for future Option grants.

At the Meeting, shareholders will be asked to consider, and if deemed appropriate, to pass the following ordinary resolution (the “**Stock Option Resolution**”), with or without variation, relating to the approval of unallocated Options:

**RESOLVED THAT** all unallocated options, rights or other entitlements available under the Stock Option Plan dated January 18, 2005 as amended and restated April 21, 2005 and May 15, 2008 are hereby approved until May 15, 2017.

The Directors unanimously approved all unallocated Options, rights or other entitlements available under the Stock Option Plan at a meeting of the Board on March 12, 2014. The Stock Option Plan must also be approved by an ordinary resolution of the shareholders, being a simple majority of votes cast by the shareholders of the Corporation who vote in person or by proxy at the Meeting in favour of the Stock Option Resolution.

If at the Meeting, the shareholders of the Corporation do not approve all unallocated Options, rights or other entitlements available under the Stock Option Plan, all currently outstanding Options will be unaffected, however the Corporation will not issue any further 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.

**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 Stock Option Resolution set forth above.**

## 6. Approval of Amendment of the Performance Warrants

The Corporation currently has outstanding 2,939,732 performance warrants (the “**Performance Warrants**”) entitling the holders thereof to purchase 2,939,732 Common Shares of the Corporation, which is approximately 2.0% of the number of Common Shares outstanding at March 10, 2014. For a summary of the Performance Warrants see *Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation – Performance Warrants*.

The Performance Warrants were granted to the executive officers of the Corporation at the Corporation’s inception and were designed to act as a long-term retention incentive for the holders thereof and to enhance shareholder value by aligning the interests of the holders with the growth and profitability of the Corporation. The Performance Warrants were specifically designed to provide a financial incentive to the holders upon the trading price of the Corporation’s Common Shares exceeding \$6.00.

The outstanding Performance Warrants are held by Messrs. Tonken, Geremia, Surbey and Bosman, each of whom is an executive officer of the Corporation. Under their current terms, the Performance Warrants expire on January 31, 2015.

The Compensation Committee of the Board has recommended that the Performance Warrants be amended to extend their expiry date from January 31, 2015 to January 31, 2020 in order to provide to the holders of such Performance Warrants a continuing long-term incentive to:

- (a) continue their efforts to create additional value for all shareholders by enhancing the value of the Corporation’s business and assets and indirectly, the trading value of the Corporation’s Common Shares;
- (b) align their interests with the interests of the shareholders of the Corporation; and
- (c) encourage their employment with the Corporation on a long-term basis.

In making this recommendation, the Compensation Committee recognized the significant shareholder value that has been created by the executive officers of the Corporation since its inception and the future work that remains to be done to develop the Corporation’s resource properties and recognize the value of those assets, which is not currently being fully reflected in the trading price of the Corporation’s Common Shares. The Compensation Committee also gave consideration to their expectation that if the expiry of the Performance Warrants is not extended, all of the Performance Warrants will be exercised prior to their expiry by the holders thereof and as a result, the continuing long-term incentive for those executive officers holding Performance Warrants will be extinguished. In addition, the Corporation would need to develop another appropriate form of long-term incentive to replace the incentive previously provided by the Performance Warrants. The Compensation Committee expressed the view that the expiry of the Performance Warrants in January 2015 would detract from the holders’ long-term commitment to the Corporation and would have a negative effect on the long-term development of the Corporation’s assets and ultimately, on shareholder value.

Taking these matters into consideration, the Compensation Committee has recommended that the Board authorize the extension of the ultimate expiry of the outstanding Performance Warrants to January 31, 2020, with such authorization being conditional upon the Corporation seeking and obtaining the approval of such extension from both (i) the shareholders of the Corporation (excluding the holders of the Performance Warrants) and (ii) the TSX.

In accordance with the recommendation of the Compensation Committee, the Board has authorized the amendment of the outstanding Performance Warrants to extend the term of such Performance Warrants from January 31, 2015 until January 31, 2020 (the “**Proposed Extension**”), conditional upon

the Corporation obtaining the approval of the Proposed Extension from both (i) the shareholders of the Corporation, (excluding the holders of the Performance Warrants) and (ii) the TSX. The Corporation intends to give effect to the Proposed Extension immediately following the receipt of these approvals.

The Corporation estimates the incremental fair value of the Proposed Extension as at March 10, 2014 to be approximately \$2.2 million using the Black-Scholes-Merton model which is a well recognized methodology that is commonly used for valuing equity instruments and doing value comparisons. The incremental fair value determined by the Corporation is the amount by which: (a) the fair value of the Performance Warrants from March 10, 2014 to the extended expiry date of January 31, 2020; exceeds (b) the fair value of the Performance Warrants from March 10, 2014 to the current expiry date of January 31, 2015.

The input parameters used by the Corporation in the Black-Scholes-Merton model in determining the fair value of the Performance Warrants to the extended expiry date were (i) an expected life of 5.9 years; (ii) a historical volatility of 53.0%; (iii) a risk-free interest rate of 1.9%; (iv) a stock price of \$10.03 per share; and (v) an exercise price of \$3.00 per Performance Warrant. The input parameters used by the Corporation in the Black-Scholes-Merton model in determining the fair value of the Performance Warrants to the current expiry date were (i) an expected life of 0.9 years; (ii) a historical volatility of 26.6%; (iii) a risk-free interest rate of 1.1%; (iv) a stock price of \$10.03 per share; and (v) an exercise price of \$3.00 per Performance Warrant.

Shareholders will be asked at the Meeting to consider and, if thought appropriate, to pass an ordinary resolution approving the proposed amendment of the Performance Warrants, to extend the expiry date of such Performance Warrants from January 31, 2015 to January 31, 2020 (the “**Performance Warrant Resolution**”).

As each of the holders of the outstanding Performance Warrants is currently an executive officer of the Corporation, the policies of the TSX require that disinterested shareholders of the Corporation, being those persons other than the persons benefiting from the amendment to the Performance Warrants, approve the Performance Warrant Resolution. Therefore, in order for the Performance Warrant Resolution to be passed, it must be approved by a simple majority of the votes cast by shareholders who vote in person or by proxy at the Meeting, excluding the votes cast in respect of Common Shares held by Messrs. Tonken, Geremia, Surbey and Bosman.

In addition, each of Messrs. Tonken, Geremia, Surbey and Bosman are considered “related parties” of the Corporation within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**” or the “**Instrument**”). Accordingly, the Proposed Extension constitutes a “related party transaction” under MI 61-101 as it involves the amendment of the terms of a security of the Corporation that is beneficially owned by a related party. Pursuant to the Instrument, the Corporation is exempt from the requirement to obtain “minority approval” as defined in the Instrument, because the fair market value of the Proposed Extension does not exceed 25% of the Corporation’s market capitalization.

The text of the Performance Warrant Resolution, which management intends to place before the Meeting for approval by shareholders, is as follows.

**RESOLVED THAT** the proposed amendment of the Corporation’s outstanding Performance Warrants, as described below, is hereby approved:

- a) The legend appearing on the top of the first page of each of the outstanding Performance Warrants is hereby amended by replacing the date of January 31, 2015 contained therein with the date January 31, 2020, so that such legend reads as follows:

THE PERFORMANCE AND RETENTION WARRANTS REPRESENTED BY THIS CERTIFICATE  
WILL BE VOID AND OF NO VALUE UNLESS EXERCISED ON OR BEFORE JANUARY 31, 2020.

- b) Article 1(ii) of the outstanding Performance Warrants of the Corporation is hereby amended by replacing the date of January 31, 2015 contained therein with the date January 31, 2020 so that Article 1 will read as follows:

**Article 1 – Expiry Time**

The Performance and Retention Warrants to purchase Birchcliff Shares represented by this certificate shall expire on the earlier of: (i) 4:30 p.m. Calgary, Alberta time on the date which is 30 days following the termination of the holder’s employment with Birchcliff for reasons other than death or permanent disability; and (ii) 4:30 p.m., Calgary, Alberta time on January 31, 2020 (the “**Expiry Time**”), after which all rights evidenced hereby shall be void and of no further value.

**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 Performance Warrant Resolution.**

**7. Other Business**

If any other matters properly come before the Meeting or any adjournment thereof, the enclosed form of proxy confers discretionary authority on the persons named therein to vote on any such other such 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.

**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

The Compensation Committee of the Board determines the compensation to be provided to the executive officers of the Corporation and, in doing so, receives input from the President and Chief Executive Officer in respect of all other executive officers. The Compensation Committee submits its recommendation to the full Board as to the salary of the President and Chief Executive Officer. Executive compensation for the financial year ended December 31, 2013, including salaries and option grants, were set by the Compensation Committee on the recommendation of the President and Chief Executive Officer in January 2014 and bonuses in respect of the financial year ended December 31, 2013 were set by the Compensation Committee on the recommendation of the President and Chief Executive Officer in January 2014.

***Compensation Philosophy***

The objective of the Corporation’s compensation program is to attract, motivate, reward and retain the management talent that is needed to achieve the Corporation’s business objectives. The compensation program is designed to ensure that compensation is competitive with other companies of similar size and is reflective of the experience, performance and contribution of the individuals involved and the overall performance of the Corporation. Based on a pay-for-performance philosophy, the compensation program of the Corporation is designed to reward executive officers and the other employees of the Corporation on the basis of individual performance and the achievement of corporate objectives.

The executive compensation program of the Corporation is comprised of both long and short-term elements and includes both cash and equity-based compensation. Specifically, the significant elements of the Corporation’s compensation program are base salary, the payment of discretionary bonuses where appropriate, participation in the Stock Option Plan and, additional incentive-based compensation in the form of Performance Warrants, which were issued to executive management members at the Corporation’s inception. The Compensation Committee believes that Options and Performance Warrants will provide above-market compensation to the executive officers of the Corporation only upon the significant enhancement of shareholder value.

## ***Elements of Compensation***

### *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. 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 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. Salaries of the executive officers are not determined based on benchmarks, performance goals or by using a specific formula. The Compensation Committee considers and, if thought appropriate, approves salaries recommended by the President and Chief Executive Officer in respect of the other executive officers. The Compensation Committee of the Corporation submits its recommendation to the full Board as to the salary of the President and Chief Executive Officer.

The base salaries for the executive officers for the financial year ended December 31, 2013 were set to be competitive with industry levels. The Compensation Committee had regard to the contribution made by the executive officers, 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.

### *The Bonus Plan*

The second element of the Corporation's compensation program is the discretionary bonus plan (the "**Bonus Plan**"), which consists of discretionary cash bonuses paid to the executive officers and other employees, where deemed appropriate by the Compensation Committee. The Bonus Plan is designed to reward the Corporation's executive officers and other employees for their performance and for their contribution to the achievement of the Corporation's annual goals and objectives. In addition, the Bonus Plan serves as a short-term retention incentive to encourage the executive officers and employees to remain employed with the Corporation. The Bonus Plan is complemented and balanced by the Stock Option Plan, which is designed as a long-term retention incentive.

In January 2014, the Compensation Committee and the Board approved the payment of a bonus in the amount of \$400,000 to each of the executive officers except Mr. Carlsen, who was appointed Vice President, Engineering on July 22, 2013 and received a bonus of \$275,000. Bonuses paid to the executive officers were in recognition of the extraordinary efforts made during the financial year ended December 31, 2013 in executing the Corporation's business plan. Further, the bonuses recognized the value of the Corporation's asset base and the success achieved in all aspects of the Corporation's business. The bonuses were based on overall contribution and effort and were not based on a formula or previously prescribed guidelines.

### *The Stock Option Plan*

The third element of the Corporation's compensation program is the Stock Option Plan. Pursuant to the Stock Option Plan, Options may be granted to directors, executive officers, employees and consultants of the Corporation. 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 executive officers and employees 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 optionholders with additional compensation relative to an increase in the price of the Common Shares. The longer-

term focus of the Stock Option Plan is complimented and balanced by the cash-based compensation features of the Corporation's compensation program, specifically base salaries and the Bonus Plan.

Pursuant to the Stock Option Plan, the Board may, on the recommendation of the Compensation Committee, grant Options from time to time. 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. In determining the number of Options to be granted to the executive officers during 2013, the Compensation Committee had regard to the amount, terms and vesting levels of existing Options and Performance Warrants held by the 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.

Options are granted by the Board who, at the time of the grant, fixes the exercise price, vesting dates and the expiry date of such Options. 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 and that the exercise price of an Option shall be determined by the Board but shall not be lower than the higher of the closing price of the Common Shares on the TSX on the first trading day immediately preceding the date of grant, or the lowest price permitted by the TSX.

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, 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 at any time and within any one-year period, 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. All of the Options granted to date under the Stock Option Plan provide for: (a) the expiry of such Options not later than the fifth anniversary of the date of grant; and (b) 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.

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 alternation, 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.

Based on 144,125,677 issued and outstanding Common Shares as at March 10, 2014, the maximum number of Common Shares in respect of which Options may be issued under the Stock Option Plan is currently limited to 14,412,568 Common Shares. At March 10, 2014, 12,955,336 Options have been granted, being 9.0% of the Corporations issued and outstanding Common Shares, leaving 1,457,232 Common Shares unallocated and available for future Option grants.

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 accelerated 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; (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: to (i) increase the maximum number or percentage of Common Shares that may be issued pursuant to Options; (ii) reduce the exercise price of Options benefiting an insider; (iii) alter limits to insider participation; (iv) extend the expiry date of Options for the benefit of an insider; and (v) amend the amendment provisions.

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. 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. Additionally, the expiry date is automatically extended if the expiry date of an Option falls within any period imposed by the Corporation during which the employees of the Corporation are prohibited from trading securities of the Corporation (a “**Black-Out Period**”), or within two business days thereafter, for a period of ten business days following the end of the Black-Out Period. Vested Options granted under the Stock Option Plan will expire at the earlier of (i) the original expiry date; (ii) three years after the optionee’s death; (iii) one year after the optionee becomes disabled; (iv) one year after the optionee ceases to be a director; or (v) 30 days after the optionee ceases to be a participant for any other reason.

Options granted under the Stock Option Plan are for the benefit of the Corporation’s executive officers, directors, employees and consultants and are not assignable to any third party under any circumstance.

In the event of any change or proposed change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise, the Board will proportionately adjust: (i) the number of Common Shares that underlie each Option; (ii) the number of Common Shares that are available for issuance pursuant to the exercise of all outstanding Options; (iii) the securities or other property that may be acquired upon the exercise of an Option and the exercise price of such Option, to prevent substantial dilution or enlargement of the rights granted to optionees. 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.

The Stock Option Plan contains various provisions that apply in the context of a transaction resulting in a “change of control”. 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.

At the annual general and special meeting of the shareholders of the Corporation held on May 19, 2011, the shareholders approved all unallocated Options, rights or other entitlements available under the Stock Option Plan until May 19, 2014.

One item of business for this Meeting is the approval by shareholders of the Corporation of the unallocated Options, rights or other entitlements available under the Stock Option Plan until May 15, 2017. See *Business of the Meeting – Approval of Unallocated Options*.

### *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. 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.

The Corporation has 2,939,732 Performance Warrants outstanding held by Messrs. Tonken, Geremia, Surbey and Bosman, each of whom is an executive officer of the Corporation. Each of the Performance Warrants 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. Under their current terms, the Performance Warrants expire on January 31, 2015.

One item of business for this Meeting is the approval by shareholders of the Corporation of an amendment of the Performance Warrants to extend their expiry date to January 31, 2020. See *Business of the Meeting – Approval of Amendment of Performance Warrants*.

### *Group Savings Plan and Benefits*

The Corporation also provides executive officers, along with all other employees, with the opportunity to voluntarily participate in the employee group savings plan (the "**Group Savings Plan**") and other employment benefits provided to employees generally typical of those provided by the Corporation's peers in the Canadian oil and gas industry, including life and disability insurance and extended health and dental coverage.

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 advisory 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 greater 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 plans 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. See "*Corporate Governance Disclosure*".

### *Financial Instruments*

The Corporation does not have a policy restricting the ability of an executive officer or a director from purchasing financial instruments (including pre-paid variable forward contracts, equity swaps, collars, or units of exchange funds) that are designed to hedge or offset a decrease in market value of equity securities (or options in respect thereof) granted as compensation or held, directly or indirectly, by the

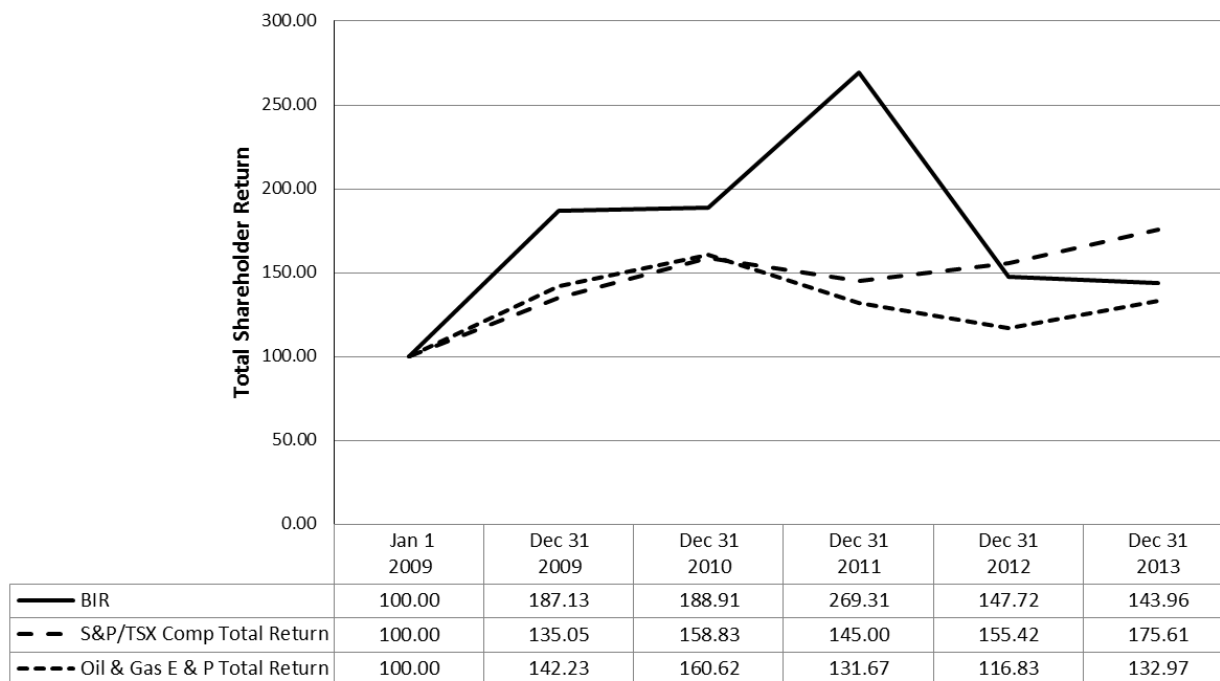


executive officer or director. In 2013, none of the executive officers or directors purchased such financial instruments. See “Corporate Governance Disclosure”.

### 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.

2009 to 2013 Performance Graph



During the five most recently completed financial years, the share price of the Common Shares has generally increased, although fell dramatically in 2012. In the past five years, the share price of the Common Shares has generally outperformed the S&P/TSX Composite Total Return Index and the Oil & Gas Exploration & Production Total Return Index, although dipped below the S&P/TSX Composite Total Return Index at the end of 2012. Compensation for executive officers has generally increased over the past five years, but is not directly linked to the price of the Common Shares.

### Summary Compensation for Named Executive Officers

Securities legislation requires the disclosure of the compensation received by each “Named Executive Officer” (“**Named Executive Officer**”) of the Corporation for the most recently completed financial year. “Named Executive Officer” is defined by National Instrument 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. “Executive Officer” is defined by National Instrument

51-102 – *Continuous Disclosure Obligations* to mean: (i) the chair, vice-chair or president; (ii) the chief executive officer or chief financial officer; (iii) the vice president in charge of a principal business unit, division or function including sales, finance or production; or (iv) an individual performing a policy-making function in respect of an issuer.

The following table and the notes thereto provide a summary of the compensation paid to each Named Executive Officer of the Corporation for the three most recently completed financial years.

*Summary Compensation Table for Named Executive Officers  
For Financial Year Ended December 31, 2013*

Name and Principal Position	Year	Salary (\$)	Annual Incentive Plans (\$)	Option- based awards <sup>(1)</sup> (\$)	All other compensation <sup>(2)</sup> (\$)	Total compensation (\$)
A. Jeffery Tonken	2013	433,010	400,000	301,920	–	1,134,930
President	2012	376,530	300,000	426,982	–	1,094,512
and Chief Executive Officer <sup>(3)</sup>	2011	342,400	300,000	589,118	–	1,231,518
Myles R. Bosman	2013	394,680	400,000	301,920	–	1,096,600
Vice President, Exploration	2012	343,200	300,000	426,982	–	1,070,182
and Chief Operating Officer	2011	312,000	300,000	589,118	–	1,201,117
Christopher A. Carlsen <sup>(4)</sup>	2013	293,575	275,000	796,944	–	1,365,519
Vice President, Engineering						
Bruno P. Geremia	2013	394,680	400,000	301,920	–	1,096,600
Vice President	2012	343,200	300,000	426,982	–	1,070,182
and Chief Financial Officer	2011	312,000	300,000	589,118	–	1,201,118
Dave M. Humphreys	2013	394,680	400,000	301,920	–	1,096,600
Vice President,	2012	343,200	300,000	426,982	–	1,070,182
Operations	2011	312,000	300,000	589,118	–	1,201,118
James W. Surbey	2013	394,680	400,000	301,920	–	1,096,600
Vice President,	2012	343,200	300,000	426,981	–	1,070,182
Corporate Development	2011	312,000	300,000	589,118	–	1,201,118

**Notes:**

- (1) The Corporation has calculated the grant date fair value of the Options granted to 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 July 22, 2013 under IFRS was \$3.08 and the Black-Scholes-Merton assumptions used were: (i) an initial expected life of 3.9 years; (ii) a historical volatility of 44.6%; and (iii) a risk free interest rate of 1.4%. The value of each Option granted on January 24, 2013 under IFRS was \$2.72 and the Black-Scholes-Merton assumptions used were: (i) an initial expected life of 3.9 years; (ii) a historical volatility of 47.1%; and (iii) a risk free interest rate of 1.3%. The value of each Option granted on April 26, 2012 under IFRS was \$2.44 and the Black-Scholes-Merton assumptions used were: (i) an initial expected life of 3.8 years; (ii) a historical volatility of 52.6%; and (iii) a risk free interest rate of 1.5%. The value of each Option granted on January 24, 2011 under IFRS was \$5.31 and the Black-Scholes-Merton assumptions used were: (i) an initial expected life of 3.7 years; (ii) a historical volatility of 61.8%; and (iii) a risk free interest rate of 2.2%. The aggregate number of Options held by each of the Named Executive Officers as at December 31, 2013 is disclosed in the table “*Outstanding Option-Based Awards For Financial Year Ended December 31, 2013*”.
- (2) The value of prerequisites and benefits for each Named Executive Officer is less than \$50,000 and less than 10% of each Named Executive Officer’s total salary for the three most recently completed financial years.
- (3) Mr. Tonken also serves as a director of the Corporation, but receives no compensation for serving as a director of the Corporation.
- (4) Mr. Carlsen was appointed Vice President, Engineering on July 22, 2013.

**Incentive Plan Awards**

***Outstanding Option-Based Awards***

For a description of the process used by the Corporation to grant Option-based awards to 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 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 *"Business of the Meeting – Proposed Extension of Performance Warrants"* and *"Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation – Performance Warrants"*.

The following table sets forth information in respect of all Option-based awards outstanding at the end of the financial year ended December 31, 2013, for Named Executive Officers of the Corporation.

*Outstanding Option-Based Awards  
For Financial Year Ended December 31, 2013*

<b>Name</b>	<b>Number of securities underlying unexercised Options<sup>(1)</sup> (#)</b>	<b>Option exercise price<sup>(1)</sup> (\$)</b>	<b>Option expiration date<sup>(1)</sup></b>	<b>Value of unexercised in-the-money Options<sup>(1)(2)</sup> (\$)</b>
A. Jeffery Tonken	111,000 <sup>(3)</sup>	9.72	January 22, 2015	–
President and Chief Executive Officer	809,933 <sup>(4)</sup>	3.00	January 31, 2015 <sup>(6)</sup>	3,458,414
	111,000 <sup>(3)</sup>	11.36	January 24, 2016	–
	175,000 <sup>(3)</sup>	5.96	April 24, 2017	229,250
	111,000 <sup>(3)</sup>	7.32	January 24, 2018	–
Myles R. Bosman	111,000 <sup>(3)</sup>	9.72	January 22, 2015	–
Vice President, Exploration and Chief Operating Officer	509,933 <sup>(4)</sup>	3.00	January 31, 2015 <sup>(6)</sup>	2,177,414
	111,000 <sup>(3)</sup>	11.36	January 24, 2016	–
	175,000 <sup>(3)</sup>	5.96	April 24, 2017	229,250
	111,000 <sup>(3)</sup>	7.32	January 24, 2018	–
Christopher A. Carlsen	55,000 <sup>(3)</sup>	9.72	January 22, 2015	–
Vice President, Engineering	55,000 <sup>(3)</sup>	11.36	January 24, 2016	–
	85,000 <sup>(3)</sup>	5.96	April 24, 2017	111,350
	55,200 <sup>(3)</sup>	7.32	January 24, 2018	–
	210,000 <sup>(3)</sup>	8.56	July 22, 2018	–
Bruno P. Geremia	111,000 <sup>(3)(5)</sup>	9.72	January 22, 2015	–
Vice President and Chief Financial Officer	809,933 <sup>(4)(5)</sup>	3.00	January 31, 2015 <sup>(6)</sup>	3,458,414 <sup>(5)</sup>
	111,000 <sup>(3)</sup>	11.36	January 24, 2016	–
	175,000 <sup>(3)</sup>	5.96	April 24, 2017	229,250
	111,000 <sup>(3)</sup>	7.32	January 24, 2018	–
Dave M. Humphreys	325,000 <sup>(3)</sup>	8.77	October 9, 2014	–
Vice President, Operations	111,000 <sup>(3)</sup>	9.72	January 22, 2015	–
	111,000 <sup>(3)</sup>	11.36	January 24, 2016	–
	175,000 <sup>(3)</sup>	5.96	April 24, 2017	229,250
	111,000 <sup>(3)</sup>	7.32	January 24, 2018	–
James W. Surbey	111,000 <sup>(3)</sup>	9.72	January 22, 2015	–
Vice President, Corporate Development	809,933 <sup>(4)</sup>	3.00	January 31, 2015 <sup>(6)</sup>	3,458,414
	111,000 <sup>(3)</sup>	11.36	January 24, 2016	–
	175,000 <sup>(3)</sup>	5.96	April 24, 2017	229,250
	111,000 <sup>(3)</sup>	7.32	January 24, 2018	–

**Notes:**

- (1) Includes information in respect of both Options and Performance Warrants.
- (2) 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 31, 2013 of \$7.27.
- (3) Represents Options.
- (4) Represents Performance Warrants.
- (5) 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.

(6) At the Meeting, shareholders will be asked to consider and, if thought appropriate, approve the Performance Warrant Resolution. See "Business of the Meeting – Proposed Extension of 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, 2013, in respect of Option-based and non-equity incentive plan awards for Named Executive Officers of the Corporation.

#### *Incentive Plan Awards Value Vested or Earned For Financial Year Ended December 31, 2013*

<b>Name</b>	<b>Option-based awards – Value Vested during the year<sup>(1)</sup> (\$)</b>	<b>Non-Equity Incentive Plan Awards – Value Earned during the year<sup>(2)</sup> (\$)</b>
A. Jeffery Tonken President and Chief Executive Officer	123,666	400,000
Myles R. Bosman Vice President, Exploration and Chief Operating Officer	123,666	400,000
Christopher A. Carlsen Vice President, Engineering	60,066	275,000
Bruno P. Geremia Vice President and Chief Financial Officer	123,666	400,000
Dave M. Humphreys Vice President, Operations	123,666	400,000
James W. Surbey Vice President, Corporate Development	123,666	400,000

**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.
- (2) Non-equity incentive plan compensation represents the cash bonuses paid under the Bonus Plan for the financial year ended December 31, 2013.

### **Pension Plan Benefits**

The Corporation does not have a pension plan or any other plan that provides for payments or benefits at, following or in connection with retirement. In addition, the Corporation does not have a deferred compensation plan.

### **Termination and Change of Control Benefits**

#### **Employment Agreements**

The Corporation entered into executive employment agreements effective December 19, 2009 with each of the Named Executive Officers, other than Mr. Tonken and Mr. Carlsen; effective May 16, 2011 with Mr. Tonken; and 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 or resignation or termination 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 of the Corporation or securities convertible into Common Shares of the Corporation (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.

A description of the Employment Agreements follows, including a summary of potential payments in the event of triggering events.

*Summary of Employment Agreements and Termination and Change in Control Benefits*

Conditions and Obligations of Employment	<ul style="list-style-type: none"> <li>• Confidentiality obligations and non-solicitation of employees for a period of one year following termination.</li> </ul>
Potential Payments in the event of	A lump sum equal to:
a. Termination without Just Cause;	<ul style="list-style-type: none"> <li>• Current annual salary owed to the date of termination.</li> <li>• An amount equal to “Annual Compensation”<sup>(1)</sup> multiplied by two.</li> </ul>
b. Resignation within 30 days following change of control or constructive dismissal; or	<ul style="list-style-type: none"> <li>• All outstanding and accrued vacation pay.</li> <li>• All previously unvested convertible securities to acquire Common Shares of the Corporation will be exercisable until the later of 180 days following the date of termination and January 31 of the following calendar year.</li> </ul>
c. Change of duties or remuneration following change of control	<ul style="list-style-type: none"> <li>• All benefits continued until the first to occur of: two months from the date of termination; alternative employment with comparable benefits; or death.</li> </ul>
Potential Payments in the event of Termination for Just Cause	<ul style="list-style-type: none"> <li>• Any unpaid portion of salary accrued to the date of termination, any amounts due for unused vacation and any outstanding expenses not yet reimbursed.</li> </ul>

**Note:**

(1) “Annual Compensation” is defined in the Employment Agreements to mean the sum of: (i) current annual salary owed to 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) if not employed for each of the last two fiscal years, the simple average of the aggregate amounts that the Vice President, Engineering of the Corporation received or is entitled to receive in respect of each such last two fiscal years pursuant to any profit sharing, officer or employee incentive, compensation or bonus program; plus (iv) the annual cost of providing employment benefits.

The following table sets forth the estimated incremental payments that would be made to each of the Named Executive Officers pursuant to their respective Employment Agreements, under the above noted triggering events. All payments are calculated assuming the date of the triggering event was December 31, 2013 as well as the estimated value of the accelerated option vesting to each of the Named Executive Officers is set out assuming such event had occurred on December 31, 2013, based on the closing price of the Common Shares on the TSX on December 31, 2013, the last trading day of the year.

*Summary of Potential Termination  
or Change in Control Payments*

<b>Name</b>	<b>“Annual Compensation” multiplied by two<sup>(1)(2)</sup> (\$)</b>	<b>Value of Accelerated Option Vesting<sup>(3)</sup> (\$)</b>	<b>Benefits<sup>(4)</sup> (\$)</b>
A. Jeffery Tonken President and Chief Executive Officer	1,663,563	152,833	8,128
Myles R. Bosman Vice President, Exploration and Chief Operating Officer	1,581,276	152,833	7,659
Christopher A. Carlsen Vice President, Engineering	1,235,444	74,233	6,107
Bruno P. Geremia Vice President and Chief Financial Officer	1,574,276	152,833	7,076
Dave M. Humphreys Vice President, Operations	1,584,870	152,833	7,959
James W. Surbey Vice President, Corporate Development	1,583,070	152,833	7,809

**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 date of termination.
- (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 31, 2013 of \$7.27) and the exercise price of the Options.
- (4) Assumes that all benefits continue until two months from the date of the triggering event.

**DIRECTOR COMPENSATION**

***Summary Compensation for Directors***

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*”. Compensation for the others directors consists of an annual retainer and a fee for each meeting of the Board or any committee thereof attended. The annual retainer for 2013 was \$70,000 and the per meeting fees were \$1,500.

The directors may be granted options under the Stock Option Plan, although no options were granted to directors in 2013. 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 during the financial year ended December 31, 2013, 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, 2013*

<b>Name</b>	<b>Annual retainer and meeting fees earned (\$)</b>	<b>Option-based awards (\$)</b>	<b>All other compensation (\$)</b>	<b>Total (\$)</b>
Gordon W. Cameron <sup>(1)</sup>	86,500	–	–	86,500
Kenneth N. Cullen	125,500	–	250	125,750
Larry A. Shaw	118,000	–	5,290	123,290
Werner A. Siemens	125,500	–	250	125,750

**Note:**

(1) Mr. Cameron passed away on June 18, 2013.

**Incentive Plan Awards**

*Outstanding Option-Based Awards*

The following table sets forth information in respect of all Option-based awards outstanding at the end of the financial year ended December 31, 2013, for the directors of the Corporation based on the closing price of the Common Shares on the TSX on December 31, 2013, the last trading day of the year.

*Outstanding Option-Based Awards  
For Financial Year Ended December 31, 2013*

<b>Name</b>	<b>Number of securities underlying unexercised Options (#)</b>	<b>Option exercise price (\$)</b>	<b>Option expiration date</b>	<b>Value of unexercised in-the-money Options<sup>(1)</sup> (\$)</b>
Kenneth N. Cullen	40,200	11.59	February 16, 2016	–
Larry A. Shaw	40,000	9.72	January 22, 2015	–
Werner A. Siemens	40,000	9.72	January 22, 2015	–

**Note:**

(1) Value is calculated based on the difference between the exercise price of the Options and the closing price of the Common Shares on the TSX on December 31, 2013 of \$7.27.

## 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, 2013.

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, Warrants and rights (B)	Number of Common Shares remaining available for issuance under equity compensation plans (excluding those included in column (A)) (C)
Equity Compensation Plans approved by shareholders	Options: 10,931,520 Performance Warrants: 2,939,732 Options and Performance Warrants: 13,871,252	Options: \$8.31 Performance Warrants: \$3.00 Options and Performance Warrants: \$7.19	Options: 3,436,146 Performance Warrants: Nil Options and Performance Warrants: 3,436,146
Equity Compensation Plans not approved by shareholders	Nil	N/A	Nil

### 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 58-101F5 with respect to the matters set out under National Policy 58-201 – *Corporate Governance Guidelines*.

#### Board of Directors

The Board currently consists of four directors, of which three are independent directors and accordingly, a majority of the directors are independent. A director is “independent” if he would be independent within the meaning of Section 1.4 of National Instrument 52-110 – *Audit Committees (“NI 52-110”)*. The independent directors are Messrs. Shaw, Cullen and Siemens. Mr. Tonken is not an independent director by virtue of his position as the President and Chief Executive Officer of the Corporation. The Chairman of the Board is Mr. Shaw, an independent director.

None of the directors of the Corporation are directors of any other reporting issuer except for Mr. Cullen, who is a director of Southern Pacific Resource Corp.

Board members conduct in-camera sessions following regularly scheduled Board or committee meetings, chaired by the Chairman of the Board, Mr. Larry Shaw. 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. While the Board relies heavily on information provided to it by management, it functions independently of management. Mr. Shaw, the Chairman of the Board, is not a member of management and chairs all meetings of the Board at which he is present. The independent directors are in regular communication with the Corporation’s President and Chief Executive Officer outside of formal Board meetings and processes.

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 engineering consultants. 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 consultants have an opportunity to advise if they receive full access to all requested information and



receive full cooperation of management; confirm that they are not subject to any pressure from management; that there are no outstanding disagreements with management; they are not aware of any evidence of illegal or fraudulent acts; and they are not aware of any other significant matters that should be brought to the attention of the independent directors.

The attendance record of each of the directors of the Corporation for Board and Board Committee meetings held in 2013 is as follows:

<b>Director</b>	<b>2013 Board Meetings Attended</b>	<b>2013 Reserves Evaluation Committee Meetings Attended</b>	<b>2013 Audit Committee Meetings Attended</b>	<b>2013 Compensation Committee Meetings Attended</b>
Kenneth N. Cullen	15 of 15	5 of 5	6 of 6	2 of 2
Larry A. Shaw (Chairman)	13 of 15 <sup>(1)</sup>	4 of 5 <sup>(1)</sup>	5 of 6 <sup>(1)</sup>	2 of 2
Werner A. Siemens	15 of 15	5 of 5	6 of 6	2 of 2
A. Jeffery Tonken	13 of 15 <sup>(2)</sup>	N/A	N/A	N/A

**Note:**

- (1) Mr. Shaw's absence was as a result of out-of-country travel, where as a result of the time zone, it was not practical to call into the meeting.
- (2) Mr. Tonken's absence was as a result of travel for corporate business where it was not practical to call into the meeting.

**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 members of the Board receive 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. 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.

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

<b>Committee</b>	<b>Members</b>	<b>Independent</b>
Audit Committee	Kenneth N. Cullen	Yes
	Larry A. Shaw (Chairman)	Yes
	Werner A. Siemens	Yes
Compensation Committee	Kenneth N. Cullen	Yes
	Larry A. Shaw (Chairman)	Yes
	Werner A. Siemens	Yes
Reserves Evaluation Committee	Kenneth N. Cullen	Yes
	Larry A. Shaw (Chairman)	Yes
	Werner A. Siemens	Yes

For a description of the functions of the Audit Committee, Compensation Committee and the Reserves Evaluation Committee, please see the disclosure under the headings “*Corporate Governance Disclosure – Audit Committee*”, “*Corporate Governance Disclosure – Compensation Committee*” and “*Corporate Governance Disclosure – Other Board Committees*”, respectively.

### **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 any formal orientation and education programs for new directors as the changes in Board membership have been limited. The Board briefs new directors on the corporate policies of the Corporation and other relevant corporate and business information. 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 code 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. 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 *Business Corporations Act* (Alberta).

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 as changes have been relatively limited since inception. 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 have arisen in relation to matters that would normally be managed by a nominating or corporate governance committee.

## **Compensation Committee**

The Board has a Compensation Committee which is comprised entirely of independent directors. Each of the Compensation Committee members have direct experience relevant to executive compensation. They have each held senior leadership positions in various organizations, giving them the skills and experience necessary to enable them to make decisions of the suitability of the Corporation’s compensation policies and practices. Mr. Shaw and Mr. Siemens have been senior executive officers and directors of numerous companies and Mr. Cullen was a partner of Deloitte & Touche LLP, which has provided each of them with extensive experience managing and implementing compensation policies and practices. The Compensation Committee has the responsibility to review compensation matters and to recommend to the Board the appropriate levels of compensation for all of the directors and executive officers of the Corporation. In addition, it has responsibility to provide oversight and guidance for the compensation and benefit of all of the Corporation’s employees. 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, 2013, the Board did not engage any outside compensation advisors. Further information regarding compensation matters is disclosed under the heading “*Executive Compensation*”.

## **Audit Committee**

The Board has an Audit Committee which is comprised entirely of independent directors. Each member of the Audit Committee is “independent” and “financially literate”, within the meaning of NI 52-110. Mr. Cullen is a Chartered Accountant and a former Partner of Deloitte and Touche LLP and the other two members of the Audit Committee have had long and successful business careers as the chief executive officer or chief operating officer of a substantial business enterprise and have been a director and member of the Audit Committee for several oil and natural gas exploration and production companies in the past. As a result, they are all “financially literate” in that they have an ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the Corporation’s financial statements. Details of the relevant education and experience of each of the members of the Audit Committee are set forth under the heading “*Business of the Meeting – Election of Directors*”.

The principal function of the Audit Committee is to review the overall audit plan and the Corporation’s system of internal controls, to review the results of the external audit, and to resolve any potential disputes with the Corporation’s auditors. In performing this function, the Audit Committee monitors audit functions and the preparation of financial statements, communicates directly with the external auditors, has overview responsibility for management reporting on internal controls and meets with outside auditors independently of management. The Audit Committee also approves press releases of financial results, reviews all prospectuses and the Corporation’s Annual Information Form. 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 dated March 12, 2014, under the heading “*Audit Committee*”, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Other Board Committees**

Other than the Audit Committee and the Compensation Committee, the only other committee the Board has appointed is a Reserves Evaluation Committee, which is comprised entirely of independent directors. This 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 engineering consultants and their corporate procedures. This committee has the responsibility to monitor the Corporation’s compliance with National Instrument 51-101 and to select, engage and supervise an independent reserves evaluator to prepare reports required under National Instrument 51-101.

## **Assessments**

The Board has established a formal process for the regular evaluation of the effectiveness and contribution of our 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.

## **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

No person who is or has been a director or executive officer of the Corporation at any time since the beginning of the financial year ended December 31, 2013, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any one of them, 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, 2013.

## **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, 2013 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 and internal policies of the Corporation.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://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, 2013, which is available on SEDAR at [www.sedar.com](http://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, 2013 by contacting Mr. Surbey, Vice President, Corporate Development, by e-mail, regular mail, fax or telephone as set forth below.

### **Birchcliff Energy Ltd.**

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