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Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Vice President, Corporate Development and Corporate Secretary of Birchcliff Energy Ltd. at Suite 500, 630 – 4<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 0J9, telephone (403) 261-6401, and are also available electronically at [www.sedar.com](http://www.sedar.com).

## SHORT FORM PROSPECTUS

New Issue

July 30, 2012



**\$50,000,000**  
**2,000,000 Preferred Units**

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**Price: \$25.00 per Preferred Unit**  
**Minimum Subscription: \$2,500 (100 Preferred Units)**

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This short form prospectus qualifies the distribution (the "Offering") of 2,000,000 preferred units (the "Preferred Units") of Birchcliff Energy Ltd. ("Birchcliff" or the "Corporation") at a price of \$25.00 per Preferred Unit. Each Preferred Unit will be comprised of: (i) one cumulative redeemable 5-year rate reset preferred share, series A (a "Series A Preferred Share") of Birchcliff with an issue price of \$25.00 per Series A Preferred Share to yield initially 8.00% per annum; and (ii) three common share purchase warrants (each a "Warrant") of Birchcliff. Each Warrant will entitle the holder thereof to purchase one common share of the Corporation (a "Common Share") at any time prior to 5:00 p.m. (Toronto time) on or before the date that is 24 months from the Closing Date (as defined herein) at a price of \$8.30 per Common Share. The Warrants will be created and issued pursuant to the terms of a warrant indenture (the "Warrant Indenture") to be dated the Closing Date between the Corporation and Olympia Trust Company ("Olympia"), as Warrant agent thereunder. The Series A Preferred Shares and the Warrants comprising the Preferred Units will separate immediately upon the closing of the Offering. See "Details of the Offering" and "Plan of Distribution".

The holders of Series A Preferred Shares will be entitled to receive, as and when declared by the board of directors of Birchcliff (the "Board of Directors") out of moneys of Birchcliff properly applicable to the payment of dividends, fixed cumulative preferential cash dividends for the initial period from and including the date of issue of the Series A Preferred Shares to, but excluding, September 30, 2017 (the "Initial Fixed Rate Period"), at an annual rate of \$2.00 per share, payable quarterly on the last day of March, June, September and December in each year (less any tax required to be deducted or withheld by Birchcliff). If any such date is not a Business Day (as defined herein), the dividend will be paid on the next succeeding Business Day. Assuming an issue date of August 8, 2012, the first dividend, if declared, will be paid on October 1, 2012 (being the first Business Day following September 30, 2012) in the amount of \$0.2935 per share. See "Details of the Offering".

For each Subsequent Fixed Rate Period (as defined herein), the holders of Series A Preferred Shares will be entitled to receive, as and when declared by the Board of Directors, fixed cumulative preferential cash dividends, payable quarterly on the last day of March, June, September and December in each year, in the amount per share determined

by multiplying one-quarter of the Annual Fixed Dividend Rate (as defined herein) for such Subsequent Fixed Rate Period by \$25.00 (less any tax required to be deducted or withheld by Birchcliff). The Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period will be determined by Birchcliff on the Fixed Rate Calculation Date (as defined herein) and will be equal to the sum of the Government of Canada Yield (as defined herein) on the Fixed Rate Calculation Date plus 6.83%. This spread will apply to both the Series A Preferred Shares and the Series B Preferred Shares described below, and remain unchanged over the life of the Series A Preferred Shares and the Series B Preferred Shares. See “*Details of the Offering*”.

The Series A Preferred Shares will not be redeemable prior to September 30, 2017. On September 30, 2017, and on September 30 in every fifth year thereafter, Birchcliff may, at its option, upon not less than 30 days and not more than 60 days prior written notice, redeem for cash all or any number of the outstanding Series A Preferred Shares by the cash payment of \$25.00 per Series A Preferred Share plus all accrued and unpaid dividends (less any tax required to be deducted or withheld by Birchcliff). See “*Details of the Offering*”.

### Option to Convert into Series B Preferred Shares

The holders of the Series A Preferred Shares will have the right to convert all or any of their shares into cumulative redeemable preferred shares, series B (the “**Series B Preferred Shares**”) of Birchcliff, subject to certain conditions, on September 30, 2017 and on September 30 in every fifth year thereafter. The holders of the Series B Preferred Shares will be entitled to receive, as and when declared by the Board of Directors, quarterly floating rate cumulative preferential cash dividends payable on the last day of March, June, September and December in each year in the amount per share determined by multiplying the Floating Quarterly Dividend Rate (as defined herein) for such Quarterly Floating Rate Period (as defined herein) by \$25.00 and multiplying that product by a fraction, the numerator of which is the actual number of days in such Quarterly Floating Rate Period and the denominator of which is 365 or 366, depending upon the actual number of days in the applicable year (less any tax required to be deducted or withheld by Birchcliff). If any such date is not a Business Day, the dividend will be paid on the next succeeding Business Day. The Floating Quarterly Dividend Rate will be the annual rate of interest equal to the sum of the T-Bill Rate (as defined herein) on the applicable Floating Rate Calculation Date (as defined herein) plus 6.83%. See “*Details of the Offering*”.

The Series A Preferred Shares and the Series B Preferred Shares are series of shares in the same class. The conversion right entitles holders to elect periodically which of the two series they wish to hold and does not entitle holders to receive a different class or type of securities. Other than the different dividend rights, redemption rights and conversion rights attached thereto, the Series A Preferred Shares and the Series B Preferred Shares are identical in all material respects. See “*Details of the Offering*”.

	Price to the Public	Underwriters’ Fee <sup>(1)</sup>	Net Proceeds to the Corporation <sup>(2)</sup>
Per Preferred Unit .....	\$25.00	\$0.75	\$24.25
Total <sup>(3)</sup> .....	\$50,000,000	\$1,500,000	\$48,500,000

**Notes:**

- (1) The Underwriters (as defined herein) will receive a fee (the “**Underwriters’ Fee**”) for the Preferred Units of \$0.75 per Preferred Unit sold. See “*Plan of Distribution*”.
- (2) Before deducting the expenses of the Offering, estimated to be \$525,000.
- (3) Participation in the Offering is subject to a minimum subscription in the amount of \$2,500 (100 Preferred Units) per subscriber.

GMP Securities L.P., Cormark Securities Inc. and National Bank Financial Inc. (“**NBFI**”) (collectively, the “**Co-Lead Underwriters**”), on their own behalf and on behalf of HSBC Securities (Canada) Inc. (“**HSBC**”), Macquarie Capital Markets Canada Ltd., Peters & Co. Limited and Raymond James Ltd. (collectively, the “**Underwriters**”), as principals, conditionally offer the Preferred Units, subject to prior sale, if, as and when issued by the Corporation and delivered to and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “*Plan of Distribution*” and subject to the approval of certain legal matters relating to the Offering on behalf of the Corporation by Borden Ladner Gervais LLP and on behalf of the Underwriters by Burnet, Duckworth & Palmer LLP.

The terms of the Offering, including the offering price of the Preferred Units, were determined by negotiation between the Corporation and the Co-Lead Underwriters, on their own behalf and on behalf of the other Underwriters.

Subscriptions for minimum increments of 100 Preferred Units will be received by the Underwriters subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing of the Offering will occur on or about August 8, 2012, or such other date not later than 42 days after the date of the receipt for the (final) short form prospectus as the Corporation and the Underwriters may agree (the “**Closing Date**”). Book-entry only certificates representing the Series A Preferred Shares and the Warrants will be issued in registered form to CDS Clearing and Depository Services Inc. (“**CDS**”) or its nominee and will be deposited with CDS on the Closing Date. A purchaser of Preferred Units will receive only a customer confirmation from a registered dealer which is a CDS participant and from or through which the Preferred Units are purchased. See “*Details of the Offering*”, “*Depository Services*” and “*Plan of Distribution*”.

The issued and outstanding Common Shares are listed on the Toronto Stock Exchange (the “**TSX**”) under the symbol “**BIR**”. On July 17, 2012, the last complete trading day prior to the public announcement of the Offering, the closing price of the Common Shares on the TSX was \$6.18. On July 27, 2012, the last complete trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSX was \$6.95. The TSX has conditionally approved the listing of the Series A Preferred Shares, the Series B Preferred Shares, the Warrants and the Common Shares issuable upon the exercise of the Warrants. Listing is subject to the Corporation fulfilling all of the listing requirements of the TSX on or before October 19, 2012. See “*Price Range and Trading Volume*” and “*Plan of Distribution*”.

Subject to applicable laws, the Underwriters may, in connection with the Offering, over-allot or effect transactions which stabilize or maintain the market price of the Common Shares, the Series A Preferred Shares and the Warrants at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See “*Plan of Distribution*”.

**The Underwriters propose to offer the Preferred Units initially at the offering price specified above. After a reasonable effort has been made to sell all of the Preferred Units at the offering price specified above, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Preferred Units remaining unsold. Any such reduction will not affect the proceeds received by the Corporation or the fees payable by the Corporation to the Underwriters in connection with the Offering. See “*Plan of Distribution*”.**

**Each of NBFi and HSBC is a direct or indirect wholly-owned subsidiary of a Canadian chartered bank that is a lender to the Corporation and to which the Corporation is presently indebted. Accordingly, the Corporation may be considered to be a “connected issuer” of each of NBFi and HSBC within the meaning of applicable Canadian securities legislation. The net proceeds of the Offering are anticipated to be used by the Corporation to initially reduce indebtedness under the Revolving Facilities (as defined herein), including its indebtedness to such banks. See “*Relationship Between the Corporation and Certain Underwriters*”.**

**There is currently no market through which the Series A Preferred Shares or the Warrants may be sold and purchasers may not be able to resell the Series A Preferred Shares or the Warrants comprising the Preferred Units purchased under this short form prospectus. This may affect the pricing of the Series A Preferred Shares and the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Series A Preferred Shares and the Warrants and the extent of issuer regulation. See “*Risk Factors*”.**

**An investment in the securities of the Corporation involves a high degree of risk. The risk factors contained in this short form prospectus or incorporated by reference herein should be carefully reviewed and considered by purchasers in connection with an investment in the Preferred Units. The Series A Preferred Shares, the Series B Preferred Shares, the Warrants and the Common Shares are not rated by any credit rating agency. The Series A Preferred Shares and the Series B Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders thereof. See “*Forward-Looking Statements*” and “*Risk Factors*” in this short form prospectus, “*Forward Looking Information*” and “*Risk Factors*” in the AIF (as defined herein) and “*Forward Looking Information*” and “*Risk Factors & Risk Management*” in the Annual MD&A (as defined herein).**

In the opinion of counsel, subject to the provisions of any particular plan, the Series A Preferred Shares, the Series B Preferred Shares, the Warrants and the Common Shares issuable upon the exercise of the Warrants, if issued on the

date hereof, generally would be qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder (together, the “**Tax Act**”) for certain tax-exempt plans. See “*Eligibility for Investment*”.

The Preferred Units may be sold only in those jurisdictions where offers and sales are permitted. This short form prospectus is not an offer to sell or a solicitation of an offer to buy the Preferred Units in any jurisdiction where it is unlawful. Investors should rely only on the information contained in or incorporated by reference in this short form prospectus. The Corporation has not authorized anyone to provide investors with different information. Investors should not assume that the information contained in this short form prospectus is accurate as of any date other than the date of this short form prospectus.

The corporate head and registered office of the Corporation is located at Suite 500, 630 – 4<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 0J9.

All references herein to “\$” are to Canadian dollars unless otherwise specified.

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## FORWARD-LOOKING STATEMENTS

This short form prospectus and the documents incorporated by reference herein contain certain forward-looking statements and forward-looking information (collectively, “**forward-looking statements**”) which are based upon the Corporation’s current internal expectations, estimates, projections, assumptions and beliefs. In some cases, words such as “plan”, “expect”, “project”, “intend”, “believe”, “anticipate”, “estimate”, “may”, “will”, “potential”, “proposed” and other similar words, or statements that certain events or conditions “may” or “will” occur, are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in the forward-looking statements. In addition, this short form prospectus and the documents incorporated by reference herein may contain forward-looking statements attributed to third party industry sources. By its nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Such forward-looking statements in this short form prospectus speak only as of the date of this short form prospectus or as of the date specified in the documents incorporated by reference herein.

Forward-looking statements in this short form prospectus and the documents incorporated by reference herein include, but are not limited to, statements with respect to:

- the closing of the Offering and the timing thereof;
- the use of the net proceeds of the Offering;
- drilling inventory, drilling plans and timing of drilling, re-completion and tie-in of wells;
- plans for facilities construction and expansion and completion of the timing and method of funding thereof, including the Phase III expansion at the PCS Gas Plant (as defined herein) and the increased production therefrom as at the end of 2012;
- productive capacity of wells, anticipated or expected production rates and anticipated dates of commencement of production;
- drilling, completion and facilities costs;
- results of various projects of the Corporation;
- ability to lower cost structure in certain projects of the Corporation;
- growth expectations within the Corporation;
- timing of development of undeveloped reserves;
- the tax horizon of the Corporation;
- the performance and characteristics of the Corporation’s oil and natural gas properties;
- oil, natural gas and natural gas liquids production levels;
- capital expenditure programs, including the Corporation’s announced 2012 capital budget program;
- supply and demand for oil and natural gas and commodity prices;
- the impact of Canadian federal and provincial governmental regulation on the Corporation relative to other oil and gas issuers of similar size;
- weighting of production between different commodities;
- expected levels of royalty rates, operating costs, general administrative costs, costs of services and other costs and expenses;
- expectations regarding the Corporation’s ability to raise capital and to continually add to reserves through acquisitions, exploration and development;
- treatment under governmental regulatory regimes and tax laws; and
- realization of the anticipated benefits of acquisitions and dispositions.

With respect to the forward-looking statements contained in this short form prospectus and the documents incorporated by reference herein, the Corporation has made assumptions regarding, among other things:

- the use of the net proceeds of the Offering;
- oil and natural gas production levels;
- commodity prices;

- future currency and interest rates;
- the Corporation's ability to generate sufficient cash flow from operations and to access existing credit facilities and capital markets to meet its future obligations;
- availability of labour and drilling equipment;
- general economic and financial market conditions; and
- government regulation in the areas of taxation, royalty rates and environmental protection.

Although the Corporation believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Neither the Corporation nor the Underwriters can guarantee future results, levels of activity, performance or achievements. Consequently, there is no representation by the Corporation that actual results achieved will be the same, in whole or in part, as those set out in the forward-looking statements. The Corporation intends to use the net proceeds of the Offering to initially reduce indebtedness under the Revolving Facilities as at the Closing Date, which will be subsequently redrawn and applied as needed to fund the Corporation's ongoing exploration and development programs and for working capital purposes. See "*Use of Proceeds*". There may be circumstances that are not known to the Corporation at this time where reallocations of net proceeds from the Offering may be advisable for business reasons that management believes are in the Corporation's best interests. Some of the risks and other factors, some of which are beyond the Corporation's control, which could cause results to differ materially from those expressed in the forward-looking statements contained in this short form prospectus and the documents incorporated by reference herein include, but are not limited to:

- general economic conditions in Canada, the United States and globally;
- industry conditions, including fluctuations in the price of oil and natural gas;
- governmental regulation of the oil and gas industry, including environmental regulation;
- fluctuation in foreign exchange or interest rates;
- liabilities inherent in oil and natural gas operations;
- geological, technical, drilling and processing problems and other difficulties in producing reserves;
- failure to realize anticipated benefits of acquisitions;
- unanticipated operating events which can reduce production or cause production to be shut in or delayed;
- failure to obtain industry partner and other third party consents and approvals, when required;
- stock market volatility and market valuations;
- competition for, among other things, capital, acquisitions of reserves, undeveloped land and skilled personnel;
- competition for and inability to retain drilling rigs and other services;
- the need to obtain required approvals from regulatory authorities; and
- the other factors considered under "*Risk Factors*" in this short form prospectus and in the AIF and under "*Risk Factors & Risk Management*" in the Annual MD&A, which are incorporated by reference herein.

**Readers are cautioned that the foregoing list of factors is not exhaustive. Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described can be profitably produced in the future. The forward-looking statements contained in this short form prospectus and the documents incorporated by reference herein are expressly qualified by this cautionary statement. Neither the Corporation nor the Underwriters are under any duty to update any of the forward-looking statements after the date of this short form prospectus to conform such statements to actual results or to changes in the Corporation's expectations and the Corporation disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.**

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Vice President, Corporate Development and Corporate Secretary of the Corporation at Suite 500, 630 – 4<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 0J9, telephone: (403) 261-6401. In addition, copies of the documents incorporated herein by reference may be obtained by accessing the disclosure documents available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) website at [www.sedar.com](http://www.sedar.com).

The following documents of the Corporation, filed with the various provincial securities commissions or similar authorities in Canada, are specifically incorporated into and form an integral part of this short form prospectus:

- (a) the annual information form of the Corporation dated March 14, 2012 for the financial year ended December 31, 2011 (the “**AIF**”);
- (b) the audited financial statements of the Corporation as at December 31, 2011 and 2010 and January 1, 2010 and for the years ended December 31, 2011 and 2010, together with the notes thereto and the auditors’ report thereon;
- (c) the management’s discussion and analysis of the financial condition and results of operations of the Corporation for the year ended December 31, 2011 (the “**Annual MD&A**”);
- (d) the unaudited interim condensed financial statements of the Corporation as at March 31, 2012 and for the three months ended March 31, 2012 and 2011, together with the notes thereto (the “**Interim Financial Statements**”);
- (e) the management’s discussion and analysis of the financial condition and results of operations of the Corporation for the three months ended March 31, 2012 (the “**Interim MD&A**”);
- (f) the Corporation’s management information circular dated March 27, 2012 with respect to the annual meeting of the shareholders of the Corporation held on May 16, 2012;
- (g) the Corporation’s management information circular dated March 29, 2011 with respect to the annual and special meeting of the shareholders of the Corporation held on May 19, 2011;
- (h) the amended material change report of the Corporation dated April 11, 2012 with respect to the announcement of the April 2012 Public Offering and the April 2012 Private Placement (as such terms are defined herein) and the termination of the Corporation’s corporate sale process; and
- (i) the material change report of the Corporation dated July 19, 2012 with respect to the announcement of the Offering.

Any documents of the type referred to in National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, including any annual information forms, material change reports (except confidential material change reports), financial statements and related management’s discussion and analysis, business acquisition reports and information circulars, if filed by the Corporation with the provincial securities commissions or similar authorities in Canada after the date of this short form prospectus and before the termination of the Offering, are deemed to be incorporated by reference in this short form prospectus.



**Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.**

## **BIRCHCLIFF ENERGY LTD.**

### **General**

The Corporation was originally incorporated on July 6, 2004 under the *Business Corporations Act* (Alberta) (the “**ABCA**”) as 1116463 Alberta Ltd. and on September 10, 2004 changed its name to “Birchcliff Energy Ltd.” On January 18, 2005, the Corporation amalgamated under the ABCA with Scout Capital Corp., a public corporation, pursuant to a plan of arrangement to form an amalgamated corporation that continued under the name “Birchcliff Energy Ltd.” On May 31, 2005, the Corporation amalgamated under the ABCA with Veracel Inc. pursuant to a plan of arrangement to form an amalgamated corporation that continued under the name “Birchcliff Energy Ltd.”

### **Business of the Corporation**

The Corporation is in the business of exploring for, developing and producing oil and natural gas resources in the Western Canadian Sedimentary Basin with operations focused in one core area of Alberta, the Peace River Arch. The Corporation’s business model envisages continuous growth through drilling and the acquisition of suitable properties via asset purchases, farm-ins and corporate acquisitions or mergers. For further details concerning Birchcliff, including information with respect to its assets, operations and history, see the AIF, which is incorporated by reference herein.

## **RECENT DEVELOPMENTS**

### **Re-Licensing of PCS Gas Plant**

On April 13, 2012, the Energy Resources Conservation Board of Alberta re-licensed the Corporation’s Pouce Coupe South gas plant (the “**PCS Gas Plant**”) to increase permitted processing volumes to 150 million cubic feet (“**MMcf**”) per day of raw inlet volume from 120 MMcf per day. This re-licensing recognizes the design processing capacity of the PCS Gas Plant once the Phase III expansion is completed. To operate the PCS Gas Plant at 150 MMcf per day will require twinning of the sales gas pipeline, but the capital to be involved for the pipeline twinning process is not expected to be material in amount.

Birchcliff’s Phase III expansion of the PCS Gas Plant remains on schedule to commence processing natural gas by November 1, 2012 and Birchcliff is currently drilling and completing Montney/Doig horizontal natural gas wells that will produce to the PCS Gas Plant.

Birchcliff expects the PCS Gas Plant to be processing approximately 100 MMcf per day of natural gas at the end of 2012. This leaves 50 MMcf per day of expected processing capacity available for significant future production growth when natural gas prices return to levels that warrant additional drilling activity.

### **April 2012 Public Offering and April 2012 Private Placement**

On April 19, 2012, the Corporation issued 8,075,000 Common Shares at a price of \$7.65 per Common Share and 1,100,000 Common Shares issued as “flow-through” shares (the “**Flow-Through Shares**”) under the Tax Act at a price of \$9.20 per Flow-Through Share pursuant to a public offering (the “**April 2012 Public Offering**”) for gross proceeds to the Corporation of \$71,893,750. The Common Shares and the Flow-Through Shares issued pursuant to the April 2012 Public Offering were qualified for distribution to the public by way of a short form prospectus dated April 12, 2012 filed in each of the provinces of Canada, other than Québec. Concurrent with the completion of the April 2012 Public Offering, the Corporation issued 5,000,000 Common Shares at a price of \$7.65 per Common Share to Seymour Schulich, the principal shareholder of the Corporation, pursuant to a private placement (the “**April 2012 Private Placement**”) for gross proceeds to the Corporation of \$38,250,000. The net proceeds of the April 2012 Public Offering and the April 2012 Private Placement were used by the Corporation to initially reduce indebtedness under the Revolving Facilities. In connection with the April 2012 Public Offering, the underwriters of such offering were granted an over-allotment option to purchase up to an additional 1,211,250 Common Shares at a price of \$7.65 per Common Shares exercisable in whole or in part at any time up to 30 days following the closing of the April 2012 Public Offering, which over-allotment option was not exercised. See “*Documents Incorporated by Reference*”, “*Capitalization of the Corporation*” and “*Prior Sales*”.

## Increase to Credit Facilities

On June 26, 2012, the Corporation entered into two amending agreements with the members of its banking syndicates to increase the authorized limit of its extendible revolving term credit facility (the “**Syndicated Credit Facility**”) to \$440,000,000 from the previous authorized limit of \$420,000,000, increasing the total credit available under the Corporation’s credit facilities (the “**Credit Facilities**”) from \$520,000,000 to \$540,000,000. The terms of the Credit Facilities remain unchanged.

The Credit Facilities are comprised of the Syndicated Credit Facility, a non-revolving five-year term credit facility with an authorized limit of \$70,000,000 (the “**Non-Revolving Facility**”) and an extendible revolving working capital credit facility with an authorized limit of \$30,000,000 (the “**Working Capital Facility**”). The Non-Revolving Facility requires principal payments of \$350,000 per quarter commencing July 1, 2013. The Syndicated Credit Facility and the Working Capital Facility (collectively, the “**Revolving Facilities**”) have a conversion date of May 17, 2013 (the “**Conversion Date**”) and a maturity date of May 17, 2015 (the “**Maturity Date**”). The Corporation may request an extension of the Conversion Date with such an extension not exceeding 364 days, in order to maintain the Revolving Facilities. If the lenders do not grant an extension of the Conversion Date: (i) the Syndicated Credit Facility will convert to a term loan on the Conversion Date, whereby all principal and interest will be required to be repaid at the Maturity Date; and (ii) the Working Capital Facility will convert to a term loan four months after the expiry of the Conversion Date, whereby all principal and interest will be required to be repaid at the Maturity Date. The Credit Facilities are secured by a fixed and floating charge debenture, an instrument of pledge and a general security agreement encompassing all of the assets of the Corporation. The Revolving Facilities allow for prime rate loans, U.S. base rate loans, bankers’ acceptances, letters of credit and LIBOR loans and the Non-Revolving Facility allows for prime rate loans and bankers’ acceptances. The interest rates applicable to drawn loans under the Credit Facilities are based on a pricing grid and change as a result of the ratio of outstanding indebtedness to EBITDA (as such term is defined in the Credit Facilities).

The net proceeds of the Offering are anticipated to be used by the Corporation to initially reduce indebtedness under the Revolving Facilities, which will be subsequently redrawn and applied as needed to fund the Corporation’s ongoing exploration and development programs and for general working capital purposes. See “*Use of Proceeds*”.

Under the terms of the Credit Facilities, the Corporation is precluded, without the consent of the lenders under the Credit Facilities, from declaring or paying any distribution (including dividends) other than to the Corporation or another material subsidiary of the Corporation. As a result of the restriction contained in the Credit Facilities, the Corporation obtained the consent of the lenders under the Credit Facilities on July 18, 2012 (the “**Lenders’ Consent**”), subject to certain terms and conditions, to accommodate the proposed cash payment of dividends on the Series A Preferred Shares and the Series B Preferred Shares as contemplated in this short form prospectus. The Lenders’ Consent included certain terms and conditions, including the following: (i) that the Series A Preferred Shares will have an aggregate face amount of up to \$50,000,000; (ii) that the use of proceeds from the Preferred Units will be used in the manner as set forth in this short form prospectus; (iii) that there is no default or event of default existing under the Credit Facilities; (iv) that the Series A Preferred Shares, the Series B Preferred Shares and the Warrants shall have the terms and conditions as set forth in this short form prospectus; and (v) that the Offering shall be completed by August 28, 2012. In addition, under the terms of the Credit Facilities, the Corporation is required to obtain the consent of the lenders to any redemption of Preferred Shares (as defined herein), including the Series A Preferred Shares or Series B Preferred Shares. See “*Risk Factors – Redeemable*” and “*Risk Factors – Dividends*”.

## CAPITALIZATION OF THE CORPORATION

The following table sets forth the unaudited capitalization of the Corporation as at March 31, 2012 and the unaudited *pro forma* capitalization of the Corporation as at March 31, 2012 after giving effect to: (i) the April 2012 Public Offering and the April 2012 Private Placement and the use of proceeds therefrom; and (ii) the Offering and the use of proceeds therefrom. The table should be read in conjunction with the Interim Financial Statements and the Interim MD&A, each of which is incorporated by reference herein.

Description	Authorized	As at March 31, 2012	As at March 31, 2012, after giving effect to the April 2012 Public Offering and the April 2012 Private Placement <sup>(1)(2)</sup>	As at March 31, 2012, after giving effect to the Offering, the April 2012 Public Offering and the April 2012 Private Placement <sup>(1)(2)(3)</sup>
Credit Facilities <sup>(4)</sup>	\$540,000,000 <sup>(5)</sup>	\$442,330,948	\$335,068,755	\$287,093,755
Common Shares <sup>(6)(7)</sup>	Unlimited	\$569,391,385 (127,005,577 Common Shares)	\$676,496,801 (141,433,644 Common Shares)	\$676,496,801 (141,433,644 Common Shares)
Preferred Shares <sup>(8)</sup>	Unlimited	\$Nil (Nil Preferred Shares)	\$Nil (Nil Preferred Shares)	\$48,481,250 <sup>(10)</sup> (2,000,000 Series A Preferred Shares)
Warrants <sup>(9)</sup>	–	–	–	6,000,000 Warrants

**Notes:**

- (1) For a description of the April 2012 Public Offering and the April 2012 Private Placement, see “*Recent Developments – April 2012 Public Offering and April 2012 Private Placement*”.
- (2) Includes proceeds to the Corporation in the amount of \$1,091,194 from the issuance of 253,067 Common Shares pursuant to the exercise of outstanding stock options to acquire Common Shares. See “*Prior Sales*”.
- (3) Based on the issuance of 2,000,000 Preferred Units pursuant to the Offering for aggregate gross proceeds of \$50,000,000, less the Underwriters’ Fee of \$1,500,000 and the estimated expenses of the Offering of \$525,000.
- (4) For a description of the Credit Facilities, see “*Recent Developments – Increase to Credit Facilities*”. As at July 15, 2012, approximately \$411,000,000 was owing under the Credit Facilities. After giving effect to the Offering and the use of proceeds discussed in this short form prospectus and based on approximately \$411,000,000 owing under the Credit Facilities as at July 15, 2012, the Corporation anticipates an initial reduction in indebtedness under the Revolving Facilities by approximately \$47,975,000 to \$363,000,000 outstanding under the Credit Facilities (excluding working capital deficit). See “*Use of Proceeds*” and “*Relationship Between the Corporation and Certain Underwriters*”.
- (5) As at March 31, 2012, the total credit available under the Credit Facilities was \$520,000,000, which was subsequently increased to \$540,000,000 on June 26, 2012. See “*Recent Developments – Increase to Credit Facilities*”.
- (6) For a description of the Common Shares, see “*Details of the Offering – The Warrants*”.
- (7) As at March 31, 2012, the Corporation also had outstanding: (i) options to purchase an aggregate of 10,206,941 Common Shares at a weighted average exercise price of \$8.85 per Common Share; and (ii) performance warrants to acquire an aggregate of 2,939,732 Common Shares at a weighted average exercise price of \$3.00 per Common Share.
- (8) For a description of the Preferred Shares, see “*Details of the Offering – The Preferred Shares*”.
- (9) For a description of the Warrants, see “*Details of the Offering – The Warrants*”.
- (10) The aggregate Preferred Unit value of \$48,481,250 relates to both the Preferred Shares and the Warrants.

There have been no material changes in the share capitalization or in the indebtedness of Birchcliff since March 31, 2012 other than: (i) an increase in share capital of approximately \$107,000,000 as a result of the issue of 13,075,000 Common Shares at a price of \$7.65 per Common Share and 1,100,000 Flow-Through Shares at a price of \$9.20 per Flow-Through Share pursuant to the April 2012 Public Offering and the April 2012 Private Placement which closed on April 19, 2012 and the issue of 253,067 Common Shares pursuant to the exercise of outstanding stock options to acquire Common Shares; and (ii) a decrease in bank debt of approximately \$31,000,000 for total bank debt of \$411,000,000, each as at July 15, 2012. See “*Recent Developments – April 2012 Public Offering and April 2012 Private Placement*” and “*Prior Sales*”.

## DETAILS OF THE OFFERING

The Offering consists of 2,000,000 Preferred Units at a price of \$25.00 per Preferred Unit, subject to a minimum subscription of \$2,500 (100 Preferred Units). Each Preferred Unit will be comprised of one Series A Preferred Share and three Warrants. The Series A Preferred Shares and the Warrants comprising the Preferred Units will separate immediately upon the closing of the Offering.

### The Preferred Shares

The following is a summary of the principal rights, privileges, restrictions and conditions attaching to the preferred shares of Birchcliff as a class (the “**Preferred Shares**”) and to be attached to the Series A Preferred Shares and the Series B Preferred Shares and is qualified in its entirety by the text of the provisions attaching to the Preferred Shares as a class and the Series A Preferred Shares and the Series B Preferred Shares, each as a series (collectively, the “**Provisions**”). Birchcliff will furnish on request a copy of the text of the Provisions and the Provisions will also be available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Definition of Terms

The following definitions are relevant to the Series A Preferred Shares and the Series B Preferred Shares.

“**Annual Fixed Dividend Rate**” means, for any Subsequent Fixed Rate Period, the annual rate of interest (expressed as a percentage rounded to the nearest one hundred thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date and 6.83%.

“**Bloomberg Screen GCAN5YR Page**” means the display designated as “GCAN5YR<INDEX>” on the Bloomberg Financial L.P. service or its successor service (or such other page as may replace the GCAN5YR page on that service or its successor service) for purposes of displaying Government of Canada bond yields.

“**Business Day**” means a day on which chartered banks are generally open for business in both Calgary, Alberta and Toronto, Ontario.

“**Dividend Payment Date**” means the last day of March, June, September and December in each year, provided that if such date is not a Business Day, the applicable Dividend Payment Date will be the next succeeding Business Day.

“**Fixed Rate Calculation Date**” means, for any Subsequent Fixed Rate Period, the 30<sup>th</sup> day prior to the first day of such Subsequent Fixed Rate Period.

“**Floating Quarterly Dividend Rate**” means, for any Quarterly Floating Rate Period, the annual rate of interest (expressed as a percentage rounded to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date and 6.83%.

“**Floating Rate Calculation Date**” means, for any Quarterly Floating Rate Period, the 30<sup>th</sup> day prior to the first day of such Quarterly Floating Rate Period.

“**Government of Canada Yield**” on any date means the yield to maturity on such date (assuming semi-annual compounding) of a Canadian dollar denominated non-callable Government of Canada bond with a term to maturity of five years as quoted as of 10:00 a.m. (Toronto time) on such date and that appears on the Bloomberg Screen GCAN5YR Page on such date; provided that if such rate does not appear on the Bloomberg Screen GCAN5YR Page on such date, then the Government of Canada Yield shall mean the arithmetic average of the yields quoted to Birchcliff by two registered Canadian investment dealers selected by Birchcliff as being the annual yield to maturity on such date, compounded semi-annually, that a non-callable Government of Canada bond would carry if issued, in Canadian dollars in Canada, at 100% of its principal amount on such date with a term to maturity of five years.

“**Initial Fixed Rate Period**” means the period from and including the date of issue of the Series A Preferred Shares to, but excluding, September 30, 2017.

**“Quarterly Commencement Date”** means the last day of March, June, September and December in each year, commencing September 30, 2017.

**“Quarterly Floating Rate Period”** means the period from and including a Quarterly Commencement Date to, but excluding, the next succeeding Quarterly Commencement Date.

**“Series A Conversion Date”** means September 30, 2017, and September 30 in every fifth year thereafter.

**“Series B Conversion Date”** means September 30, 2022, and September 30 in every fifth year thereafter.

**“Subsequent Fixed Rate Period”** means, for the initial Subsequent Fixed Rate Period, the period from and including September 30, 2017 to, but excluding, September 30, 2022, and for each succeeding Subsequent Fixed Rate Period means the period from and including the day immediately following the last day of the immediately preceding Subsequent Fixed Rate Period to, but excluding, September 30 in the fifth year thereafter.

**“T-Bill Rate”** means, for any Quarterly Floating Rate Period, the average yield expressed as an annual rate on 90 day Government of Canada treasury bills using the three-month average results, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date, as posted on the Reuters page BOC BILL.

#### ***Certain Provisions of the Preferred Shares as a Class***

The Preferred Shares as a class have attached thereto the rights, privileges, restrictions and conditions set forth below.

The Corporation is authorized to issue an unlimited number of Preferred Shares. The Preferred Shares may from time to time be issued in one or more series, and the Board of Directors may fix from time to time before such issue the number of Preferred Shares which is to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each series of Preferred Shares including, without limiting the generality of the foregoing, any voting rights, the rate or amount of dividends or the method of calculating dividends, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion, if any, and any sinking fund or other provisions.

The Preferred Shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding up of Birchcliff, whether voluntary or involuntary, or any other return of capital or distribution of the assets of Birchcliff amongst its shareholders for the purpose of winding up its affairs, be entitled to preference over the Common Shares and over any other shares of Birchcliff ranking by their terms junior to the Preferred Shares of that series. The Preferred Shares of any series may also be given such other preferences over the Common Shares and any other such Preferred Shares.

If any cumulative dividends or amounts payable on the return of capital in respect of a series of Preferred Shares are not paid in full, all series of Preferred Shares shall participate rateably in respect of accumulated dividends and return of capital.

As at July 27, 2012, the Corporation does not have any Preferred Shares issued and outstanding.

#### ***Certain Provisions of the Series A Preferred Shares***

##### ***Issue Price***

The Series A Preferred Shares will have an issue price of \$25.00 per share.

##### ***Dividends on Series A Preferred Shares***

During the Initial Fixed Rate Period, the holders of the Series A Preferred Shares shall be entitled to receive and Birchcliff shall pay, as and when declared by the Board of Directors, out of the moneys of Birchcliff properly applicable to the payment of dividends, fixed cumulative preferential cash dividends at an annual rate of \$2.00 per share, payable quarterly on each Dividend Payment Date in each year (less any tax required to be deducted or

withheld by Birchcliff). The first dividend, if declared, shall be paid on October 1, 2012 (being the first Business Day following September 30, 2012), and, notwithstanding the foregoing, shall be in the amount per share determined by multiplying \$2.00 by the number of days in the period from and including the date of issue of the Series A Preferred Shares to, but excluding, September 30, 2012, dividing that product by 366, being the amount of \$0.2935 per Series A Preferred Share (less any tax required to be deducted or withheld by Birchcliff).

During each Subsequent Fixed Rate Period, the holders of the Series A Preferred Shares shall be entitled to receive and Birchcliff shall pay, as and when declared by the Board of Directors, out of the moneys of Birchcliff properly applicable to the payment of dividends, fixed cumulative preferential cash dividends, payable quarterly on each Dividend Payment Date, in the amount per share determined by multiplying one-quarter of the Annual Fixed Dividend Rate for such Subsequent Fixed Rate Period by \$25.00 (less any tax required to be deducted or withheld by Birchcliff).

On each Fixed Rate Calculation Date, Birchcliff shall determine the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period. Each such determination shall, in the absence of manifest error, be final and binding upon Birchcliff and upon all holders of Series A Preferred Shares. Birchcliff shall, on each Fixed Rate Calculation Date, give written notice of the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period to the registered holders of the then outstanding Series A Preferred Shares.

#### *Redemption of Series A Preferred Shares*

The Series A Preferred Shares shall not be redeemable prior to September 30, 2017. Subject to the provisions described under “*Restrictions on Payments and Reductions of Capital*”, on September 30, 2017, and on September 30 in every fifth year thereafter, Birchcliff may, at its option, redeem all or any part of the Series A Preferred Shares by the payment of an amount in cash for each share to be redeemed equal to \$25.00 plus all accrued and unpaid dividends thereon to, but excluding, the date fixed for redemption (less any tax required to be deducted or withheld by Birchcliff). If any such date is not a Business Day, the redemption date shall be the next succeeding Business Day.

Notice of any redemption of Series A Preferred Shares shall be given by Birchcliff not more than 60 days and not less than 30 days prior to the date fixed for redemption. If less than all of the outstanding Series A Preferred Shares are at any time to be redeemed, the shares so to be redeemed shall be selected by lot in such manner as the Board of Directors or the transfer agent, if any, appointed by Birchcliff in respect of such shares shall decide, or, if the Board of Directors so decides, such shares may be redeemed *pro rata* (disregarding fractions).

#### *Conversion of Series A Preferred Shares into Series B Preferred Shares*

The Series A Preferred Shares shall not be convertible prior to September 30, 2017. Holders of Series A Preferred Shares shall have the right to convert on each Series A Conversion Date, subject to restrictions on conversion described below, all or any of their Series A Preferred Shares into Series B Preferred Shares on the basis of one Series B Preferred Share for each Series A Preferred Share. Notice of a holder’s intention to convert Series A Preferred Shares must be received by the transfer agent and registrar for the Series A Preferred Shares at its principal office in Toronto or Calgary not earlier than the 30<sup>th</sup> day prior to, but not later than 5:00 p.m. (Toronto time) on the 15<sup>th</sup> day preceding, a Series A Conversion Date. Once received by the transfer agent and registrar on behalf of Birchcliff, the election of a holder to convert is irrevocable.

Birchcliff shall, not more than 60 days and not less than 30 days prior to the applicable Series A Conversion Date, give notice to the then registered holders of the Series A Preferred Shares of the conversion right. On the 30<sup>th</sup> day prior to each Series A Conversion Date, Birchcliff shall give notice to the then registered holders of the Series A Preferred Shares of the Annual Fixed Dividend Rate for the Series A Preferred Shares for the next succeeding Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate for the Series B Preferred Shares for the next succeeding Quarterly Floating Rate Period.

Holders of Series A Preferred Shares shall not be entitled to convert their shares into Series B Preferred Shares if Birchcliff determines that there would remain outstanding on a Series A Conversion Date less than 250,000 Series B Preferred Shares, after having taken into account all Series A Preferred Shares tendered for conversion into Series B Preferred Shares and all Series B Preferred Shares tendered for conversion into Series A Preferred Shares.

Birchcliff shall give notice thereof to all affected registered holders of the Series A Preferred Shares at least seven days prior to the applicable Series A Conversion Date. Furthermore, if Birchcliff determines that there would remain outstanding on a Series A Conversion Date less than 250,000 Series A Preferred Shares, after having taken into account all Series A Preferred Shares tendered for conversion into Series B Preferred Shares and all Series B Preferred Shares tendered for conversion into Series A Preferred Shares, then all of the remaining outstanding Series A Preferred Shares shall be converted automatically into Series B Preferred Shares on the basis of one Series B Preferred Share for each Series A Preferred Share on the applicable Series A Conversion Date and Birchcliff shall give notice thereof to the then registered holders of such remaining Series A Preferred Shares at least seven days prior to the Series A Conversion Date.

Birchcliff reserves the right not to deliver Series B Preferred Shares to any person that Birchcliff or its transfer agent has reason to believe is a person whose address is in, or that Birchcliff or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada if such delivery would require Birchcliff to take any action to comply with the securities laws of such jurisdiction.

If Birchcliff gives notice to the holders of the Series A Preferred Shares of the redemption of all of the Series A Preferred Shares, the right of a holder of Series A Preferred Shares to convert such Series A Preferred Shares shall terminate and Birchcliff shall not be required to give notice to the registered holders of the Series A Preferred Shares of an Annual Fixed Dividend Rate, a Floating Quarterly Dividend Rate or the conversion right of holders of Series A Preferred Shares.

The Series A Preferred Shares and the Series B Preferred Shares are series of shares in the same class. The conversion right entitles holders to elect periodically which of the two series they wish to hold and does not entitle holders to receive a different class or type of securities. Other than the different dividend rights, redemption rights and conversion rights attached thereto, the Series A Preferred Shares and the Series B Preferred Shares are identical in all material respects.

#### *Purchase for Cancellation*

Subject to the provisions described under “*Restrictions on Payments and Reductions of Capital*” and the provisions of the ABCA, Birchcliff may at any time or times purchase for cancellation all or any part of the Series A Preferred Shares at the lowest price or prices at which, in the opinion of the Board of Directors, such shares are obtainable.

#### *Rights on Liquidation*

In the event of the liquidation, dissolution or winding-up of Birchcliff or any other distribution of assets of Birchcliff among its shareholders for the purpose of winding up its affairs, the holders of the Series A Preferred Shares shall be entitled to receive \$25.00 per Series A Preferred Share plus all accrued and unpaid dividends thereon (less any tax required to be deducted or withheld by Birchcliff) before any amount shall be paid or any property or assets of Birchcliff shall be distributed to the holders of Common Shares or to the holders of any other shares ranking junior to the Series A Preferred Shares in any respect. After payment to the holders of the Series A Preferred Shares of the amount so payable to them, they shall not, as such, be entitled to share in any further distribution of the property or assets of Birchcliff.

#### *Restrictions on Payments and Reductions of Capital*

So long as any Series A Preferred Shares are outstanding, Birchcliff shall not:

- (a) call for redemption, purchase, reduce or otherwise pay off less than all the Series A Preferred Shares and all other Preferred Shares then outstanding ranking prior to or on parity with the Series A Preferred Shares with respect to payment of dividends;
- (b) declare, pay or set apart for payment any dividends (other than stock dividends in shares of Birchcliff ranking junior to the Series A Preferred Shares) on the Common Shares or any other shares of Birchcliff ranking junior to the Series A Preferred Shares with respect to payment of dividends; or



- (c) call for redemption, purchase, reduce stated capital maintained by Birchcliff or otherwise pay off any shares of Birchcliff ranking junior to the Series A Preferred Shares with respect to repayment of capital or with respect to payment of dividends,

unless all dividends up to and including the dividends payable on the last preceding dividend payment dates on the Series A Preferred Shares and on all other Preferred Shares then outstanding ranking prior to or on parity with the Series A Preferred Shares with respect to payment of dividends shall have been declared and paid or set apart for payment at the date of any such action.

#### *Creation or Issue of Additional Shares*

So long as any Series A Preferred Shares are outstanding, Birchcliff shall not, without the prior approval of the holders of the Series A Preferred Shares, create or issue any shares ranking prior to or on parity with the Series A Preferred Shares with respect to repayment of capital or payment of dividends, provided that Birchcliff may without such approval issue additional series of Preferred Shares if all dividends then payable on the Series A Preferred Shares shall have been paid or set apart for payment.

#### *Voting Rights*

The holders of the Series A Preferred Shares are not entitled to any voting rights or to receive notice of or to attend shareholders' meetings unless and until the first time at which the Board of Directors has not declared the dividend in full on the Series A Preferred Shares in any quarter. Until all arrears of dividends have been paid, holders of Series A Preferred Shares shall be entitled to receive notice of and to attend all shareholders' meetings (other than separate meetings of holders of another class or series of shares) and to one vote in respect of each Series A Preferred Share held with respect to the resolutions being voted on.

#### *Tax Election*

The Series A Preferred Shares will be "taxable preferred shares" as defined in the Tax Act for purposes of the tax under Part IV.1 of the Tax Act applicable to certain corporate holders of the Series A Preferred Shares. The terms of the Series A Preferred Shares require Birchcliff to make the necessary election under Part VI. 1 of the Tax Act so that such corporate holders will not be subject to the tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series A Preferred Shares. See "*Certain Canadian Federal Income Tax Considerations – Dividends*".

#### *Modification*

The series provisions attaching to the Series A Preferred Shares may be amended with the written approval of all the holders of the Series A Preferred Shares outstanding or by at least two-thirds of the votes cast at a meeting of the holders of such shares duly called for that purpose and at which a quorum is present.

#### *Business Day*

If any day on which any dividend on the Series A Preferred Shares is payable by Birchcliff or on or by which any other action is required to be taken by Birchcliff is not a Business Day, then such dividend shall be payable and such other action may be taken on or by the next succeeding day that is a Business Day.

#### ***Certain Provisions of the Series B Preferred Shares***

##### *Issue Price*

The Series B Preferred Shares will be issuable only upon conversion of Series A Preferred Shares and will have an ascribed issue price of \$25.00 per share.

##### *Dividends on Series B Preferred Shares*

During each Quarterly Floating Rate Period, the holders of the Series B Preferred Shares shall be entitled to receive and Birchcliff shall pay, as and when declared by the Board of Directors, out of the moneys of Birchcliff properly

applicable to the payment of dividends, cumulative preferential cash dividends, payable on each Dividend Payment Date, in the amount per share determined by multiplying the Floating Quarterly Dividend Rate for such Quarterly Floating Rate Period by \$25.00 and multiplying that product by a fraction, the numerator of which is the actual number of days in such Quarterly Floating Rate Period and the denominator of which is 365 or 366, depending upon the actual number of days in the applicable year (less any tax required to be deducted or withheld by Birchcliff).

On each Floating Rate Calculation Date, Birchcliff shall determine the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period. Each such determination shall, in the absence of manifest error, be final and binding upon Birchcliff and upon all holders of Series B Preferred Shares. Birchcliff shall, on each Floating Rate Calculation Date, give written notice of the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period to the registered holders of the then outstanding Series B Preferred Shares.

#### *Redemption of Series B Preferred Shares*

Subject to the provisions described under “*Restrictions on Payments and Reductions of Capital*”, Birchcliff may redeem all or any part of the Series B Preferred Shares by the payment of an amount in cash for each share to be redeemed equal to (i) \$25.00 in the case of redemptions on any Series B Conversion Date, or (ii) \$25.50 in the case of redemptions on any date after September 30, 2017 that is not a Series B Conversion Date, in each case plus all accrued and unpaid dividends thereon to, but excluding, the date fixed for redemption (less any tax required to be deducted or withheld by Birchcliff). If any such date is not a Business Day, the redemption date shall be the next succeeding Business Day.

Notice of any redemption of Series B Preferred Shares shall be given by Birchcliff not more than 60 days and not less than 30 days prior to the date fixed for redemption. If less than all of the outstanding Series B Preferred Shares are at any time to be redeemed, the shares so to be redeemed shall be selected by lot in such manner as the Board of Directors or the transfer agent, if any, appointed by Birchcliff in respect of such shares shall decide, or, if the Board of Directors so decides, such shares may be redeemed *pro rata* (disregarding fractions).

#### *Conversion of Series B Preferred Shares into Series A Preferred Shares*

The Series B Preferred Shares shall not be convertible prior to September 30, 2022. Holders of Series B Preferred Shares shall have the right to convert on each Series B Conversion Date, subject to restrictions on conversion described below, all or any of their Series B Preferred Shares into Series A Preferred Shares on the basis of one Series A Preferred Share for each Series B Preferred Share. Notice of a holder’s intention to convert Series B Preferred Shares must be received by the transfer agent and registrar for the Series B Preferred Shares at its principal office in Toronto or Calgary not earlier than the 30<sup>th</sup> day prior to, but not later than 5:00 p.m. (Toronto time) on the 15<sup>th</sup> day preceding, a Series B Conversion Date. Once received by the transfer agent and registrar on behalf of Birchcliff, the election of a holder to convert is irrevocable.

Birchcliff shall, not more than 60 days and not less than 30 days prior to the applicable Series B Conversion Date, give notice to the then registered holders of the Series B Preferred Shares of the conversion right. On the 30<sup>th</sup> day prior to each Series B Conversion Date, Birchcliff shall give notice to the then registered holders of the Series B Preferred Shares of the Annual Fixed Dividend Rate for the Series A Preferred Shares for the next succeeding Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate for the Series B Preferred Shares for the next succeeding Quarterly Floating Rate Period.

Holders of Series B Preferred Shares shall not be entitled to convert their shares into Series A Preferred Shares if Birchcliff determines that there would remain outstanding on a Series B Conversion Date less than 250,000 Series A Preferred Shares, after having taken into account all Series A Preferred Shares tendered for conversion into Series B Preferred Shares and all Series B Preferred Shares tendered for conversion into Series A Preferred Shares. Birchcliff shall give notice thereof to all affected registered holders of the Series B Preferred Shares at least seven days prior to the applicable Series B Conversion Date. Furthermore, if Birchcliff determines that there would remain outstanding on a Series B Conversion Date less than 250,000 Series B Preferred Shares, after having taken into account all Series A Preferred Shares tendered for conversion into Series B Preferred Shares and all Series B Preferred Shares tendered for conversion into Series A Preferred Shares, then all of the remaining outstanding Series B Preferred Shares shall be converted automatically into Series A Preferred Shares on the basis of one Series A Preferred Share for each Series B Preferred Share on the applicable Series B Conversion Date and Birchcliff shall

give notice thereof to the then registered holders of such remaining Series B Preferred Shares at least seven days prior to the Series B Conversion Date.

Birchcliff reserves the right not to deliver Series A Preferred Shares to any person that Birchcliff or its transfer agent has reason to believe is a person whose address is in, or that Birchcliff or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada if such delivery would require Birchcliff to take any action to comply with the securities laws of such jurisdiction.

If Birchcliff gives notice to the holders of the Series B Preferred Shares of the redemption of all of the Series B Preferred Shares, the right of a holder of Series B Preferred Shares to convert such Series B Preferred Shares shall terminate and Birchcliff shall not be required to give notice to the registered holders of the Series B Preferred Shares of an Annual Fixed Dividend Rate, a Floating Quarterly Dividend Rate or the conversion right of holders of Series B Preferred Shares.

The Series A Preferred Shares and the Series B Preferred Shares are series of shares in the same class. The conversion right entitles holders to elect periodically which of the two series they wish to hold and does not entitle holders to receive a different class or type of securities. Other than the different dividend rights, redemption rights and conversion rights attached thereto, the Series A Preferred Shares and the Series B Preferred Shares are identical in all material respects.

#### *Purchase for Cancellation*

Subject to the provisions described under “*Restrictions on Payments and Reductions of Capital*” and the provisions of the ABCA, Birchcliff may at any time or times purchase for cancellation all or any part of the Series B Preferred Shares at the lowest price or prices at which, in the opinion of the Board of Directors, such shares are obtainable.

#### *Rights on Liquidation*

In the event of the liquidation, dissolution or winding-up of Birchcliff or any other distribution of assets of Birchcliff among its shareholders for the purpose of winding up its affairs, the holders of the Series B Preferred Shares shall be entitled to receive \$25.00 per Series B Preferred Share plus all accrued and unpaid dividends thereon (less any tax required to be deducted or withheld by Birchcliff) before any amount shall be paid or any property or assets of Birchcliff shall be distributed to the holders of Common Shares or to the holders of any other shares ranking junior to the Series B Preferred Shares in any respect. After payment to the holders of the Series B Preferred Shares of the amount so payable to them, they shall not, as such, be entitled to share in any further distribution of the property, or assets of Birchcliff.

#### *Restrictions on Payments and Reductions of Capital*

So long as any Series B Preferred Shares are outstanding, Birchcliff shall not:

- (a) call for redemption, purchase, reduce or otherwise pay off less than all the Series B Preferred Shares and all other Preferred Shares then outstanding ranking prior to or on parity with the Series B Preferred Shares with respect to payment of dividends;
- (b) declare, pay or set apart for payment any dividends (other than stock dividends in shares of Birchcliff ranking junior to the Series B Preferred Shares) on the Common Shares or any other shares of Birchcliff ranking junior to the Series B Preferred Shares with respect to payment of dividends; or
- (c) call for redemption, purchase, reduce stated capital maintained by Birchcliff or otherwise pay off any shares of Birchcliff ranking junior to the Series B Preferred Shares with respect to repayment of capital or with respect to payment of dividends,

unless all dividends up to and including the dividends payable on the last preceding dividend payment dates on the Series B Preferred Shares and on all other Preferred Shares then outstanding ranking prior to or on parity with the Series B Preferred Shares with respect to payment of dividends shall have been declared and paid or set apart for payment at the date of any such action.

### *Creation or Issue of Additional Shares*

So long as any Series B Preferred Shares are outstanding, Birchcliff shall not, without the prior approval of the holders of the Series B Preferred Shares, create or issue any shares ranking prior to or on parity with the Series B Preferred Shares with respect to repayment of capital or payment of dividends, provided that Birchcliff may without such approval issue additional series of Preferred Shares if all dividends then payable on the Series B Preferred Shares shall have been paid or set apart for payment.

### *Voting Rights*

The holders of the Series B Preferred Shares are not entitled to any voting rights or to receive notice of or to attend shareholders' meetings unless and until the first time at which the Board of Directors has not declared the dividend in full on the Series B Preferred Shares in any quarter. Until all arrears of dividends have been paid, holders of Series B Preferred Shares shall be entitled to receive notice of and to attend all shareholders' meetings (other than separate meetings of holders of another class or series of shares) and to one vote in respect of each Series B Preferred Share held with respect to the resolutions being voted on.

### *Tax Election*

The Series B Preferred Shares will be "taxable preferred shares" as defined in the Tax Act for purposes of the tax under Part IV.1 of the Tax Act applicable to certain corporate holders of the Series B Preferred Shares. The terms of the Series B Preferred Shares require Birchcliff to make the necessary election under Part VI.1 of the Tax Act so that such corporate holders will not be subject to the tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series B Preferred Shares. See "*Certain Canadian Federal Income Tax Considerations – Dividends*".

### *Modification*

The series provisions attaching to the Series B Preferred Shares may be amended with the written approval of all the holders of the Series B Preferred Shares outstanding or by at least two-thirds of the votes cast at a meeting of the holders of such shares duly called for that purpose and at which a quorum is present.

### *Business Day*

If any day on which any dividend on the Series B Preferred Shares is payable by Birchcliff or on or by which any other action is required to be taken by Birchcliff is not a Business Day, then such dividend will be payable and such other action may be taken on or by the next succeeding day that is a Business Day.

### **The Warrants**

The following is a summary of the principal rights, privileges, restrictions and conditions to be attached to the Warrants and is qualified in its entirety by the provisions of the Warrant Indenture. Birchcliff will furnish on request a copy of the Warrant Indenture and the Warrant Indenture will also be available on SEDAR at [www.sedar.com](http://www.sedar.com).

The Warrants will be created and issued pursuant to the Warrant Indenture to be dated the Closing Date between the Corporation and Olympia (the "**Warrant Agent**"), as the Warrant Agent thereunder. Birchcliff will appoint Olympia at its offices in Calgary, Alberta and Toronto, Ontario as locations at which Warrants may be surrendered for exercise or transfer.

Each Warrant will entitle the holder (the "**Warrantholder**") to purchase one Common Share at a price of \$8.30 per Common Share, subject to adjustment as summarized below. Warrants will be exercisable at the Warrantholder's option at any time prior to 5:00 p.m. (Toronto time) on the date that is 24 months following the Closing Date (the "**Expiry Time**"), after which the Warrants will expire and become null and void.

The Warrant Indenture will provide for adjustment in the number of Common Shares issuable upon the exercise of the Warrants and/or the exercise price per Common Share in the event of:

- (a) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares as a stock dividend or other distribution (other than a “dividend paid in the ordinary course”, as defined in the Warrant Indenture, or a distribution of Common Shares upon the exercise of the Warrants or pursuant to the exercise of directors’, officers’ or employee stock options granted under the Corporation’s stock option plan or pursuant to the exercise of performance warrants held by certain officers of the Corporation);
- (b) the subdivision, redivision or change of the Common Shares into a greater number of shares;
- (c) the reduction, combination or consolidation of the Common Shares into a lesser number of shares;
- (d) the issuance to all or substantially all of the holders of the Common Shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the “current market price” (as defined in the Warrant Indenture), for the Common Shares on such record date; and
- (e) the issuance or distribution to all or substantially all of the holders of the Common Shares of shares of any class other than the Common Shares, rights, options or warrants to acquire Common Shares or securities exchangeable or convertible into Common Shares, evidence of indebtedness or cash, securities or any property or other assets.

In addition, the Warrant Indenture will provide that if at any time prior to the Expiry Time, there shall be:

- (a) a reorganization, reclassification or other change of Common Shares outstanding at such time or change or exchange of Common Shares into or for other securities (other than pursuant to a “Share Reorganization” as defined in the Warrant Indenture);
- (b) a consolidation, amalgamation, arrangement or merger of the Corporation with or into any other corporation or other entity (other than a consolidation, amalgamation, arrangement or merger which does not result in any reclassification of the outstanding Common Shares or change or exchange of the Common Shares);
- (c) the exchange of Common Shares for other shares or other securities or property, including cash, pursuant to the exercise of a statutory compulsory acquisition right, or a sale, conveyance or transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation or other entity;
- (d) the completion of a “take-over bid” (as such term is defined under Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids*) resulting in the offeror, together with any persons acting jointly or in concert with the offeror, holding at least two-thirds of the then outstanding Common Shares in which the holders of Common Shares are entitled to receive shares, other securities or property, including cash,

(any of such events being herein referred to as a “**Capital Reorganization**”), the number of Common Shares shall, at the time of the exercise, be appropriately adjusted, and the Warrantholder, upon exercising the Warrant after the effective date of such Capital Reorganization, will be entitled to receive in lieu of the number of Common Shares to which such Warrantholder was theretofore entitled upon such exercise, the aggregate number of shares or other securities or property that the Warrantholder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof the Warrantholder had been the registered holder of the number of Common Shares to which the Warrantholder was theretofore entitled, provided that where the holders of Common Shares are entitled to receive, or to elect to receive, payment entirely in cash, the Warrantholder shall be required to surrender or exercise the Warrant and shall be entitled to receive, upon surrender or exercise thereof, payment on an equal basis with holders of Common Shares as if the Warrant had been exercised immediately prior to such Capital Reorganization less the aggregate exercise price of the Warrant (provided that, if the amount of such payment is zero

or negative, no payment shall be made), and upon completion of such Capital Reorganization the rights of the Warrantholder shall terminate and cease and the Warrant shall expire. The Warrantholder shall have no right to vote in respect of any Capital Reorganization in its capacity as Warrantholder.

No adjustment in the exercise price or the number of Common Shares issuable upon the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would change the exercise price by at least 1% or the number of Common Shares issuable upon the exercise of the Warrants by at least one one-hundredth (1/100) of a Common Share, as the case may be, provided, however, that in such case, any adjustment that would otherwise be required to have been made will be carried forward and taken into account in any subsequent adjustment.

No fractional Common Shares will be issuable upon the exercise of any Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights that a holder of Common Shares would have.

The Corporation will also covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to the Warrantholders of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Common Shares issuable upon the exercise of the Warrants, at least 14 days prior to the record date or effective date, as the case may be, of such events.

From time to time, the Corporation and the Warrant Agent, without the consent of the Warrantholders, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any Warrantholder. Any amendment or supplement to the Warrant Indenture that adversely affects the interest of the Warrantholders may only be made by “extraordinary resolution”, which will be defined in the Warrant Indenture as a resolution either: (i) passed at a meeting of Warrantholders at which there are holders of Warrants present in person or represented by proxy representing at least 25% of the aggregate number of the then outstanding Warrants and passed by the affirmative vote of Warrantholders representing not less than two-thirds of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution; or (ii) adopted by an instrument in writing signed by the Warrantholders representing not less than two-thirds of the number of all the then outstanding Warrants. An extraordinary resolution will be subject to the prior approval of the TSX.

Under the Warrant Indenture, original purchasers of the Preferred Units will have a contractual right of rescission against the Corporation in respect of the exercise of the Warrants into Common Shares. The contractual right of rescission will entitle such original purchasers to a right of rescission against the Corporation in respect of the exercise in the event that this short form prospectus contains a misrepresentation, provided that: (i) the exercise takes place within 180 days of the date of the purchase of the Preferred Units under this short form prospectus; and (ii) the right of rescission is exercised within 180 days of the date of the acquisition of the Preferred Units under this short form prospectus. This contractual right of rescission will be consistent with the statutory right of rescission described under section 203 of the *Securities Act* (Alberta), and is in addition to any other right or remedy available to original purchasers under section 203 of the *Securities Act* (Alberta) or otherwise at law. See “*Purchasers’ Statutory Rights*”.

The Warrants are exercisable for Common Shares as described herein. The Corporation is authorized to issue an unlimited number of Common Shares. The holders of Common Shares are entitled to receive notice of and to attend all meetings of the shareholders of the Corporation and to vote one vote per Common Share at such meetings. The holders of Common Shares are entitled to receive dividends declared on the Common Shares declared by the Board of Directors and subject to the rights of the holders of shares ranking prior to the Common Shares, to receive *pro rata* the distribution of assets of the Corporation in the event of liquidation, dissolution or winding up in equal rank with the holders of other Common Shares. As at July 27, 2012, 141,433,644 Common Shares were issued and outstanding.

## DEPOSITORY SERVICES

The Series A Preferred Shares, Series B Preferred Shares and Warrants will be issued in “book-entry only” form and must be purchased or transferred through a participant in the CDS depository service (“**CDS Participant**”). Birchcliff will cause a global certificate or certificates representing newly issued Series A Preferred Shares, Series B Preferred Shares or Warrants to be delivered to, and registered in the name of, CDS or its nominee. All rights of holders of Series A Preferred Shares, Series B Preferred Shares or Warrants must be exercised through, and all payments or other property to which such holder of Series A Preferred Shares, Series B Preferred Shares or Warrants, as the case may be, is entitled, will be made or delivered by CDS or the CDS Participant through which the holder of Series A Preferred Shares, Series B Preferred Shares or Warrants holds such securities. Each person who acquires Series A Preferred Shares, Series B Preferred Shares or Warrants will receive only a customer confirmation of purchase from the registered dealer from or through which the Series A Preferred Shares, Series B Preferred Shares or Warrants are acquired in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS is responsible for establishing and maintaining book-entry accounts for its CDS Participants having interests in the Series A Preferred Shares, Series B Preferred Shares or Warrants.

The ability of a beneficial owner of Series A Preferred Shares, Series B Preferred Shares or Warrants to pledge such securities or otherwise take action with respect to such owner’s interest in such securities (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Birchcliff has the option to terminate registration of the Series A Preferred Shares, Series B Preferred Shares and Warrants through the book-entry only system, in which event certificates for Series A Preferred Shares, Series B Preferred Shares and Warrants in fully registered form will be issued to the beneficial owners of such shares or their nominees.

Neither Birchcliff nor the Underwriters will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Series A Preferred Shares, Series B Preferred Shares or Warrants held by CDS or the payments relating thereto, as applicable; (b) maintaining, supervising or reviewing any records relating to the Series A Preferred Shares, Series B Preferred Shares or Warrants; or (c) any advice or representation made by or with respect to CDS and those contained in this short form prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its CDS Participants. The rules governing CDS provide that it acts as the agent and depository for the CDS Participants. As a result, CDS Participants must look solely to CDS and persons, other than CDS Participants, having an interest in the Series A Preferred Shares or Series B Preferred Shares must look solely to CDS Participants for payments made by or on behalf of Birchcliff to CDS in respect of the Series A Preferred Shares or Series B Preferred Shares.

If: (i) required by applicable law; (ii) the book-entry only system ceases to exist; (iii) CDS advises Birchcliff that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Series A Preferred Shares, Series B Preferred Shares or Warrants and Birchcliff is unable to locate a qualified successor; or (iv) Birchcliff, at its option, decides to terminate the book-entry only system, then certificates representing the Series A Preferred Shares, Series B Preferred Shares and Warrants, as applicable, will be made available.

## EARNINGS COVERAGE RATIOS

The following earnings coverage ratios of Birchcliff are calculated for the twelve-month period ended December 31, 2011 based on audited financial information and for the twelve-month period ended March 31, 2012 based on unaudited financial information and giving effect to the issue of the Series A Preferred Shares pursuant to the Offering and the use of proceeds therefrom as described under “*Use of Proceeds*”. The earnings coverage ratios set out below do not purport to be indicative of earnings coverage ratios for any future period.

	December 31, 2011	March 31, 2012
Earnings Coverage <sup>(1)</sup> .....	3.19	2.78

**Note:**

(1) Earnings coverage on a net earnings basis is equal to net income plus interest expense and income taxes divided by interest expense adjusted for notional interest that would be saved from the proceeds of the Offering plus preferred share dividend obligations.

Birchcliff's dividend requirements on the Preferred Shares, giving effect to the issue of the Series A Preferred Shares to be distributed pursuant to the Offering and adjusted to a before tax equivalent using an effective income tax rate of 25%, amounted to approximately \$5.3 million for each of the 12-month periods ended December 31, 2011 and March 31, 2012, respectively. Birchcliff's interest requirements amounted to approximately \$15.9 million and \$16.2 million for each of the 12-month periods ended December 31, 2011 and March 31, 2012, respectively. Birchcliff's earnings before interest and income tax for the 12-month period ended December 31, 2011 and for the 12-month period ended March 31, 2012 were approximately \$67.6 million and \$59.9 million, respectively, which is 3.19 times and 2.78 times, respectively, Birchcliff's aggregate Preferred Share dividend and interest requirements for these periods.

## PRIOR SALES

The following table summarizes the issuances by the Corporation of Common Shares or securities convertible into or exercisable for Common Shares in the 12-month period prior to the date of this short form prospectus.

Date of Issuance	Securities	Price Per Security	Number of Securities
July 11, 2011	Common Shares <sup>(1)</sup>	\$5.03	2,000
July 15, 2011	Common Shares <sup>(1)</sup>	\$5.03 – \$9.25	35,000
July 19, 2011	Common Shares <sup>(1)</sup>	\$6.23	13,000
July 20, 2011	Common Shares <sup>(1)</sup>	\$5.03 – \$5.75	38,333
July 22, 2011	Common Shares <sup>(1)</sup>	\$9.00	3,333
July 26, 2011	Common Shares <sup>(1)</sup>	\$5.03 – \$9.72	4,534
July 28, 2011	Common Shares <sup>(1)</sup>	\$4.25 – \$10.33	60,834
July 29, 2011	Common Shares <sup>(1)</sup>	\$3.87 – \$9.72	12,000
August 14, 2011	stock options	\$13.16 <sup>(2)</sup>	55,000
August 17, 2011	stock options	\$12.69 <sup>(2)</sup>	10,000
August 26, 2011	Common Shares <sup>(1)</sup>	\$5.03	4,000
September 2, 2011	Common Shares <sup>(1)</sup>	\$9.99	3,333
September 13, 2011	stock options	\$13.26 <sup>(2)</sup>	9,000
September 16, 2011	Common Shares <sup>(1)</sup>	\$9.92	4,000
September 26, 2011	stock options	\$11.02 <sup>(2)</sup>	7,500
October 1, 2011	stock options	\$10.18 <sup>(2)</sup>	4,500
October 13, 2011	Common Shares <sup>(1)</sup>	\$3.87 – \$7.38	14,500
October 14, 2011	Common Shares <sup>(1)</sup>	\$4.38	20,000
October 26, 2011	Common Shares <sup>(1)</sup>	\$6.23 – \$9.72	9,500
October 27, 2011	Common Shares <sup>(1)</sup>	\$9.98	10,000
October 31, 2011	Common Shares <sup>(1)</sup>	\$7.38 – \$9.98	12,000
March 29, 2012	Common Shares <sup>(1)</sup>	\$3.87	225,000
March 30, 2012	Common Shares <sup>(1)</sup>	\$5.03	35,000
April 3, 2012	Common Shares <sup>(1)</sup>	\$3.87	14,000
April 4, 2012	Common Shares <sup>(1)</sup>	\$3.87 – \$5.03	38,000
April 9, 2012	Common Shares <sup>(1)</sup>	\$3.87 – \$5.03	61,000
April 10, 2012	Common Shares <sup>(1)</sup>	\$3.87 – \$5.03	17,400
April 11, 2012	Common Shares <sup>(1)</sup>	\$3.87 – \$3.90	18,867



<u>Date of Issuance</u>	<u>Securities</u>	<u>Price Per Security</u>	<u>Number of Securities</u>
April 12, 2012	Common Shares <sup>(1)</sup>	\$3.87	50,000
April 13, 2012	Common Shares <sup>(1)</sup>	\$3.87	11,500
April 19, 2012	Common Shares <sup>(3)</sup>	\$7.65	13,075,000
April 19, 2012	Flow-Through Shares <sup>(3)</sup>	\$9.20	1,100,000
April 26, 2012	stock options	\$5.96 <sup>(2)</sup>	3,345,400
May 1, 2012	Common Shares <sup>(1)</sup>	\$5.03	4,000
May 1, 2012	stock options	\$6.77 <sup>(2)</sup>	20,000
May 8, 2012	stock options	\$6.29 <sup>(2)</sup>	3,500
May 15, 2012	stock options	\$6.29 <sup>(2)</sup>	8,000
May 28, 2012	Common Shares <sup>(1)</sup>	\$5.03	20,000
May 29, 2012	Common Shares <sup>(1)</sup>	\$4.96	1,300
June 1, 2012	stock options	\$6.19 <sup>(2)</sup>	24,000
June 7, 2012	Common Shares <sup>(1)</sup>	\$5.03	17,000
July 12, 2012	stock options	\$6.19 <sup>(2)</sup>	21,000
July 17, 2012	stock options	\$6.16 <sup>(2)</sup>	3,000
July 19, 2012	stock options	\$6.01 <sup>(2)</sup>	3,000
July 23, 2012	stock options	\$6.15 <sup>(2)</sup>	18,000

**Notes:**

- (1) Represents Common Shares issued pursuant to the exercise of previously granted stock options.  
(2) Represents the exercise price per stock option.  
(3) See “Recent Developments – April 2012 Public Offering and April 2012 Private Placement”.

**PRICE RANGE AND TRADING VOLUME**

The Common Shares trade on the TSX under the symbol “BIR”. The following table sets forth the high and low trading prices (which are not necessarily the closing prices) and the aggregate volume of trading of the Common Shares on the TSX for the periods indicated (as quoted by the TSX).

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
<b>2012</b>			
July 1 – 27	\$7.00	\$5.65	5,652,345
June	\$6.80	\$5.12	9,042,296
May	\$7.34	\$5.90	10,771,608
April	\$7.35	\$5.73	15,374,308
March	\$11.35	\$6.57	16,877,768
February	\$14.10	\$11.00	14,800,344
January	\$14.09	\$11.91	11,122,703
<b>2011</b>			
December	\$14.27	\$12.95	4,957,861
November	\$15.49	\$13.20	5,934,803
October	\$15.58	\$10.94	13,616,562
September	\$13.70	\$10.14	6,210,625
August	\$14.50	\$11.26	4,741,497
July	\$14.18	\$12.85	3,394,779
June	\$13.85	\$12.23	6,030,885

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
May	\$13.74	\$12.24	5,037,565
April	\$13.17	\$11.52	5,331,749
March	\$12.42	\$10.69	8,514,727
February	\$12.23	\$11.04	4,965,563
January	\$11.52	\$9.24	8,652,214

On July 17, 2012, the last complete trading day prior to the public announcement of the Offering, the closing price of the Common Shares on the TSX was \$6.18. On July 27, 2012, the last complete trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSX was \$6.95.

### USE OF PROCEEDS

The net proceeds to the Corporation from the sale of the Preferred Units under this short form prospectus are estimated to be \$47,975,000 after deducting the Underwriters' Fee of \$1,500,000 and the estimated expenses of the Offering of \$525,000.

The net proceeds of the Offering are anticipated to be used by the Corporation to initially reduce indebtedness under the Revolving Facilities, which will be subsequently redrawn and applied as needed to fund the Corporation's ongoing exploration and development programs and for general working capital purposes. See "*Recent Developments – Increase to Credit Facilities*", "*Capitalization of the Corporation*", "*Plan of Distribution*" and "*Relationship Between the Corporation and Certain Underwriters*".

The Corporation's current indebtedness under the Revolving Facilities was incurred in the ordinary course of business and operations in connection with the Corporation's ongoing oil and gas exploration and development activities. The Corporation funded its capital expenditures for the past two financial years through the use of the Credit Facilities and cash generated by operations. For further details regarding the Corporation's expenditures in respect of its exploration and development activities, please see the Interim MD&A under the heading "*Capital Expenditures*", the AIF under the heading "*Description of the Business*" and Form 51-101F1 – *Statement of Reserves Data and Other Oil & Gas Information* dated March 14, 2012, incorporated by reference into the AIF.

The use of the net proceeds of the Offering by the Corporation is consistent with the Corporation's stated business objectives and strategic goals in respect of the Corporation's exploration for and development of its oil and natural gas properties. To accomplish its business objectives, the Corporation intends to continue exploration and development drilling together with possible acquisitions in the Corporation's core area of the Peace River Arch, including potential new tight/shale oil resource plays. Other than the completion of Phase III development of the PCS Gas Plant, there is no particular significant event or milestone that must occur for the Corporation's business objectives to be accomplished. While the Corporation believes that it has the skills and resources necessary to accomplish its stated business objectives, its business has a number of inherent risks. See "*Risk Factors*".

Due to the nature of the oil and natural gas industry, budgets are reviewed regularly in light of the success of expenditures and other opportunities which may become available to the Corporation. Potential investors are cautioned that notwithstanding the Corporation's current intentions regarding the use of the net proceeds of the Offering, there may be circumstances where a reallocation of funds may occur. While the Corporation anticipates that it will spend the funds available as set forth above, there may be circumstances where, for business reasons, a reallocation of the net proceeds may be necessary, depending on future operations or the Corporation's properties or unforeseen events. See "*Risk Factors*".

### PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the "**Underwriting Agreement**") dated effective July 17, 2012, between the Corporation and the Underwriters, the Corporation has agreed to issue and sell an aggregate of 2,000,000 Preferred Units to the Underwriters and the Underwriters have severally (and not jointly or jointly and severally) agreed to purchase such Preferred Units at a price of \$25.00 per Preferred Unit, payable in cash to the Corporation against delivery of such Preferred Units, subject to compliance with all necessary legal requirements and the terms and conditions of the Underwriting Agreement. The Underwriting Agreement provides that, in consideration for the

services of the Underwriters in connection with the Offering, the Corporation will pay the Underwriters the Underwriters' Fee of \$0.75 per Preferred Unit for an aggregate fee payable by the Corporation of \$1,500,000.

The terms of the Offering, including the offering price of the Preferred Units, were determined by negotiation between the Corporation and the Co-Lead Underwriters, on their own behalf and on behalf of the other Underwriters.

The obligations of the Underwriters under the Underwriting Agreement are several (and not joint or joint and several) and may be terminated at their discretion upon the occurrence of certain stated events. If one or more of the Underwriters fails to purchase its allotment of the Preferred Units that it has agreed to purchase, the remaining Underwriters may, but are not obligated to, purchase such Preferred Units, provided that, if the aggregate number of Preferred Units not purchased is less than or equal to 10% of the aggregate number of Preferred Units agreed to be purchased by the Underwriters, then each of the Underwriters is obligated to purchase severally the Preferred Units not taken up, on a *pro rata* basis or as they may otherwise agree between themselves. The Underwriters are, however, obligated to take up and pay for all Preferred Units if any are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the Corporation will indemnify the Underwriters and their directors, officers, agents, shareholders and employees against certain liabilities and expenses.

Subscriptions for minimum increments of 100 Preferred Units will be received by the Underwriters subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing of the Offering will occur on or about August 8, 2012, or such other date not later than 42 days after the date of the receipt for the (final) short form prospectus as the Corporation and Underwriters may agree.

Pursuant to policy statements of certain securities regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Series A Preferred Shares or Warrants. The policy statements allow certain exceptions to the foregoing prohibitions. The Underwriters may only avail themselves of such exceptions on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares, Series A Preferred Shares or Warrants. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces of the Investment Industry Regulatory Organization of Canada, relating to market stabilization or market balancing activities and a bid or purchase made on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Common Shares, Series A Preferred Shares and the Warrants at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Underwriters propose to offer the Preferred Units initially at the offering price specified on the cover page of this short form prospectus. After a reasonable effort has been made to sell all of the Preferred Units at the offering price specified herein, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Preferred Units remaining unsold. In the event the offering price of the Preferred Units is reduced, the compensation received by the Underwriters will be decreased by the amount of the aggregate price paid by the purchasers for the Preferred Units that is less than the gross proceeds paid by the Underwriters to the Corporation for the Preferred Units. Any such reduction will not affect the proceeds received by the Corporation or the fees payable by the Corporation to the Underwriters in connection with the Offering.

The TSX has conditionally approved the listing of the Series A Preferred Shares, the Series B Preferred Shares, the Warrants and the Common Shares issuable upon the exercise of the Warrants. Listing is subject to the Corporation fulfilling all of the listing requirements of the TSX on or before October 19, 2012.

The Corporation has agreed that, from the date of the Underwriting Agreement until 90 days following the Closing Date, it shall not offer, or announce the offering of, or make or announce any agreement to issue, sell, or exchange Common Shares, Preferred Shares or securities convertible or exchangeable into Common Shares or Preferred Shares without the prior consent of the Co-Lead Underwriters, for and on behalf of the Underwriters, which consent shall not be unreasonably withheld, provided that notwithstanding the foregoing, the Corporation may issue Common Shares or Preferred Shares to: (i) satisfy any obligations to issue securities arising from the Offering; (ii) satisfy existing obligations to the holders of stock options and performance warrants to acquire Common Shares

existing at the date of the Underwriting Agreement as well as grant stock options and issue Common Shares pursuant to the exercise of stock options issued after the date of the Underwriting Agreement to officers, directors, employees and consultants of the Corporation pursuant to board approved option incentive programs, or (iii) satisfy existing instruments and agreements already issued and executed as of the date of the Underwriting Agreement, in each case, without the consent of the Co-Lead Underwriters, for and on behalf of the Underwriters.

### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Borden Ladner Gervais LLP, counsel for the Corporation, and Burnet, Duckworth & Palmer LLP, counsel to the Underwriters, the following summary, as of the date hereof, describes the principal Canadian federal income tax considerations generally applicable under the Tax Act, to a purchaser of Preferred Units pursuant to this Prospectus (a “**Holder**”) who, within the meaning of the Tax Act and at all relevant times, is (or is deemed to be) resident in Canada, deals at arm’s length with the Corporation and is not affiliated with the Corporation or the Underwriters, holds the Series A Preferred Shares and the Warrants, and will hold the Series B Preferred Shares issuable upon conversion of the Series A Preferred Shares and the Common Shares issuable on exercise of the Warrants, as applicable, as capital property and is not exempt from tax under Part I of the Tax Act. This summary assumes that at all times the Common Shares are listed on the TSX or another designated stock exchange in Canada (as defined in the Tax Act).

Generally, the Series A Preferred Shares, the Series B Preferred Shares, the Warrants and the Common Shares will be capital property to a Holder provided that the Holder does not use or hold such securities in the course of carrying on a business of trading or dealing in securities and does not acquire them in one or more transactions considered to be an adventure or concern in the nature of a trade. Certain Holders who might not otherwise be considered to hold the Series A Preferred Shares, the Series B Preferred Shares or the Common Shares as capital property may, in certain circumstances, be entitled to have them and every other “Canadian security” (as defined in the Tax Act), owned by them in the taxation year of the election and in all subsequent years treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This election does not apply to the Warrants. Holders who will not hold any Common Shares, Series A Preferred Shares or Series B Preferred Shares, as capital property should consult with their own tax advisors with respect to their own particular circumstances.

This summary is not applicable to a Holder (i) that is a “financial institution”, as defined in the Tax Act, for the purposes of the “mark-to-market rules”; (ii) an interest in which would be a “tax shelter investment” as defined in the Tax Act; (iii) that is a “specified financial institution” as defined in the Tax Act, that receives or deemed to receive, alone or together with persons with whom it does not deal at arm’s length, in the aggregate, dividends in respect of more than 10% of the Series A Preferred Shares or Series B Preferred Shares, as the case may be, outstanding at the time the dividend is received; or (iv) which has made a “functional currency” election under the Tax Act to determine its Canadian tax results in a currency other than Canadian currency.

This summary is based upon the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the “**Proposals**”), existing case law and counsel’s understanding of the current administrative practices and assessing policies published in writing by the Canada Revenue Agency (the “**CRA**”) prior to the date hereof. This summary assumes the Proposals will be enacted in the form proposed. However no assurance can be given that the Proposals will be enacted as proposed or at all. This summary does not anticipate or otherwise take into account any changes in law or in administrative practices or assessing policies, whether by legislative, administrative or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations, which may be different from those discussed herein.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. No representations are made with respect to the income tax consequences to any particular Holder. The summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, prospective Holders are urged to consult their own tax advisors with respect to their particular circumstances for advice with respect to the tax consequences to them of acquiring, holding and disposing of the securities discussed herein.**

## **Acquisition of Preferred Unit**

The total purchase price of a Preferred Unit to a holder must be allocated on a reasonable basis between the Series A Preferred Share and the Warrant to determine the cost of each for the purposes of the Tax Act. For its purposes, the Corporation intends to allocate \$25.00 of the issue price of each Preferred Unit as the consideration for the issue of each Series A Preferred Share and nil as the consideration for the issue of each Warrant. Although the Corporation believes that its allocation is reasonable, it is not binding on the CRA or the holder.

## **Dividends**

Dividends (including deemed dividends) received (or deemed to be received) on the Series A Preferred Shares, the Series B Preferred Shares or the Common Shares (collectively, the “**Corporation Shares**”) by an individual (other than certain trusts) will be included in the individual’s income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received by individuals from taxable Canadian corporations including the enhanced dividend tax credit rules applicable to any dividends designated by the Corporation as “eligible dividends” in accordance with the Tax Act. Such designation will occur if the Holder receives written notice (which may include a notice published on the Corporation’s website), from the Corporation designating the dividend as an eligible dividend.

Dividends received by a Holder who is an individual (other than certain trusts) may give rise to a liability for alternative minimum tax.

Dividends (including deemed dividends) on the Corporation Shares received by a Holder which is corporation will be included in computing income and will generally be deductible in computing the taxable income of the corporation. A “private corporation”, as defined in the Tax Act, or any other corporation controlled (whether by reason of a beneficial interest in one or more trusts or otherwise), by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33<sup>1</sup>/<sub>3</sub>% refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Corporation Shares to the extent such dividends are deductible in computing its taxable income.

The Series A Preferred Shares and the Series B Preferred Shares will be “taxable preferred shares” as defined in the Tax Act. The terms of the Series A Preferred Shares and the Series B Preferred Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that corporate shareholders will not be subject to tax under Part IV. I of the Tax Act on dividends paid (or deemed to be paid) by the Corporation on the Series A Preferred Shares and the Series B Preferred Shares. See “*Capital Gains and Capital Losses*” below.

## **Redemptions**

If the Corporation redeems, cancels or otherwise acquires Series A Preferred Shares or Series B Preferred Shares (other than by a purchase in the manner in which shares are normally purchased by a member of the public in the open market), the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Corporation, in excess of the paid-up capital of such shares at such time as computed for purposes of the Tax Act. See “*Dividends*” above. Generally, any excess of the amount paid over the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. See “*Dispositions*” below. In the case of a corporate Holder, it is possible that in certain circumstances all or part of the amount so deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

## **Dispositions**

A Holder who disposes of or is deemed to dispose of the Corporation Shares (including on redemption, acquisition or cancellation by the Corporation but not including a conversion) will generally realize a capital gain (or a capital loss) to the extent that the Holder’s proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the holder thereof. See “*Capital Gains and Capital Losses*” below. The amount of any deemed dividend (as discussed above) arising on the redemption, acquisition or cancellation by the Corporation of the Series A Preferred Shares or Series B Preferred Shares, as the case may be, will generally not be included in computing the proceeds of disposition of a Holder for purposes of computing the

capital gain (or capital loss) arising on the disposition of such shares. See “*Redemptions*” above. If the shareholder is a corporation, any capital loss may, in certain circumstances, be reduced by the amount of any dividends, including deemed dividends, which have been received or deemed to have been received on such shares or any share which was converted into such share to the extent and under circumstances described in the Tax Act. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. For the tax treatment of capital gains and capital losses, see “*Capital Gains and Capital Losses*” below.

### **Conversion**

The conversion of Series A Preferred Shares into Series B Preferred Shares and of Series B Preferred Shares into Series A Preferred Shares will not constitute a disposition of property for purposes of the Tax Act and accordingly will not give rise to any capital gain or capital loss. The cost to a Holder of the Series B Preferred Shares or Series A Preferred Shares, as the case may be, received on the conversion will be deemed to be equal to the Holder’s adjusted cost base of the converted Series A Preferred Shares or Series B Preferred Shares, as the case may be, immediately before the conversion. The adjusted cost base of all Series A Preferred Shares or Series B Preferred Shares held by the Holder will be determined in accordance with the cost averaging rules in the Tax Act.

### **Exercise of Warrants**

No gain or loss will be realized by a Holder upon the exercise of a Warrant to acquire a Common Share. When a Warrant is exercised, the holder’s cost of the Common Share acquired thereby will be the aggregate of the Holder’s adjusted cost base of such Warrant and the exercise price paid for the Common Share. The Holder’s adjusted cost base of the Common Share so acquired will be determined by averaging such cost with the adjusted cost base to the holder of all Common Shares owned by the Holder immediately prior to such acquisition.

### **Disposition and Expiry of Warrants**

A disposition or deemed disposition by a Holder of a Warrant (other than upon the exercise or expiry thereof) will generally give rise to a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or less) than such Holder’s adjusted cost base of the Warrants. In the event of the expiry of an unexercised Warrant, the Holder will realize a capital loss equal to the holder’s adjusted cost base of such Warrant. For the tax treatment of capital gains and capital losses, see “*Capital Gains and Capital Losses*” below.

### **Capital Gains and Capital Losses**

Generally, one-half of any capital gain will be included in computing the Holder’s income in the year of disposition as a taxable capital gain and one-half of any capital loss (an “**allowable capital loss**”) must be deducted from the Holder’s taxable capital gains in the year of disposition in accordance with the rules contained in the Tax Act. Allowable capital losses in excess of taxable capital gains for a taxation year generally may be carried back up to three taxation years or carried forward indefinitely and deducted against net taxable capital gains in those other taxation years. Capital gains realized by an individual may give rise to a liability for alternative minimum tax. Taxable capital gains of a “Canadian-controlled private corporation” (as defined in the Tax Act) may be subject to an additional refundable tax at a rate of 62/3%.

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Borden Ladner Gervais LLP, counsel to the Corporation, and Burnet, Duckworth & Palmer LLP, counsel to the Underwriters, based on the current provisions of the Tax Act and Regulations, and the Proposed Amendments, the Series A Preferred Shares, the Series B Preferred Shares, the Warrants and the Common Shares issuable upon the exercise of the Warrants (collectively, the “**Securities**”), if issued on the date hereof, generally would be “qualified investments” under the Tax Act for a trust governed by a registered retirement savings plan (“**RRSP**”), registered retirement income fund (“**RRIF**”), registered disability savings plan, deferred profit sharing plan, registered education savings plan and a tax-free savings account (“**TFSA**”) (collectively, “**Deferred Plans**”), provided that the Common Shares are listed on a designated stock exchange (which currently includes the TSX) at such time.

Notwithstanding the foregoing, the annuitant of an RRSP or RRIF or the holder of a TFSA (collectively, “**Registered Holders**”), as the case may be, will be subject to a penalty tax if the Securities held in an RRSP, RRIF or TFSA are a “prohibited investment” for the purpose of the Tax Act. The Securities will generally be a “prohibited investment” if a Registered Holder has a “significant interest” (as defined in the Tax Act) in the Corporation or a corporation, partnership or trust with whom the Corporation does not deal at arm’s length for the purposes of the Tax Act.

**Prospective purchasers who intend to hold the Securities in a Deferred Plan should consult their own tax advisors regarding their particular circumstances and the requirements and rules regarding holding and transferring securities therein.**

#### **RELATIONSHIP BETWEEN THE CORPORATION AND CERTAIN UNDERWRITERS**

Each of NBFI and HSBC is a direct or indirect wholly-owned subsidiary of a Canadian chartered bank which is a lender to the Corporation pursuant to the Credit Facilities (collectively, the “**Lenders**”). Accordingly, the Corporation may be considered to be a “connected issuer” of each of NBFI and HSBC within the meaning of applicable Canadian securities legislation. For a description of the Credit Facilities, please see “*Recent Developments – Increase to Credit Facilities*”.

The Corporation is in compliance with all material terms of the agreements governing the Credit Facilities and the Lenders have not waived any material breach of such agreements since their execution. Neither the financial position of the Corporation nor the value of the security under the Credit Facilities has changed materially since the indebtedness under the Credit Facilities was incurred. The Corporation will use the net proceeds of the Offering to initially reduce indebtedness under the Revolving Facilities, including its indebtedness to the Lenders. See “*Use of Proceeds*”.

The decision to distribute the Preferred Units offered under this short form prospectus and the determination of the terms of the Offering were made through negotiations between the Corporation and the Co-Lead Underwriters, on their own behalf and on behalf of the other Underwriters. The Lenders did not have any involvement in such decision or determination but they have been advised of the Offering and its terms. On completion of the Offering, each of NBFI and HSBC will receive its share of the Underwriters’ Fee. In addition, the Lenders will receive their proportionate share of the net proceeds of the Offering from the Corporation in connection with the reduction under the Revolving Facilities.

#### **RISK FACTORS**

An investment in the Preferred Units involves a high degree of risk, should be considered speculative and is only suitable for those investors who are willing to risk a loss of their entire investment. Investors should carefully consider the risks described under the heading “*Risk Factors*” in the AIF and under the heading “*Risk Factors & Risk Management*” in the Annual MD&A, each of which is incorporated by reference in this short form prospectus, as well as the risk factors set forth below in this short form prospectus prior to making an investment decision and consult their own experts where necessary.

#### **Market for Securities**

There is currently no market through which the Series A Preferred Shares or the Warrants may be sold and purchasers of Preferred Units may not be able to resell the Series A Preferred Shares or the Warrants comprising the Preferred Units purchased under this short form prospectus. The price offered to the public for the Preferred Units and the number of Preferred Units to be issued have been determined by negotiations between Birchcliff and the Underwriters. The price paid for each Preferred Unit may bear no relationship to the price at which the Series A Preferred Shares or Warrants will trade in the public market subsequent to the Offering. Birchcliff cannot predict at what price the Series A Preferred Shares and the Warrants will trade and there can be no assurance that an active trading market will develop for the Series A Preferred Shares or the Warrants or, if developed, that such market will be sustained. The TSX has conditionally approved the listing of the Series A Preferred Shares, the Series B Preferred Shares, the Warrants and the Common Shares issuable upon the exercise of the Warrants. Listing is subject to the Corporation fulfilling all of the listing requirements of the TSX on or before October 19, 2012. There can be no assurance that such securities will be accepted for listing on the TSX.

## **Market Price**

The market price of the Series A Preferred Shares, the Series B Preferred Shares and the Warrants may fluctuate due to a variety of factors relative to Birchcliff's business, including announcements of new developments, fluctuations in Birchcliff's operating results, sales of the Series A Preferred Shares, the Series B Preferred Shares and the Warrants in the marketplace, failure to meet analysts' expectations, any public announcements made in regard to the Offering, the impact of various tax laws or rates and general market conditions or the worldwide economy. In recent years, stock markets have experienced significant price fluctuations, which have been unrelated to the operating performance of the affected companies. There can be no assurance that the market price of the Series A Preferred Shares, the Series B Preferred Shares and the Warrants will not experience significant fluctuations in the future, including fluctuations that are unrelated to the Birchcliff's performance.

Prevailing yields on similar securities will affect the market value of the Series A Preferred Shares and the Series B Preferred Shares. Assuming all other factors remain unchanged, the market value of the Series A Preferred Shares and the Series B Preferred Shares would be expected to decline as prevailing yields for similar securities rise and would be expected to increase as prevailing yields for similar securities decline. Spreads over the Government of Canada Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities will also affect the market value of the Series A Preferred Shares and the Series B Preferred Shares in an analogous manner.

## **Credit Risk**

The likelihood that purchasers of the Preferred Units will receive payments owing to them under the terms of the Series A Preferred Shares or the Series B Preferred Shares will depend on the financial health of the Corporation and its creditworthiness. Accordingly, there is no assurance that the Corporation will have sufficient capital to make the dividend payments owing to the holders of Series A Preferred Shares or Series B Preferred Shares, as the case may be. The Series A Preferred Shares, the Series B Preferred Shares, the Warrants and the Common Shares are not rated by any credit rating agency.

## **Insolvency or Winding Up**

The Series A Preferred Shares and the Series B Preferred Shares are equity capital of Birchcliff which rank equally with other Preferred Shares, not ranking junior to the Series A Preferred Shares and the Series B Preferred Shares, if any, in the event of an insolvency of Birchcliff. If Birchcliff becomes insolvent, Birchcliff's assets must be used to pay liabilities and other debt before payments may be made on the Series A Preferred Shares, the Series B Preferred Shares and other Preferred Shares, if any.

## **Automatic Conversion**

An investment in the Series A Preferred Shares, or in the Series B Preferred Shares, as the case may be, may become an investment in the Series B Preferred Shares, or in the Series A Preferred Shares, without the consent of the holder in the event of an automatic conversion in the circumstances described under "*Details of the Offering – The Preferred Shares – Certain Provisions of the Series A Preferred Shares – Conversion of Series A Preferred Shares into Series B Preferred Shares*" and "*Details of the Offering – The Preferred Shares – Certain Provisions of the Series B Preferred Shares – Conversion of Series B Preferred Shares into Series A Preferred Shares*". Upon automatic conversion of the Series A Preferred Shares into Series B Preferred Shares, the dividend rate on the Series B Preferred Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time while, upon the automatic conversion of the Series B Preferred Shares into Series A Preferred Shares, the dividend rate on the Series A Preferred Shares will be, for each five-year period, a fixed rate that is determined by reference to the Government of Canada Yield on the 30<sup>th</sup> day prior to the first day of each such five-year period. In addition, holders may be prevented from converting their Series A Preferred Shares into Series B Preferred Shares in certain circumstances. See "*Details of the Offering – The Preferred Shares – Certain Provisions of the Series A Preferred Shares – Conversion of Series A Preferred Shares into Series B Preferred Shares*" and "*Details of the Offering – Certain Provisions of the Series B Preferred Shares – Conversion of Series B Preferred Shares into Series A Preferred Shares*".



## **No Fixed Maturity**

Neither the Series A Preferred Shares nor the Series B Preferred Shares have a fixed maturity date and are not redeemable at the option of the holders of the Series A Preferred Shares or the Series B Preferred Shares, as applicable. The ability of a holder to liquidate its holdings of the Series A Preferred Shares and the Series B Preferred Shares, as applicable, may be limited.

## **Redeemable**

Birchcliff may choose to redeem the Series A Preferred Shares and the Series B Preferred Shares from time to time, in accordance with its rights described under “*Details of the Offering – The Preferred Shares – Certain Provisions of the Series A Preferred Shares – Redemption of Series A Preferred Shares*” and “*Details of the Offering – The Preferred Shares – Certain Provisions of the Series B Preferred Shares – Redemption of the Series B Preferred Shares*”, including when prevailing interest rates are lower than the yield borne by the Series A Preferred Shares and the Series B Preferred Shares. If prevailing rates are lower at the time of redemption, a purchaser would not be able to reinvest the redemption proceeds in a comparable security at an effective yield as high as the yield on the Series A Preferred Shares or the Series B Preferred Shares being redeemed. Birchcliff’s redemption right also may adversely impact a purchaser’s ability to sell Series A Preferred Shares and Series B Preferred Shares. In addition, under the terms of the Credit Facilities, the Corporation is required to obtain the consent of the lenders to any redemption of Preferred Shares, including the Series A Preferred Shares or Series B Preferred Shares. See “*Recent Developments – Increase to Credit Facilities*”.

## **Dividends**

Dividends on the Series A Preferred Shares and the Series B Preferred Shares are payable at the discretion of the Board of Directors. The Corporation may not declare or pay a dividend if there are reasonable grounds for believing that: (i) the Corporation is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realizable value of the Corporation’s assets would thereby be less than the aggregate of its liabilities and state capital of its outstanding shares. Additionally, the Corporation may only declare and pay cash dividends on the Series A Preferred Shares and Series B Preferred Shares if no default or event of default shall have occurred or shall occur under the Credit Facilities as a result of declaring or paying such dividends. See “*Recent Developments – Increase to Credit Facilities*”.

The dividend rate in respect of the Series A Preferred Shares will reset on September 30, 2017 and every five years thereafter. The dividend rate in respect of the Series B Preferred Shares will reset quarterly. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding dividend period.

Investments in the Series B Preferred Shares, given their floating interest component, entail risks not associated with investments in the Series A Preferred Shares. The resetting of the applicable rate on a Series B Preferred Share may result in a lower yield compared to fixed rate Series A Preferred Shares. The applicable rate on a Series B Preferred Share will fluctuate in accordance with fluctuations in the T-Bill Rate on which the applicable rate is based, which in turn may fluctuate and be affected by a number of interrelated factors, including economic, financial and political events over which Birchcliff has no control. See “*Details of the Offering – The Preferred Shares – Certain Provisions of the Series B Preferred Shares – Dividends on Series B Preferred Shares*”.

## **Use of Proceeds**

The Corporation currently intends to allocate the net proceeds received from the Offering as described under “*Use of Proceeds*” in this short form prospectus. However, management will have discretion in the actual application of the net proceeds, and may elect to allocate proceeds differently from that described in “*Use of Proceeds*” if it is believed it would be in the best interests of the Corporation to do so as circumstances change. The failure by management to apply these funds effectively could have a material adverse effect on the business of the Corporation.

## **Commodity Price Risk**

The Corporation's liquidity and cash flow is largely impacted by petroleum and natural gas commodity prices. The Corporation has not hedged any of its oil and natural gas production at the date hereof and although it does monitor the hedge market, its strategy is to continue to sell its oil and natural gas production at the spot market rate. If there is a significant deterioration in the price it receives for oil and natural gas, the Corporation will consider reducing its capital spending or access alternate sources of capital.

## **Access to Credit Markets**

Due to the nature of the Corporation's business it is necessary from time to time for the Corporation to access other sources of capital beyond its internally generated cash flow in order to fund the development and acquisition of its long term asset base. As part of this strategy, the Corporation obtains some of the necessary capital by incurring debt and therefore the Corporation is dependent to a certain extent on continued availability of the credit markets. The continued availability of the credit markets for Birchcliff is primarily dependent on the state of the economy and the health of the banking industry in North America and abroad. There is risk that if the global economy and banking industry experience unexpected and/or prolonged deterioration, then Birchcliff's access to credit markets may contract or disappear altogether. The Corporation tries to mitigate this risk by dealing with reputable lenders and tries to structure its lending agreements to give it the most flexibility possible should these situations arise. However, the situations that may give rise to credit markets tightening or disappearing are beyond Birchcliff's control.

Birchcliff is also dependent to a certain extent on continued access to equity capital markets. The Corporation is listed on the TSX and maintains an active investor relations program. Continued access to capital is dependent on Birchcliff's ability to continue to perform at a level that meets market expectations.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of the Corporation are KPMG LLP, Chartered Accountants, of Calgary, Alberta. The transfer agent and registrar in Canada for the Series A Preferred Shares and the Series B Preferred Shares and the Warrant Agent for the Warrants under the Warrant Indenture is Olympia at its principal offices in Calgary, Alberta and Toronto, Ontario.

## **INTERESTS OF EXPERTS**

Certain legal matters in connection with the issuance of the Preferred Units offered under this short form prospectus will be passed upon on behalf of the Corporation by Borden Ladner Gervais LLP and on behalf of the Underwriters by Burnet, Duckworth & Palmer LLP. As of the date hereof, the partners and associates of Borden Ladner Gervais LLP, as a group, beneficially own, directly and indirectly, less than 1% of the securities of the Corporation. As of the date hereof, the partners and associates of Burnet, Duckworth & Palmer LLP, as a group, beneficially own, directly and indirectly, less than 1% of the securities of the Corporation.

Reserve estimates incorporated by reference in the AIF and this short form prospectus are based upon a report prepared by Deloitte & Touche LLP ("**AJM Deloitte**"), the Corporation's independent reserves evaluator. None of the designated professionals of AJM Deloitte have any registered or beneficial interests, direct or indirect, in any securities or other property of the Corporation.

KPMG LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

## **PURCHASERS' STATUTORY RIGHTS**

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

## AUDITORS' CONSENT

### Consent of KPMG LLP

We have read the short form prospectus dated July 30, 2012 relating to the qualification for distribution and sale of preferred units of Birchcliff Energy Ltd. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of Birchcliff Energy Ltd. on the financial statements of Birchcliff Energy Ltd., which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the statements of net income and comprehensive income, changes in shareholders' equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information. Our report is dated March 14, 2012.

(Signed) "KPMG LLP"  
Chartered Accountants  
July 30, 2012  
Calgary, Canada

**CERTIFICATE OF THE CORPORATION**

Dated: July 30, 2012

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada, other than Québec.

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

(Signed) "*Bruno P. Geremia*"  
Vice President and Chief Financial Officer

**On Behalf of the Board of Directors**

(Signed) "*Larry A. Shaw*"  
Director

(Signed) "*Werner A. Siemens*"  
Director

**CERTIFICATE OF THE UNDERWRITERS**

Dated: July 30, 2012

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada, other than Québec.

**GMP SECURITIES L.P.**

By: (signed) "*Kevin Sullivan*"

**CORMARK SECURITIES INC.**

By: (signed) "*Ryan A. Shay*"

**NATIONAL BANK FINANCIAL  
INC.**

By: (signed) "*Craig Langpap*"

**HSBC SECURITIES (CANADA) INC.**

By: (signed) "*Greg Gannett*"

**MACQUARIE CAPITAL  
MARKETS CANADA LTD.**

By: (signed) "*Dan J. Cristall*"

**PETERS & CO. LIMITED**

By: (signed) "*Shane R. Hutzal*"

**RAYMOND JAMES LTD.**

By: (signed) "*Gregg Delcourt*"