

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered by this short form prospectus have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws. Accordingly, the securities may not be offered or sold within the United States (as such term is defined under Regulation S promulgated under the U.S. Securities Act) except in compliance with the registration requirements of the U.S. Securities Act and applicable state securities requirements or pursuant to exemptions therefrom. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities within the United States. See "Plan of Distribution".

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 – 4th Avenue S.W., Calgary, Alberta T2P 0J9, telephone (403) 261-6401, and are also available electronically at www.sedar.com.

SHORT FORM PROSPECTUS

New Issue

June 7, 2013



\$50,000,000 **2,000,000 Cumulative Redeemable Preferred Shares, Series C**

Price: \$25.00 per Preferred Share, Series C initially to yield 7% per annum
Minimum Subscription: \$2,500 (100 Preferred Shares, Series C)

This short form prospectus qualifies the distribution (the "Offering") of 2,000,000 cumulative redeemable preferred shares, Series C ("Preferred Shares, Series C") of Birchcliff Energy Ltd. ("Birchcliff" or the "Corporation") at a price of \$25.00 per Preferred Share, Series C. The holders of Preferred Shares, Series C 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 at an annual rate of \$1.75 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 June 14, 2013, the first dividend, if declared, will be paid on September 30, 2013 in the amount of \$0.5190 per share. See "Details of the Offering" and "Plan of Distribution".

The Preferred Shares, Series C will not be redeemable by the Corporation prior to June 30, 2018. On and after June 30, 2018, the Corporation 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 Preferred Shares, Series C at \$25.75 per share if redeemed before June 30, 2019, at \$25.50 per share if redeemed on or after June 30, 2019 but before June 30, 2020 and at \$25.00 per share if redeemed on or after June 30, 2020 (each, a "Redemption Price"), in each case together with all accrued and unpaid dividends (less any tax required to be deducted or withheld by Birchcliff) to but excluding the date fixed for redemption. See "Details of the Offering".

The Preferred Shares, Series C will not be redeemable by the holders thereof prior to June 30, 2020. On and after June 30, 2020, a holder of Preferred Shares, Series C may, at its option, upon not less than 30 days prior written notice to the Corporation (the "Notice of Redemption"), redeem for cash, all or any number of Preferred Shares, Series C held by such holder on the last day of March, June, September and December of each year at \$25.00 per share (being the then applicable Redemption Price), together with all accrued and unpaid dividends (less any tax required to be deducted or withheld by Birchcliff) to but excluding the date fixed for redemption. Upon receipt of the Notice of Redemption, the Corporation may, at its option (subject, if required, to stock exchange approval), upon not less than 20 days prior written notice, elect to convert such Preferred Shares, Series C into common shares

(“**Common Shares**”) of the Corporation. The number of Common Shares into which each Preferred Share, Series C may be so converted will be determined by dividing the amount of \$25.00 (being the then applicable Redemption Price) together with all accrued and unpaid dividends to but excluding the date fixed for conversion, by the greater of \$2.00 and 95% of the weighted average trading price of the Common Shares on the Toronto Stock Exchange (the “**TSX**”) (or, if the Common Shares do not trade on the TSX on the date specified for conversion, on the exchange or trading system with the highest volume of Common Shares traded during the 20 trading day period referred to below) for a period of 20 consecutive trading days ending on the fourth day prior to the date specified for conversion, or, if that fourth day is not a trading day, on the immediately preceding trading day (the “**Current Market Price**”). See “*Details of the Offering*”.

On and after June 30, 2018, the Corporation may, at its option (subject, if required, to stock exchange approval), upon not less than 30 and not more than 60 days prior written notice, convert all or any number of the outstanding Preferred Shares, Series C into Common Shares. The number of Common Shares into which each Preferred Share, Series C may be so converted will be determined by dividing the then applicable Redemption Price, together with all accrued and unpaid dividends to but excluding the date fixed for conversion, by the greater of \$2.00 and 95% of the Current Market Price. See “*Details of the Offering*”.

	<u>Price to the Public</u>	<u>Underwriters’ Fee⁽¹⁾</u>	<u>Net Proceeds to the Corporation⁽²⁾</u>
Per Preferred Share, Series C	\$25.00	\$1.00	\$24.00
Total ⁽³⁾	\$50,000,000	\$2,000,000	\$48,000,000

Notes:

- (1) The Underwriters’ fee (the “**Underwriters’ Fee**”) for the Preferred Shares, Series C is \$0.25 for each share sold to certain institutions (“**Identified Institutions**”) (as agreed by the Corporation and the Underwriters (as defined herein)) and \$1.00 per share for all other Preferred Shares, Series C purchased by the Underwriters. The Underwriters’ Fee indicated in the table above assumes that no Preferred Shares, Series C are sold to Identified Institutions. See “*Plan of Distribution*”.
- (2) Before deducting the expenses of the Offering, estimated to be \$370,000.
- (3) Participation in the Offering is subject to a minimum subscription in the amount of \$2,500 (100 Preferred Shares, Series C) per subscriber.

National Bank Financial Inc. (“**NBF**”), Cormark Securities Inc. and GMP Securities L.P. (collectively, the “**Co-Lead Underwriters**”), on their own behalf and on behalf of CIBC World Markets Inc. (“**CIBC**”), RBC Dominion Securities Inc., Scotia Capital Inc. (“**Scotia**”), HSBC Securities (Canada) Inc. (“**HSBC**”), Macquarie Capital Markets Canada Ltd., Peters & Co. Limited, Stifel Nicolaus Canada Inc. and Integral Wealth Securities Limited (collectively, the “**Underwriters**”), as principals, conditionally offer the Preferred Shares, Series C, 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 Shares, Series C, were determined by negotiation between the Corporation and the Co-Lead Underwriters, on their own behalf and on behalf of the other Underwriters. See “*Plan of Distribution*”.

Subscriptions for minimum increments of 100 Preferred Shares, Series C 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 June 14, 2013, or such other date as the Corporation and the Underwriters may agree, but in any event, not later than 42 days after the date of the receipt for the (final) short form prospectus (the “**Closing Date**”). See “*Plan of Distribution*”.

Book-entry only certificates representing the Preferred Shares, Series C 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 Shares, Series C will receive only a customer confirmation from a registered dealer which is a CDS participant and from or through which the Preferred Shares, Series C are purchased. See “*Depository Services*”.

The issued and outstanding Common Shares and the issued and outstanding cumulative redeemable 5-year rate reset preferred shares, Series A (“**Preferred Shares, Series A**”) of the Corporation are each listed on the TSX under the

symbols “BIR” and “BIR.PR.A”, respectively. On May 27, 2013, the last complete trading day prior to the public announcement of the Offering, the closing price of the Common Shares and Preferred Shares, Series A on the TSX was \$8.56 and \$26.56, respectively. On June 6, 2013, the last complete trading day prior to the date of this short form prospectus, the closing price of the Common Shares and Preferred Shares, Series A on the TSX was \$8.74 and \$26.00, respectively. The TSX has conditionally approved the listing of the Preferred Shares, Series C. Listing is subject to the Corporation fulfilling all of the listing requirements of the TSX on or before August 26, 2013. See “*Price Range and Trading Volume*” and “*Plan of Distribution*”.

Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Preferred Shares, Series A, Preferred Shares, Series C and Common Shares 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 Shares, Series C initially at the offering price specified above. After a reasonable effort has been made to sell all of the Preferred Shares, Series C 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 Shares, Series C 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 NBF, CIBC, Scotia 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 NBF, CIBC, Scotia 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 Preferred Shares, Series C may be sold and purchasers may not be able to resell the Preferred Shares, Series C purchased under this short form prospectus. This may affect the pricing of the Preferred Shares, Series C in the secondary market, the transparency and availability of trading prices, the liquidity of the Preferred Shares, Series C 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 Shares, Series C. The Preferred Shares, Series C and the Common Shares are not rated by any credit rating agency. The Preferred Shares, Series C do not have a fixed maturity date and are not redeemable at the option of the holders thereof until June 30, 2020. See “*Forward-Looking Statements*” and “*Risk Factors*” in this short form prospectus, “*Advisories – Forward-Looking Information*” and “*Risk Factors*” in the AIF (as defined herein) and “*Advisories – Forward-Looking Information*” and “*Risk Factors and Risk Management*” in the Annual MD&A (as defined herein).

In the opinion of counsel, subject to the provisions of any particular plan, the Preferred Shares, Series C, 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 Shares, Series C 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 Shares, Series C 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 – 4th 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;
- the Corporation’s capital expenditure programs and sources of funding;
- plans for, and results of, exploration, development and production activities;
- expected operating, facilities, general administrative, services and environmental compliance costs and expenses;
- the Corporation’s expectations with respect to reducing its operating costs;
- 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 IV expansion of the PCS Gas Plant (as defined herein) and the increased production expected as a result in 2014;
- productive capacity of wells, anticipated or expected production rates and anticipated dates of commencement of production;
- results of various projects of the Corporation;
- the Corporation’s growth strategy and opportunities;
- the performance and characteristics of the Corporation’s oil and natural gas properties;
- oil, natural gas and natural gas liquids production levels;
- the estimated quantity and development of the Corporation’s oil and gas reserves;
- timing of development of undeveloped reserves;
- future net cash flows and discounted cash flow;
- estimated abandonment and reclamation costs;
- the tax horizon of the Corporation;
- access to adequate pipeline capacity;
- access to third-party infrastructure;
- supply and demand for oil and natural gas and commodity prices;
- weighting of production between different commodities;
- expectations regarding the Corporation’s ability to raise capital and to continually add to reserves through acquisitions, exploration and development;
- the impact of Canadian federal and provincial governmental regulation on the Corporation relative to other oil and gas issuers of similar size;
- royalty rates and incentives;
- treatment under 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 timing of the closing of the Offering;
- the satisfaction of the conditions to closing of the Offering, including the receipt, in a timely manner, of regulatory and other required approvals;
- the use of the net proceeds of the Offering;
- future capital expenditures of the Corporation;
- the Corporation's ability to market production of oil and natural gas successfully to customers;
- the recoverability of the Corporation's reserves;
- oil and natural gas production levels;
- future commodity prices and future currency exchange, interest and inflation 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;
- the Corporation's future debt levels;
- availability of labour and drilling equipment;
- the impact of competition of the Corporation;
- general economic and financial market conditions;
- government regulation in the areas of taxation, royalty rates and environmental protection; and
- geological and engineering estimates in respect of the Corporation's reserves.

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 and 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.

NON-GAAP MEASURES

This short form prospectus and certain of the documents incorporated by reference herein, contain references to the terms “funds flow” and “funds flow from operations”. These terms do not have any standardized meaning as prescribed by Canadian generally accepted accounting principles (“GAAP”), therefore, they may not be comparable with the calculation of similar measures presented by other issuers and should not be construed as an alternative to measures of financial performance calculated in accordance with GAAP.

These terms have the meanings as set out in the Interim MD&A which is incorporated by reference herein. The specific rationale for, and incremental information associated with each non-GAAP measure is also discussed therein.

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 – 4th 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.

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 13, 2013 for the financial year ended December 31, 2012 (the “**AIF**”);
- (b) the audited financial statements of the Corporation as at December 31, 2012 and 2011 and for the years ended December 31, 2012 and 2011, 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, 2012 (the “**Annual MD&A**”);
- (d) the unaudited interim condensed financial statements of the Corporation as at March 31, 2013 and for the three months ended March 31, 2013 and 2012, 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, 2013 (the “**Interim MD&A**”);
- (f) the Corporation’s management information circular dated March 13, 2013 with respect to the annual meeting of the shareholders of the Corporation held on May 16, 2013;
- (g) the press release of the Corporation dated May 15, 2013 announcing the Corporation’s 2013 first quarter results, increased production guidance, 2013 capital budget increase and an operational update;
- (h) the sections “*Reserves and Resources – The Upside*” (pages 27 to 33 inclusive), “*Glossary*” (page 96 excluding page 97) and “*Advisories*” (pages 98 to 99 inclusive) contained in the Corporation’s annual report for the financial year ended December 31, 2012; and
- (i) the material change report of the Corporation dated June 3, 2013 with respect to the announcement of the Offering, the filing of the preliminary short form prospectus of the Corporation dated May 28, 2013, the filing of the amended and restated preliminary short form prospectus of the Corporation dated May 30, 2013 and the execution of the Underwriting Agreement.

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. As at December 31, 2012, the Corporation held a 93% average working interest in its undeveloped lands, operated 95% of its production and 99% of new drillings and completions were initiated or controlled by Birchcliff. 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

Increase to Credit Facilities

On May 16, 2013, the Corporation established a new \$60,000,000 non-revolving five-year term credit facility (the “**Additional Credit Facility**”) with its banking syndicate. The Additional Credit Facility matures on May 25, 2018. In connection with the establishment of the Additional Credit Facility, the conversion date of the Corporation’s extendible revolving term credit facility with an authorized limit of \$440,000,000 (the “**Syndicated Credit Facility**”) and the extendible revolving working capital credit facility with an authorized limit of \$30,000,000 (the “**Working Capital Facility**”) and together with the Syndicated Credit Facility, the “**Revolving Facilities**”) was extended from May 17, 2013 to May 16, 2014. In addition to the Additional Credit Facility and the Revolving Facilities, the Corporation also has a non-revolving five-year term credit facility with an authorized limit of \$70,000,000 which matures on May 25, 2016 (the “**Non-Revolving Facility**”) and together with the Revolving Facilities and the Additional Credit Facility, the “**Credit Facilities**”). As a result of the establishment of the Additional Credit Facility, total credit available under the Credit Facilities increased from \$540,000,000 to \$600,000,000. For a description of the Credit Facilities, see Note 3 to the table under the heading “*Capitalization of the Corporation*”.

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 (the “**Lenders’ Consent**”) under the Credit Facilities to accommodate the proposed cash payment of dividends on the Preferred Shares, Series C as contemplated in this short form prospectus. The Lenders’ Consent included certain terms and conditions, including, but not limited to, the following: (i) that the use of proceeds from the issuance of the Preferred Shares, Series C distributed under this short form prospectus will be used in the manner as set forth herein; (ii) that there is no default or event of default existing under the Credit Facilities; and (iii) that the Offering must be completed no later than July 22, 2013 or such later date as may be agreed to by the lenders.

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 Preferred Shares, Series C. See “*Risk Factors – Redeemable*” and “*Risk Factors – Dividends*”.

Expansion of PCS Gas Plant

On May 15, 2013, the Corporation announced that the Board of Directors had approved a Phase IV expansion of the Pouce Coupe South natural gas plant (the “**PCS Gas Plant**”) in 2014, expanding Birchcliff’s natural gas processing capacity to 180 million cubic feet (“**MMcf**”) per day from 150 MMcf per day by adding additional compression and sales pipeline capacity. The estimated cost of the Phase IV expansion of the PCS Gas Plant is approximately \$10 million, with the majority of the costs anticipated to be incurred in 2014. The anticipated start-up date of the Phase IV expansion is in the fall of 2014. The Phase IV expansion is subject to regulatory approval.

Increase to 2013 Capital Budget

On May 15, 2013, the Corporation announced that it had expanded its capital budget for 2013 to \$246.6 million from \$184.6 million. It is anticipated that the capital program will be funded from funds flow and debt to be incurred under the Credit Facilities. The expanded portion of the 2013 capital budget is primarily directed toward the drilling of 5 (5.0 net) additional Montney/Doig horizontal natural gas wells, four of which will produce to the PCS Gas Plant, and \$21.3 million in respect of the Corporation’s acquisition of 13.5 sections of Crown land at 100% working interest in the Pouce Coupe area contiguous with the Corporation’s current land base, which acquisition was completed on March 6, 2013.

The following table sets forth a breakdown of the Corporation’s expanded capital budget for 2013.

2013 Capital Budget	Gross Wells	Net Wells	Net Capital (MM\$)
<i>Drilling and Development</i>			
Basal Doig/Upper Montney Horizontal Natural Gas Wells	2	2.0	11.6
Middle/Lower Montney Horizontal Natural Gas Wells	20	20.0	119.1
Montney/Doig Vertical Exploration Gas Wells	1	1.0	4.6
Worsley Charlie Lake Horizontal Oil Wells	11	11.0	39.5
Halfway Oil Wells	4	2.5	9.8
Total Drilling & Development	38	36.5	184.6
<i>Facilities</i>	—	—	8.5
<i>Production Optimization</i>	—	—	16.5
<i>Land</i>	—	—	28.0
<i>Acquisitions & Dispositions</i>	—	—	-0.5
<i>Seismic & Other</i>	—	—	9.5
Total Net Capital	—	—	246.6

CAPITALIZATION OF THE CORPORATION

The following table sets forth the unaudited share and loan capitalization of the Corporation as at March 31, 2013 and the unaudited *pro forma* capitalization of the Corporation as at March 31, 2013 after giving effect to the Offering. 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, 2013 ⁽¹⁾ (unaudited)	As at March 31, 2013, after giving effect to the Offering ⁽¹⁾⁽²⁾ (unaudited)
Credit Facilities ⁽³⁾	\$540,000,000 ⁽⁴⁾	\$452,422,000	\$404,792,000
Common Shares ⁽⁵⁾	Unlimited	\$682,261,000 (142,096,130 Common Shares)	\$682,261,000 (142,096,130 Common Shares)
Preferred Shares ⁽⁶⁾			
Preferred Shares, Series A ⁽⁷⁾	2,000,000	\$41,434,000 (2,000,000 Preferred Shares, Series A)	\$41,434,000 (2,000,000 Preferred Shares, Series A)
Preferred Shares, Series B ⁽⁷⁾	2,000,000	Nil	Nil
Preferred Shares, Series C	2,000,000	Nil	\$47,630,000 (2,000,000 Preferred Shares, Series C)

Notes:

- (1) The dollar amounts presented in the table above have been rounded up or down, as applicable, to the nearest thousand dollar.
- (2) Based on the issuance of 2,000,000 Preferred Shares, Series C pursuant to the Offering for aggregate gross proceeds of \$50,000,000, less the Underwriters' Fee of \$2,000,000 (assuming no Preferred Shares, Series C are sold to Identified Institutions) and the estimated expenses of the Offering of \$370,000.
- (3) As at March 31, 2013, total Credit Facilities available to the Corporation were \$540,000,000 (\$600,000,000 as at May 16, 2013), comprised of the Additional Credit Facility, the Non-Revolving Facility and the Revolving Facilities. The Non-Revolving Facility requires principal payments of \$350,000 per quarter commencing July 1, 2013. The Revolving Facilities have a conversion date of May 16, 2014 (the "**Conversion Date**") and a maturity date of May 16, 2016 (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). As at May 24, 2013, approximately \$457,068,000 was owing under the Credit Facilities (\$69,222,000 under the Non-Revolving Facility, \$314,348,000 under the Syndicated Credit Facility, \$14,253,000 under the Working Capital Facility and \$59,245,000 under the Additional Credit Facility). 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. Based on approximately \$457,068,000 owing under the Credit Facilities as at May 24, 2013, the Corporation expects the total amount owing under the Credit Facilities to be approximately \$409,438,000 following the closing of the Offering. See "*Use of Proceeds*" and "*Relationship Between the Corporation and Certain Underwriters*".
- (4) As at March 31, 2013, total credit available under the Credit Facilities was \$540,000,000 which was subsequently increased to \$600,000,000 on May 16, 2013. See "*Recent Developments – Increase to Credit Facilities*".
- (5) As at March 31, 2013, the Corporation also had outstanding: (i) stock options ("**Options**") to purchase an aggregate of 13,071,087 Common Shares at a weighted average exercise price of \$8.07 per Common Share; (ii) performance warrants ("**Performance Warrants**") to purchase an aggregate of 2,939,732 Common Shares at an exercise price of \$3.00 per Common Share; and (iii) Common Share purchase warrants ("**Warrants**") to purchase an aggregate of 6,000,000 Common Shares at an exercise price of \$8.30 per Common Share. For a description of the Common Shares, see "*Description of Share Capital*".
- (6) The Corporation is authorized to issue an unlimited number of preferred shares ("**Preferred Shares**"), issuable in series. For a description of the Preferred Shares as a class, see "*Description of Share Capital*".
- (7) On August 8, 2012, the Corporation issued an aggregate of 2,000,000 preferred units ("**Preferred Units**") at a price of \$25.00 per

Preferred Unit for gross proceeds of \$50,000,000 by way of a bought deal financing (the “**August 2012 Public Offering**”). Each Preferred Unit was comprised of one Preferred Share, Series A and three Warrants. The Preferred Shares, Series A are convertible, at the option of the holder and in accordance with the terms of the Preferred Shares, Series A into cumulative redeemable preferred shares, Series B (“**Preferred Shares, Series B**”) of the Corporation, of which 2,000,000 Preferred Shares, Series B have been authorized for issuance. As at May 27, 2013, 2,000,000 Preferred Shares, Series A and no Preferred Shares, Series B were issued and outstanding. See “*Description of Share Capital*” and “*Prior Sales*”.

There have been no material changes in the share or loan capitalization of Birchcliff since March 31, 2013 other than: (i) an increase in share capital of approximately \$1,013,000 as a result of the issue of 136,132 Common Shares pursuant to the exercise of outstanding Options; (ii) an increase in the authorized credit facilities from \$540,000,000 to \$600,000,000 (See “*Recent Developments – Increase to Credit Facilities*”); and (iii) an increase in the amount owing under the Credit Facilities from approximately \$452,422,000 as at March 31, 2013 (before giving effect to the Offering) to approximately \$457,068,000 (before giving effect to the Offering), each as at May 24, 2013.

DESCRIPTION OF SHARE CAPITAL

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in series. The following is a summary of the principal rights, privileges, restrictions and conditions attaching to the Common Shares and the Preferred Shares as a class.

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 June 6, 2013, 142,358,528 Common Shares were issued and outstanding.

Preferred Shares as a Class

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.

On August 3, 2012, the Corporation amended its articles to create the Preferred Shares, Series A and the Preferred Shares, Series B. As at June 6, 2013, 2,000,000 Preferred Shares, Series A and no Preferred Shares, Series B were issued and outstanding. See Note 7 to the table under the heading “*Capitalization of the Corporation*” and “*Prior Sales*”.

DETAILS OF THE OFFERING

The Offering consists of 2,000,000 Preferred Shares, Series C at a price of \$25.00 per Preferred Share, Series C, subject to a minimum subscription of \$2,500 (100 Preferred Shares, Series C). The following is a summary of the principal rights, privileges, restrictions and conditions to be attached to the Preferred Shares, Series C and is qualified in its entirety by the text of the provisions attaching to the Preferred Shares as a class and the Preferred Shares, Series C, 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.

The Preferred Shares, Series C do not have a fixed maturity date and are not redeemable at the option of the holders thereof until June 30, 2020. See “*Risk Factors*”.

Issue Price

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

Dividends

The holders of Preferred Shares, Series C shall be entitled to receive and Birchcliff shall pay, as and when declared by the Board of Directors out of moneys of Birchcliff properly applicable to the payment of dividends, fixed cumulative preferential cash dividends at an annual rate of \$1.75 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). Assuming an issue date of June 14, 2013, the first dividend, if declared, shall be paid on September 30, 2013 in the amount of \$0.5190 per share. Thereafter, dividends, if declared, will be payable quarterly on the last day of March, June, September and December in each year in the amount of \$0.4375 per share (less any tax required to be deducted or withheld by Birchcliff).

Redemption by the Corporation

The Preferred Shares, Series C shall not be redeemable by the Corporation prior to June 30, 2018. Subject to the provisions described under “*Restrictions on Payments and Reductions of Capital*”, on and after June 30, 2018, the Corporation 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 Preferred Shares, Series C at \$25.75 per share if redeemed before June 30, 2019, at \$25.50 per share if redeemed on or after June 30, 2019 but before June 30, 2020 and at \$25.00 per share if redeemed on or after June 30, 2020, in each case together with all accrued and unpaid dividends (less any tax required to be deducted or withheld by Birchcliff) to but excluding the date fixed for redemption.

If less than all of the outstanding Preferred Shares, Series C 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 and registrar 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).

Redemption by the Holder

The Preferred Shares, Series C shall not be redeemable by the holders thereof prior to June 30, 2020. Subject to the provisions described under “*Restrictions on Payments and Reductions of Capital*”, on and after June 30, 2020, a holder of Preferred Shares, Series C may, at its option, upon not less than 30 days prior written notice to the Corporation, redeem for cash, all or any number of Preferred Shares, Series C held by such holder on the last day of March, June, September and December of each year at \$25.00 per share (being the then applicable Redemption Price), together with all accrued and unpaid dividends (less any tax required to be deducted or withheld by Birchcliff) to but excluding the date fixed for redemption. The Notice of Redemption must be received by the transfer agent and registrar for the Preferred Shares, Series C, on behalf of the Corporation, at its principal office in Toronto or Calgary at least 30 days prior to the date fixed for redemption. Once received by the transfer agent and registrar on behalf of the Corporation, the Notice of Redemption is irrevocable.

Upon receipt of the Notice of Redemption, the Corporation may, at its option (subject, if required, to stock exchange approval), upon not less than 20 days prior written notice, elect to convert such Preferred Shares, Series C into

Common Shares. The number of Common Shares into which each Preferred Share, Series C may be so converted will be determined by dividing the amount of \$25.00 (being the then applicable Redemption Price), together with all accrued and unpaid dividends to but excluding the date fixed for conversion, by the greater of \$2.00 or 95% of the Current Market Price. Fractional Common Shares will not be issued on any conversion of Preferred Shares, Series C. A holder of a Preferred Share, Series C otherwise entitled to a fractional Common Share will receive a cash payment equal to the fraction of the Common Share multiplied by the greater of \$2.00 or 95% of the Current Market Price.

Birchcliff reserves the right not to deliver Common Shares to any person that Birchcliff or its transfer agent and registrar has reason to believe is a person whose address is in, or that Birchcliff or its transfer agent and registrar 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 or other laws of such jurisdiction.

Conversion into Common Shares

On and after June 30, 2018, the Corporation may, at its option (subject, if required, to stock exchange approval), upon not less than 30 and not more than 60 days prior written notice, convert all or any number of the outstanding Preferred Shares, Series C into Common Shares. The number of Common Shares into which each Preferred Share, Series C may be so converted will be determined by dividing the then applicable Redemption Price, together with all accrued and unpaid dividends to but excluding the date fixed for conversion, by the greater of \$2.00 or 95% of the Current Market Price. A holder of a Preferred Share, Series C otherwise entitled to a fractional Common Share will receive a cash payment equal to the fraction of the Common Share multiplied by the greater of \$2.00 or 95% of the Current Market Price.

If less than all of the outstanding Preferred Shares, Series C are at any time to be converted, the shares so to be converted shall be selected by lot in such manner as the Board of Directors or the transfer agent and registrar 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).

Birchcliff reserves the right not to deliver Common Shares to any person that Birchcliff or its transfer agent and registrar has reason to believe is a person whose address is in, or that Birchcliff or its transfer agent and registrar 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 or other laws of such jurisdiction.

Purchase for Cancellation

Subject to the requirements of applicable law, any requisite regulatory approvals and the provisions described under “*Restrictions on Payments and Reductions of Capital*”, Birchcliff may at any time or times purchase for cancellation all or any number of the Preferred Shares, Series C 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, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of the Corporation and of holders of shares of the Corporation ranking prior to the Preferred Shares, Series C, the holders of the Preferred Shares, Series C shall be entitled to receive \$25.00 per Preferred Share, Series C 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 Preferred Shares, Series C in any respect. After payment to the holders of the Preferred Shares, Series C 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.

In the event of the liquidation, dissolution of winding-up of Birchcliff or any other distribution of assets of Birchcliff among its shareholders for the purpose of winding up its affairs, whether voluntary or involuntary, the Preferred

Shares, Series C rank on parity with the Preferred Shares, Series A and Preferred Shares, Series B and any other series of Preferred Shares that may be issued by the Corporation in the future.

Restrictions on Payments and Reductions of Capital

So long as any Preferred Shares, Series C are outstanding, Birchcliff shall not, without the prior approval of the holders of the Preferred Shares, Series C:

- (a) call for redemption, purchase, reduce or otherwise pay off less than all the Preferred Shares, Series C and all other Preferred Shares then outstanding ranking prior to or on parity with the Preferred Shares, Series C 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 Preferred Shares, Series C) on the Common Shares or any other shares of Birchcliff ranking junior to the Preferred Shares, Series C 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 Preferred Shares, Series C 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 Preferred Shares, Series C and on all other Preferred Shares then outstanding ranking prior to or on parity with the Preferred Shares, Series C 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 Preferred Shares, Series C are outstanding, Birchcliff shall not, without the prior approval of the holders of the Preferred Shares, Series C, create or issue any shares ranking prior to or on parity with the Preferred Shares, Series C 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 Preferred Shares, Series C shall have been paid or set apart for payment.

Voting Rights

The holders of the Preferred Shares, Series C are not entitled to any voting rights or to receive notice of or to attend shareholders' meetings unless and until dividends on the Preferred Shares, Series C are in arrears to the extent of four consecutive quarters. Until all arrears of dividends have been paid, holders of Preferred Shares, Series C 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 Preferred Share, Series C held with respect to the resolutions being voted on.

Tax Election

The Preferred Shares, Series C 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 Preferred Shares, Series C. The terms of the Preferred Shares, Series C 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 Preferred Shares, Series C. See "*Certain Canadian Federal Income Tax Considerations – Dividends*".

Modification

The series provisions attaching to the Preferred Shares, Series C may be amended with the written approval of all the holders of the Preferred Shares, Series C 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

For the purposes of the Preferred Shares, Series C, “**Business Day**” means a day on which chartered banks are generally open for business in both Calgary, Alberta and Toronto, Ontario. If any day on which any dividend on the Preferred Shares, Series C 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.

DEPOSITORY SERVICES

The Preferred Shares, Series C 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 Preferred Shares, Series C to be delivered to, and registered in the name of, CDS or its nominee. All rights of holders of Preferred Shares, Series C must be exercised through, and all payments or other property to which such holder of Preferred Shares, Series C is entitled, will be made or delivered by CDS or the CDS Participant through which the holder of Preferred Shares, Series C holds such securities. Each person who acquires Preferred Shares, Series C will receive only a customer confirmation of purchase from the registered dealer from or through which the Preferred Shares, Series C 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 Preferred Shares, Series C.

The ability of a beneficial owner of Preferred Shares, Series C 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 Preferred Shares, Series C through the book-entry only system, in which event certificates for Preferred Shares, Series C 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 Preferred Shares, Series C held by CDS or the payments relating thereto, as applicable; (b) maintaining, supervising or reviewing any records relating to the Preferred Shares, Series C; 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 Preferred Shares, Series C must look solely to CDS Participants for payments made by or on behalf of Birchcliff to CDS in respect of the Preferred Shares, Series C.

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 Preferred Shares, Series C 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 Preferred Shares, Series C will be made available.

EARNINGS COVERAGE RATIOS

The following earnings coverage ratios of Birchcliff are calculated for the twelve-month period ended December 31, 2012 based on audited financial information and for the twelve-month period ended March 31, 2013 based on unaudited financial information and giving effect to the issue of the Preferred Shares, Series C 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, 2012	March 31, 2013
Earnings Coverage ⁽¹⁾	1.6	1.7

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 all of its Preferred Shares, including giving effect to the issue of the Preferred Shares, Series C 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 \$6.8 million and \$8.1 million for each of the 12-month periods ended December 31, 2012 and March 31, 2013, respectively. Birchcliff's net interest requirements amounted to approximately \$19.0 million and \$19.8 million for each of the 12-month periods ended December 31, 2012 and March 31, 2013, respectively. Birchcliff's earnings before interest and income tax for the 12-month period ended December 31, 2012 and for the 12-month period ended March 31, 2013 were approximately \$41.8 million and \$47.6 million, respectively, which is 1.6 times and 1.7 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 or exchangeable into 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
May 28, 2012	Common Shares ⁽¹⁾	\$5.03	20,000
May 29, 2012	Common Shares ⁽¹⁾	\$4.96	1,300
June 1, 2012	Options	\$6.19 ⁽²⁾	24,000
June 7, 2012	Common Shares ⁽¹⁾	\$5.03	17,000
July 12, 2012	Options	\$6.19 ⁽²⁾	21,000
July 17, 2012	Options	\$6.16 ⁽²⁾	3,000
July 19, 2012	Options	\$6.01 ⁽²⁾	3,000
July 23, 2012	Options	\$6.15 ⁽²⁾	18,000
July 30, 2012	Common Shares ⁽¹⁾	\$5.03	16,667
July 31, 2012	Common Shares ⁽¹⁾	\$4.80	10,000
August 1, 2012	Common Shares ⁽¹⁾	\$5.03	15,000
August 8, 2012	Warrants ⁽³⁾	\$8.30 ⁽²⁾	6,000,000
August 13, 2012	Options	\$7.27 ⁽²⁾	9,000
August 15, 2012	Common Shares ⁽¹⁾	\$4.00	3,334
August 20, 2012	Options	\$7.14 ⁽²⁾	49,000
August 22, 2012	Common Shares ⁽¹⁾	\$5.03	20,000
September 19, 2012	Common Shares ⁽¹⁾	\$4.50	13,000
September 24, 2012	Common Shares ⁽¹⁾	\$4.50 – \$4.80	23,000
October 3, 2012	Common Shares ⁽¹⁾	\$5.30	15,000
October 5, 2012	Common Shares ⁽¹⁾	\$4.80	15,000
October 9, 2012	Options	\$7.80 ⁽²⁾	155,000
October 22, 2012	Common Shares ⁽¹⁾	\$7.38	20,000
October 23, 2012	Common Shares ⁽¹⁾	\$5.03	4,000

October 25, 2012	Common Shares ⁽¹⁾	\$5.03	3,334
October 31, 2012	Common Shares ⁽¹⁾	\$5.03	1,800
November 1, 2012	Options	\$8.19 ⁽²⁾	15,000
November 15, 2012	Options	\$7.99 ⁽²⁾	50,000
November 27, 2012	Options	\$7.88 ⁽²⁾	3,500
December 3, 2012	Options	\$7.84 ⁽²⁾	80,000
December 6, 2012	Common Shares ⁽¹⁾	\$5.03	2,500
December 18, 2012	Options	\$7.57 ⁽²⁾	3,500
December 20, 2012	Options	\$7.37 ⁽²⁾	50,000
January 2, 2013	Common Shares ⁽¹⁾	\$7.31	5,000
January 21, 2013	Options	\$7.36 ⁽²⁾	12,000
January 21, 2013	Common Shares ⁽¹⁾	\$7.38	3,000
January 22, 2013	Common Shares ⁽¹⁾	\$7.38	216,400
January 24, 2013	Options	\$7.32 ⁽²⁾	2,052,200
February 1, 2013	Options	\$7.53 ⁽²⁾	19,000
February 13, 2013	Options	\$7.53 ⁽²⁾	60,000
February 25, 2013	Common Shares ⁽¹⁾	\$5.03	10,000
February 27, 2013	Common Shares ⁽¹⁾	\$5.03	35,000
March 5, 2013	Options	\$7.76 ⁽²⁾	4,500
March 8, 2013	Common Shares ⁽¹⁾	\$5.03	5,750
March 12, 2013	Common Shares ⁽¹⁾	\$5.03	21,700
March 14, 2013	Common Shares ⁽¹⁾	\$5.03	34,700
March 15, 2013	Common Shares ⁽¹⁾	\$5.03 – \$5.94	85,300
March 18, 2013	Common Shares ⁽¹⁾	\$5.03 – \$5.75	15,000
March 19, 2013	Common Shares ⁽¹⁾	\$5.03 – \$5.94 – \$6.23	48,334
March 21, 2013	Common Shares ⁽¹⁾	\$5.03 – \$5.78	9,667
March 25, 2013	Common Shares ⁽¹⁾	\$5.03	10,000
April 1, 2013	Common Shares ⁽¹⁾	\$5.03	33,000
April 2, 2013	Common Shares ⁽¹⁾	\$5.94	5,000
April 10, 2013	Common Shares ⁽¹⁾	\$5.03	10,600
April 12, 2013	Common Shares ⁽¹⁾	\$5.03	9,200
April 18, 2013	Common Shares ⁽¹⁾	\$5.03	3,000
April 18, 2013	Options	\$7.96 ⁽²⁾	10,000
April 19, 2013	Common Shares ⁽¹⁾	\$5.03	3,333
April 22, 2013	Common Shares ⁽¹⁾	\$5.03	7,000
April 24, 2013	Common Shares ⁽¹⁾	\$5.03	8,000
April 26, 2013	Common Shares ⁽¹⁾	\$5.96	6,666
April 30, 2013	Common Shares ⁽¹⁾	\$5.03	6,000
May 1, 2013	Options	\$8.03 ⁽²⁾	21,000

May 8, 2013	Options	\$8.03 ⁽²⁾	25,000
May 16, 2013	Options	\$8.03 ⁽²⁾	50,000
May 21, 2013	Options	\$8.25 ⁽²⁾	85,000
May 22, 2013	Common Shares ⁽¹⁾	\$5.03 – \$5.96	36,000
May 23, 2013	Common Shares ⁽¹⁾	\$5.03 – \$5.96	8,333
May 29, 2013	Common Shares ⁽¹⁾	\$5.03 – \$5.96	16,633
May 30, 2013	Common Shares ⁽¹⁾	\$5.03 – \$5.96 – \$6.23	23,800
May 31, 2013	Common Shares ⁽¹⁾	\$5.03 – \$5.75	20,000
June 3, 2013	Common Shares ⁽¹⁾	\$5.03 – \$5.96 – \$8.54	39,000
June 3, 2013	Options	\$8.95 ⁽²⁾	9,000
June 4, 2013	Common Shares ⁽¹⁾	\$5.03 – \$5.22	23,500
June 5, 2013	Common Shares ⁽¹⁾	\$6.77	3,333

Notes:

- (1) Represents Common Shares issued pursuant to the exercise of previously granted Options.
(2) Represents the exercise price per Option or Warrant, as applicable.
(3) The Corporation issued an aggregate of 6,000,000 Warrants at an exercise price of \$8.30 per Common Share pursuant to the August 2012 Public Offering. See Note 7 to the table under the heading “*Capitalization of the Corporation*”.

In addition, the Corporation issued an aggregate of 2,000,000 Preferred Shares, Series A at a price of \$25.00 per share on August 8, 2012 pursuant to the August 2012 Public Offering. See Note 7 to the table under the heading “*Capitalization of the Corporation*” and “*Description of Share Capital*”.

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>
2013			
June 1 – 6	\$9.02	\$8.73	1,006,060
May	\$9.04	\$7.64	7,047,249
April	\$8.57	\$7.64	8,589,420
March	\$8.60	\$7.61	6,851,326
February	\$7.94	\$7.15	4,918,060
January	\$7.67	\$6.91	6,324,422
2012			
December	\$8.00	\$7.26	3,752,408
November	\$8.42	\$7.11	3,978,180
October	\$8.80	\$6.66	12,190,501
September	\$6.89	\$6.40	7,821,137
August	\$7.40	\$6.52	4,147,373
July	\$7.25	\$5.65	6,273,524
June	\$6.80	\$5.12	9,042,296
May	\$7.34	\$5.90	10,771,608

The Preferred Shares, Series A trade on the TSX under the symbol “BIR.PR.A”. 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 Preferred Shares, Series A on the TSX for the periods indicated (as quoted by the TSX).

Period	High	Low	Volume
2013			
June 1 – 6	\$26.51	\$26.00	27,727
May	\$27.15	\$26.39	54,990
April	\$26.77	\$26.35	162,575
March	\$26.69	\$26.05	23,441
February	\$26.45	\$25.80	116,403
January	\$26.33	\$25.65	61,272
2012			
December	\$26.69	\$26.00	94,708
November	\$27.10	\$26.50	41,689
October	\$27.15	\$26.00	53,190
September	\$26.00	\$24.80	141,405
August 8 – 31 ⁽¹⁾	\$24.95	\$22.25	336,530

Note:

(1) The Preferred Shares, Series A commenced trading on the TSX on August 8, 2012.

On May 27, 2013, the last complete trading day prior to the public announcement of the Offering, the closing price of the Common Shares and Preferred Shares, Series A on the TSX was \$8.56 and \$26.56, respectively. On June 6, 2013, the last complete trading day prior to the date of this short form prospectus, the closing price of the Common Shares and Preferred Shares, Series A on the TSX was \$8.74 and \$26.00, respectively.

USE OF PROCEEDS

The net proceeds to the Corporation from the sale of the Preferred Shares, Series C offered under this short form prospectus are estimated to be \$47,630,000 after deducting the Underwriters’ Fee of \$2,000,000 (assuming no Preferred Shares, Series C are sold to Identified Institutions) and the estimated expenses of the Offering of \$370,000.

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*”, “*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 funds flow from 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 and Gas Information* dated March 13, 2013, 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 drilling activities on its two established resource plays in the Corporation’s core area of the Peace River Arch and the evaluation of potential new tight/shale oil resource plays. Other than the completion of Phase IV 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 May 28, 2013 between the Corporation and the Underwriters, the Corporation has agreed to issue and sell an aggregate of 2,000,000 Preferred Shares, Series C to the Underwriters and the Underwriters have severally (and not jointly or jointly and severally) agreed to purchase from the Corporation, as principals, such Preferred Shares, Series C at a price of \$25.00 per Preferred Share, Series C, payable in cash to the Corporation against delivery of such Preferred Shares, Series C on the Closing Date, 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 \$0.25 per Preferred Share, Series C sold to Identified Institutions and \$1.00 per Preferred Share, Series C for all other Preferred Shares, Series C purchased by the Underwriters, for an aggregate fee payable by the Corporation of \$2,000,000 (assuming that no Preferred Shares, Series C are sold to Identified Institutions).

The terms of the Offering, including the offering price of the Preferred Shares, Series C, 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 an Underwriter fails to purchase the Preferred Shares, Series C which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Preferred Shares, Series C, provided that, if the aggregate number of Preferred Shares, Series C not purchased is less than or equal to 10% of the aggregate number of Preferred Shares, Series C agreed to be purchased by the Underwriters, then each of the other Underwriters is obligated to purchase severally the Preferred Shares, Series C not taken up, on a *pro rata* basis or as they may otherwise agree between themselves. If the aggregate number of Preferred Shares, Series C not purchased is greater than 10% of the aggregate number of Preferred Shares, Series C agreed to be purchased by the Underwriters, then each of the other Underwriters shall be relieved of its obligations to purchase its respective percentage of the Preferred Shares, Series C, subject to the terms and conditions of the Underwriting Agreement. The Underwriters are, however, obligated to take up and pay for all Preferred Shares, Series C 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 Shares, Series C 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 June 14, 2013, or such other date as the Corporation and the Underwriters may agree, but in any event, not later than 42 days after the date of the receipt for the (final) short form prospectus.

The Corporation has been advised by the Underwriters that the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Preferred Shares, Series A, Preferred Shares, Series C and Common Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Underwriters propose to offer the Preferred Shares, Series C 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 Shares, Series

C 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 Shares, Series C remaining unsold. In the event the offering price of the Preferred Shares, Series C 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 Shares, Series C that is less than the gross proceeds paid by the Underwriters to the Corporation for the Preferred Shares, Series C. 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 Preferred Shares, Series C. Listing is subject to the Corporation fulfilling all of the listing requirements of the TSX on or before August 26, 2013.

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 Preferred Shares or securities convertible or exchangeable into 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 Preferred Shares to: (i) satisfy any obligations to issue securities arising from the Offering; or (ii) 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 Shares, Series C pursuant to this short form prospectus who, at all relevant times, for the purpose of the Tax Act, is (or is deemed to be) resident in Canada, deals at arm's length with the Corporation and is not affiliated with the Corporation, holds the Preferred Shares, Series C as capital property and is not exempt from tax under Part I of the Tax Act (hereafter, a "**Holder**").

Generally, the Preferred Shares, Series C will be considered to 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 Preferred Shares, Series C 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. Holders who will not hold any Preferred Shares, Series C as capital property should consult with their own tax advisers with respect to their own particular circumstances. This summary assumes that the Preferred Shares, Series C will, at all relevant times, be listed on a "designated stock exchange" in Canada, as defined in the Tax Act (which currently includes the TSX).

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) a Holder, an interest in which would be a "tax shelter investment" as defined in the Tax Act; (iii) a Holder that is a "specified financial institution" or a "restricted financial institution", each as defined in the Tax Act; or (iv) a Holder 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 (Canada) prior to the date hereof (the "**Proposals**"), existing case law and counsel's understanding of the current written administrative and assessing policies and practices of the Canada Revenue Agency. 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 is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, nor does it take into account any provincial, territorial or foreign income tax legislation or considerations.

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. Consequently, prospective Holders should consult their own tax advisers with respect to their particular circumstances for advice with respect to the tax consequences to them of acquiring, holding and disposing of the Preferred Shares, Series C including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

Dividends

Dividends (including deemed dividends) received (or deemed to be received) on the Preferred Shares, Series C 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. Individuals are entitled to an enhanced gross-up and dividend tax credit in respect of “eligible dividends” received from taxable Canadian corporations, such as the Corporation, if such dividends have been designated as eligible dividends by the Corporation. 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 that is corporation will be included in computing the Holder’s income and will generally be deductible in computing the Holder’s taxable income. 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 33½% 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 Preferred Shares, Series C will be “taxable preferred shares” as defined in the Tax Act. The terms of the Preferred Shares, Series C 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 Preferred Shares, Series C.

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 sustain 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. The amount of any deemed dividend (as discussed below in “*Redemptions*”) arising on the redemption, acquisition or cancellation by the Corporation of the Corporation Shares will generally reduce 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*” below.

If the Holder is a corporation, any capital loss arising on the disposition of the Corporation Shares 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.

Generally, one-half of any capital gain realized in a taxation year will be included in computing the Holder’s income in that taxation year as a taxable capital gain and, generally, one-half of any capital loss realized in a taxation year (an “**allowable capital loss**”) must be deducted from the taxable capital gains realized by the Holder in the same taxation year, in accordance with the rules contained in the Tax Act. Allowable capital losses in excess of taxable capital gains realized by a Holder in a particular taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized by the Holder in such taxation year, subject to and in accordance with the rules contained in the Tax

Act. Capital gains realized by an individual may give rise to a liability for alternative minimum tax under the Tax Act. 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%.

Redemptions

If the Corporation redeems, cancels or otherwise acquires Preferred Shares, Series C (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*” above. 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.

Conversion

Generally, the conversion of Preferred Shares, Series C into Common Shares will be deemed not to 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 Common Shares received on the conversion will be deemed to be equal to the Holder’s adjusted cost base of the converted Preferred Shares, Series C immediately before the conversion. The adjusted cost base of all Common Shares held by the Holder will be determined in accordance with the cost averaging rules in the Tax Act.

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 the Proposals, the Preferred Shares, Series C offered pursuant to this short form prospectus, 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**”), provided that the Common Shares are listed on a designated stock exchange (which currently includes the TSX) at such time.

Notwithstanding the foregoing, if the Preferred Shares, Series C held by a TFSA, RRSP or RRIF are a “prohibited investment” under the Tax Act, the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be, will be subject to a penalty tax as set out in the Tax Act. Generally, the Preferred Shares, Series C would be considered as a “prohibited investment” if the holder of a TFSA or the annuitant of a RRSP or RRIF, as the case may be: (i) does not deal at arm’s length with the Corporation for purposes of the Tax Act; (ii) has a “significant interest”, as defined in the Tax Act, in the Corporation; or (iii) has a “significant interest” in a corporation, partnership or trust with whom the Corporation does not deal at arm’s length for the purposes of the Tax Act.

On December 21, 2012, the Minister of Finance (Canada) released draft legislation (the “**December 2012 Proposals**”) that proposes to remove the condition in (iii) above. Pursuant to the December 2012 Proposals, the Preferred Shares, Series C will not be a “prohibited investment” if the Preferred Shares, Series C are “excluded property”, as defined in the December 2012 Proposals.

Prospective purchasers who intend to hold Preferred Shares, Series C in their TFSA, RRSP or RRIF should consult their own tax advisers having regard to their own particular circumstances.

RELATIONSHIP BETWEEN THE CORPORATION AND CERTAIN UNDERWRITERS

Each of NBF, CIBC, Scotia 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 NBF, CIBC, Scotia 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” and Note 3 to the table under the heading “*Capitalization of the Corporation*”.

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 Shares, Series C 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 NBF, CIBC, Scotia 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.

Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Corporation, for which they received or will receive customary fees.

RISK FACTORS

An investment in the Preferred Shares, Series C 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 and 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 Preferred Shares, Series C may be sold and purchasers of Preferred Shares, Series C may not be able to resell the Preferred Shares, Series C purchased under this short form prospectus. The price offered to the public for the Preferred Shares, Series C and the number of Preferred Shares, Series C to be issued have been determined by negotiations between Birchcliff and the Underwriters. The price paid for each Preferred Share, Series C may bear no relationship to the price at which the Preferred Shares, Series C will trade in the public market subsequent to the Offering. Birchcliff cannot predict at what price the Preferred Shares, Series C will trade and there can be no assurance that an active trading market will develop for the Preferred Shares, Series C or, if developed, that such market will be sustained. The TSX has conditionally approved the listing of the Preferred Shares, Series C. Listing is subject to the Corporation fulfilling all of the listing requirements of the TSX on or before August 26, 2013. There can be no assurance that such securities will be accepted for listing on the TSX.

Market Price

The market price of the Preferred Shares, Series C 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 Preferred Shares, Series C 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 Preferred Shares, Series C 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 Preferred Shares, Series C. Assuming all other factors remain unchanged, the market value of the Preferred Shares, Series C 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.

Credit Risk

The likelihood that purchasers of the Preferred Shares, Series C will receive payments owing to them under the terms of the Preferred Shares, Series C 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 Preferred Shares, Series C.

Credit Rating

Credit ratings, when obtained by an issuer, are intended to provide investors with an independent measure of credit quality of an issue of securities by that issuer. Credit ratings may also affect the market value of an issuer's securities and the cost at which an issuer may transact or obtain funding, thereby affecting an issuer's liquidity, business, financial condition or results of operations. As of the date hereof, the Corporation has not obtained a credit rating for the Preferred Shares, Series C by any rating agency nor is the Corporation planning to seek a credit rating in respect of the Preferred Shares, Series C. The lack of a credit rating on the Preferred Shares, Series C may impact an investor's ability to assess the risk involved with an investment in Preferred Shares, Series C and may also impact the liquidity, business, financial condition or results of operations of the Corporation.

Insolvency or Winding Up

The Preferred Shares, Series C are equity capital of Birchcliff which rank equally with other Preferred Shares, not ranking junior to the Preferred Shares, Series C, 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 Preferred Shares, Series C and other Preferred Shares.

No Fixed Maturity

The Preferred Shares, Series C do not have a fixed maturity date and are not redeemable at the option of the holders of the Preferred Shares, Series C until June 30, 2020. The ability of a holder to liquidate its holdings of the Preferred Shares, Series C may be limited.

Redeemable

Birchcliff may choose to redeem the Preferred Shares, Series C from time to time, in accordance with its rights described under "*Details of the Offering – Redemption by the Corporation*", including when prevailing interest rates are lower than the yield borne by the Preferred Shares, Series C. 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 Preferred Shares, Series C being redeemed. Birchcliff's redemption right also may adversely impact a purchaser's ability to sell Preferred Shares, Series C. 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 Preferred Shares, Series C. See "*Recent Developments – Increase to Credit Facilities*".

Dividends

Dividends on the Preferred Shares, Series C 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 Preferred Shares, Series C 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. In addition, under the terms of the Credit Facilities, the Corporation obtained the Lenders' Consent to the payment of dividends on the Preferred Shares, Series C. See "*Recent Developments – Increase to Credit Facilities*".

Voting Rights

Holders of Preferred Shares, Series C will generally not have voting rights at meetings of the shareholders of the Corporation except under limited circumstances. See “*Details of the Offering – Voting Rights*”.

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 Common Shares, the Preferred Shares, Series A, the Preferred Shares, Series B and the Preferred Shares, Series C is Olympia Trust Company at its principal offices in Calgary, Alberta and Toronto, Ontario.

INTERESTS OF EXPERTS

Certain legal matters in connection with the issuance of the Preferred Shares, Series C 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 and resource estimates incorporated by reference in the AIF and this short form prospectus are based upon reports prepared by Deloitte LLP (“**Deloitte**”), the Corporation’s independent reserves evaluator. None of the designated professionals of 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, revisions 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.

CERTIFICATE OF THE CORPORATION

Dated: June 7, 2013

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 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: June 7, 2013

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.

**NATIONAL BANK FINANCIAL
INC.**

By: (signed) "*Craig Langpap*"

CORMARK SECURITIES INC.

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

GMP SECURITIES L.P.

By: (signed) "*Dan Tsubouchi*"

CIBC WORLD MARKETS INC.

By: (signed) "*Chris Folan*"

**RBC DOMINION SECURITIES
INC.**

By: (signed) "*Trevor Gardner*"

SCOTIA CAPITAL INC.

By: (signed) "*Drew Ross*"

**HSBC SECURITIES
(CANADA) INC.**

By: (signed)
"*Jay Lewis*"

**MACQUARIE CAPITAL
MARKETS CANADA
LTD.**

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

**PETERS & CO.
LIMITED**

By: (signed)
"*Blair C. Ward*"

**STIFEL NICOLAUS
CANADA INC.**

By: (signed)
"*Terris N. Chorney*"

INTEGRAL WEALTH SECURITIES LIMITED

By: (signed) "*John Gibson*"