BIRCHCLIFF ENERGY LTD.

Year Ended December 31, 2014

ANNUAL INFORMATION FORM

March 18, 2015

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CORPORATE STRUCTURE

The Corporation was incorporated on July 6, 2004 under the ABCA as "1116463 Alberta Ltd." and on September 10, 2004 the Corporation amended its articles to change its name to "Birchcliff Energy Ltd." On January 18, 2005, the Corporation amalgamated under the ABCA with Scout, a public corporation, pursuant to a plan of arrangement under the ABCA 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, a private company, pursuant to a plan of arrangement under the ABCA to form an amalgamated corporation that continued under the name "Birchcliff Energy Ltd." The Corporation amended its articles on August 3, 2012 to create the Series A Preferred Shares and the Series B Preferred Shares. The Corporation amended its articles on June 13, 2013 to create the Series C Preferred Shares.

The registered and head office of the Corporation is located at Suite 500, 630 – 4th Avenue S.W., Calgary, Alberta T2P 0J9. The Common Shares, the Series A Preferred Shares and the Series C Preferred Shares are listed for trading on the TSX under the trading symbols "BIR", "BIR.PR.A" and "BIR.PR.C", respectively, and the Common Shares are included in the S&P/TSX Composite Index.

The Corporation does not have any subsidiaries.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

A description of the significant developments in the business of the Corporation over the last three completed financial years is set forth below.

2012

On March 29, 2012, the Corporation announced that the Board had terminated the corporate sale process previously announced in October 2011, as the Corporation had not received an acceptable offer reflecting the value of the Corporation. On that same date, the Corporation announced a $110 million "bought deal" offering and concurrent private placement.

On April 19, 2012, the Corporation raised gross proceeds of $110 million from the issuance of: (i) 8,075,000 Common Shares at a price of $7.65 per Common Share and 1,100,000 Common Shares issued on a "flow-through" basis at a price of $9.20 per "flow-through" Common Share pursuant to the "bought deal" offering; and (ii) 5,000,000 Common Shares at a price of $7.65 per Common Share to its major shareholder pursuant to the concurrent private placement.

On June 26, 2012, the Corporation amended its credit agreement with its banking syndicate, which increased its existing revolving credit facility (consisting of an extendable revolving syndicated credit facility with an authorized limit of $440 million and an extendable revolving working capital facility with an authorized limit of $30 million) to an aggregate limit of $470 million from $450 million.

On August 8, 2012, the Corporation raised gross proceeds of $50 million from the issuance of 2,000,000 preferred units at a price of $25.00 per preferred unit. Each preferred unit consisted of one Series A Preferred Share to yield initially 8% per annum, and three Preferred Warrants.

On October 2, 2012, Phase III of the PCS Gas Plant commenced operation, bringing the licensed processing capacity to 150 MMcf/d.

2013

On May 16, 2013, the Corporation's banking syndicate approved a new $60 million non-revolving five-year term credit facility, increasing the aggregate credit facilities to $600 million from $540 million.

On June 14, 2013, the Corporation raised gross proceeds of $50 million from the issuance of 2,000,000 Series C Preferred Shares at a price of $25.00 per Series C Preferred Share, to yield initially 7% per annum.

On June 18, 2013, the Corporation announced the passing of Gordon W. (Scotty) Cameron, a founding shareholder and a director of Birchcliff.

On November 25, 2013, the Corporation made a strategic disposition of non-core assets in the Progress area for net proceeds of $54.7 million, net of adjustments.

2014

On January 15, 2014, Birchcliff completed a strategic acquisition with an effective date of January 1, 2014, whereby Birchcliff bought a partner's 30% working interest in land and production in the Pouce Coupe area for $56.0 million. The acquisition included 38 (11.3 net) sections of land on the Montney/Doig Natural Gas Resource Play and 9.6 MMcfe/d (1,600 boe/d) of Birchcliff operated production, the majority of which was processed at the PCS Gas Plant. The acquisition enabled Birchcliff to consolidate lands it formerly held at a 70% working interest, bringing Birchcliff's working interest to 100% on the acquired lands and production.

On May 9, 2014, Birchcliff's bank syndicate approved an increase of the aggregate credit facilities limit to $750 million from $600 million. Birchcliff's bank syndicate approved an increase of the revolving credit facilities to an aggregate limit of $620 million from $470 million. The revolving credit facilities were converted to a three-year term with a maturity date of May 9, 2017 (the "**revolving term credit facilities**"). The revolving term credit facilities include an increased credit limit for the extendible revolving syndicated term credit facility of $580 million from $440 million and an increased credit limit for the extendible revolving working capital facility of $40 million from $30 million. The aggregate credit facilities (the "**Credit Facilities**") include: (i) the revolving term credit facilities; (ii) a $70 million non-revolving five-year term credit facility maturing on May 25, 2016; and (iii) a $60 million non-revolving five-year term credit facility maturing on May 25, 2018.

In September 2014, the Corporation completed the Phase IV expansion of the PCS Gas Plant, which expanded processing capacity to 180 MMcf/d from 150 MMcf/d.

During the latter half of 2014, Birchcliff successfully drilled horizontal wells on both the Montney/Doig Natural Gas Resource Play (in the Pouce Coupe and Elmworth areas) and the Progress Charlie Lake Light Oil Resource Play in intervals that the Corporation had not previously drilled wells in. See *"Description of the Business – Principal Properties – Birchcliff's Resource Plays in the Peace River Arch"*.

During 2014, there were 5,986,699 Preferred Warrants exercised at $8.30 per Common Share for total proceeds of approximately $49.7 million. Of the 6,000,000 Preferred Warrants issued, there were 13,301 Preferred Warrants that were not exercised prior to expiring on August 8, 2014. The proceeds were used to reduce outstanding indebtedness under the Corporation's revolving term credit facilities. See "*Description of Capital Structure – Preferred Warrants*".

Recent Developments

On March 3, 2015, the Corporation announced the passing of Werner (Vern) A. Siemens, a founding shareholder and a director of Birchcliff, on March 2, 2015.

On March 10, 2015, the Corporation was selected as one of Canada's Top Small and Medium Employers.

Prior History

The Corporation was incorporated as a private corporation on July 6, 2004 and in September 2004 assembled a management team and began hiring a full technical team and a small complement of administrative staff. The Corporation's initial start-up costs were funded from $700,000 of loans from Jeff Tonken and Larry Shaw, which were repaid in January 2005. On January 18, 2005, the Corporation amalgamated under the ABCA with Scout pursuant to a plan of arrangement under the ABCA to form an amalgamated corporation that continued under the name "Birchcliff Energy Ltd." and on the same day raised gross proceeds of approximately $60 million from the issuance of equity and the completion of the amalgamation with Scout. On January 19, 2005, the Common Shares were listed for trading on the TSX Venture Exchange under the trading symbol "BIR".

On March 29, 2005, the Corporation contracted to acquire significant oil and natural gas properties in the Peace River Arch for a purchase price of approximately $242.8 million (the "**PRA Acquisition**") and on May 5, 2005, the Corporation completed an acquisition of minor oil and natural gas assets in the Peace River Arch for a purchase price of approximately $2.7 million.

On May 31, 2005, the Corporation amalgamated under the ABCA with Veracel pursuant to a plan of arrangement to form an amalgamated corporation that continued under the name "Birchcliff Energy Ltd." Immediately prior to the amalgamation, Veracel raised approximately $136 million of gross proceeds from the issuance of equity on May 31, 2005.

On May 31, 2005, following the amalgamation with Veracel, the Corporation completed the PRA Acquisition. The acquired properties were estimated to be producing approximately 4,350 boe/d at that time and the Corporation estimates that it acquired approximately 8.3 million boe of proved reserves and 11.4 million boe of proved plus probable reserves as a result of the acquisition. In conjunction with the PRA Acquisition, the Corporation established a $70 million revolving credit facility with a Canadian chartered bank.

On June 2, 2005, the Corporation raised $10 million of gross proceeds from the issuance of two million Common Shares issued on a "flow-through" basis at a price of $5.00 per "flow-through" Common Share.

On July 21, 2005, the Common Shares were listed for trading on the TSX under the trading symbol "BIR" and were de-listed from the TSX Venture Exchange.

On November 1, 2005, as part of the semi-annual review process, the Corporation increased its revolving credit facility limit from $70 million to $80 million on the same terms as the original credit facility.

On December 20, 2005, the Corporation raised approximately $13.5 million of gross proceeds from the issuance of 1,482,400 Common Shares issued on a "flow-through" basis at a price of $9.12 per "flow-through" Common Share.

On May 25, 2006, the Corporation's revolving credit facility was amended and syndicated into a syndicated extendable revolving term credit facility with an authorized limit of $105 million and an extendable revolving working capital facility with an authorized limit of $15 million. The $120 million of credit facilities were provided by a syndicate of two Canadian chartered banks.

On November 22, 2006, the Corporation raised gross proceeds of approximately $30 million from the issuance of 3,200,000 Common Shares at a price of $4.40 per Common Share and 2,740,000 Common Shares issued on a "flow-through" basis at a price of $5.85 per "flow-through" Common Share.

On September 4, 2007, the Corporation entered into a purchase and sale agreement to acquire from Compton Petroleum Corporation, oil and natural gas assets in the Peace River Arch (the "**Worsley Property**") for total cash consideration of approximately $270 million (the "**Worsley Acquisition**").

On September 27, 2007, the Corporation raised gross proceeds of approximately $115 million from the issuance of 30,263,170 Common Shares at a price of $3.80 per Common Share pursuant to a public offering. The net proceeds to the Corporation of approximately $109 million were used to fund a portion of the purchase price of the Worsley Property. The Corporation's $120 million revolving credit facilities were increased to $200 million in aggregate and a new $100 million non-revolving credit facility was added in conjunction with the completion of the Worsley Acquisition. The terms of the revolving credit facilities remained the same. The Corporation completed the Worsley Acquisition for a net purchase price of approximately $263 million. The non-revolving credit facility was drawn in full on September 27, 2007 to fund a portion of the purchase price of the Worsley Property and had a maturity date of September 27, 2008.

On March 14, 2008, the Corporation raised gross proceeds of $130 million from the issuance of 14,375,000 Common Shares at a price of $8.00 per Common Share and the issuance of 1,522,843 Common Shares on a "flow-through" basis at a price of $9.85 per "flow-through" Common Share, and repaid in full all amounts outstanding under the Corporation's $100 million non-revolving credit facility.

On June 25, 2008, the Corporation's revolving credit facilities were increased to $240 million in aggregate.

On April 17, 2009, the Corporation received the necessary regulatory approval for the construction of the 100% owned and operated PCS Gas Plant on its Montney/Doig Natural Gas Resource Play, Pouce Coupe South region, with Phase I of the PCS Gas Plant designed to process 30 MMcf/d of natural gas.

On May 21, 2009, the Corporation amended its credit agreement with its banking syndicate, which increased its existing revolving credit facilities (consisting of an extendable revolving term credit facility with an authorized limit of $235 million and an extendable revolving working capital facility with an authorized limit of $20 million) to an aggregate limit of $255 million from $240 million and extended the conversion date of those facilities until May 21, 2010. The Corporation also established a new $50 million non-revolving one-year term credit facility, subject to consent of the banking syndicate at the time of draw-down.

On June 30, 2009, the Corporation raised gross proceeds of $62 million from the issuance of 8,000,000 Common Shares pursuant to a public offering at a price of $6.20 per Common Share and the issuance of 2,000,000 Common Shares at a price of $6.20 per Common Share to its major shareholder pursuant to a private placement.

On November 26, 2009, the Corporation received the necessary regulatory approval for the construction of Phase II of the PCS Gas Plant, designed to increase the processing capacity from 30 MMcf/d to 60 MMcf/d of natural gas.

On January 15, 2010, the Corporation received approval from its banking syndicate to extend the maturity date of its $50 million non-revolving one-year term credit facility to May 21, 2011.

On March 20, 2010, Phase I of the Corporation's 100% owned and operated PCS Gas Plant commenced operation, with processing capacity of 30 MMcf/d.

On May 21, 2010, the Corporation terminated the Term Facility and amended its credit agreement with its banking syndicate, which increased its existing revolving credit facility (consisting of an extendable revolving term credit facility with an authorized limit of $320 million and an extendable revolving working capital facility with an authorized limited of $30 million) to an aggregate limit of $350 million from $255 million and extended the conversion date of those facilities until May 20, 2011.

On September 2, 2010, the Corporation received regulatory approval for Phase III of the PCS Gas Plant, designed to add an additional 60 MMcf/d of processing capacity, bringing the total processing capacity to 120 MMcf/d.

On November 2, 2010, Phase II of the PCS Gas Plant commenced operation, bringing the processing capacity to 60 MMcf/d.

On November 30, 2010, the Corporation amended its credit agreement with its banking syndicate, which increased its existing revolving credit facility (consisting of an extendable revolving term credit facility with an authorized limit of $345 million and an extendable revolving working capital facility with an authorized limit of $30 million) to an aggregate limit of $375 million from $350 million.

On May 18, 2011, the Corporation announced approval by the Board of a Phase III expansion of the PCS Gas Plant. On that same date, the Corporation amended its credit agreement with its banking syndicate, which increased its existing revolving credit facilities to an aggregate limit of $450 million from $375 million. Concurrently, the Corporation entered into a $70 million non-revolving five-year term credit facility, which was primarily used to fund the construction of Phase III of the PCS Gas Plant.

On October 3, 2011, the Corporation announced that as a result of unsolicited expressions of interest, the Board determined to commence a public sale process, seeking offers to purchase all of the issued and outstanding Common Shares. The Corporation also announced that it had become one of the founding members of the BC LNG Export Co-Operative, which is involved in the development of a small scale LNG project in Kitimat, British Columbia. In 2014, this LNG project was subject to proceedings under the *Companies' Creditors Arrangement Act* (Canada) and will not be proceeding as originally planned.

Significant Acquisitions

The Corporation did not complete any significant acquisitions during the financial year ended December 31, 2014 for which disclosure is required under Part 8 of NI 51-102.

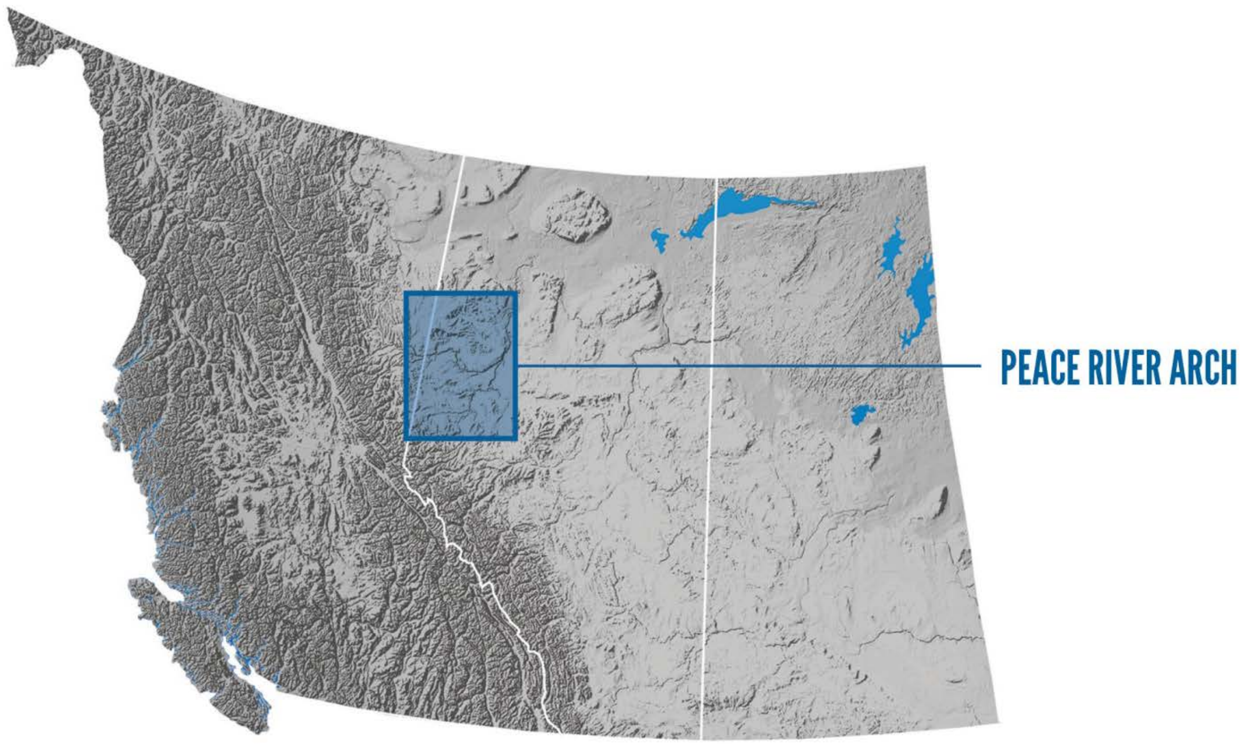
DESCRIPTION OF THE BUSINESS

General

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 concentrated within its one core area, the Peace River Arch of Alberta. 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.

Principal Properties

The following is a description of the Corporation's principal oil and natural gas properties as at December 31, 2014. Unless otherwise stated, production stated is the average gross sales volumes for the period indicated in respect of the Corporation's working interest before the deduction of royalties and before royalty income volumes. Unless otherwise specified, gross and net acreage and well information is at December 31, 2014.



Peace River Arch

Birchcliff's operations are concentrated within its one core area, the Peace River Arch, which is centred northwest of Grande Prairie, Alberta, adjacent to the Alberta/British Columbia border. The Peace River Arch is considered by management to be one of the most desirable natural gas and light oil drilling areas in North America.

The Peace River Arch is one of the most prolific natural gas and oil producing areas of the Western Canadian Sedimentary Basin and is generally characterized by multiple horizons with a myriad of structural, stratigraphic and hydrodynamic traps. There is an abundance of prolific resource plays, related in part to the proximity of the area to the deep basin, where generation and trapping of hydrocarbons preferentially occurs. The Peace River Arch provides all-season access that allows the Corporation to drill, equip and tie-in wells on an almost continuous basis.

The Corporation's strategy is to continue to develop and expand these two existing and very large resource plays in the Peace River Arch while maintaining low capital costs and operating costs. These resource plays are large enough to provide Birchcliff with a large inventory of repeatable and consistent, low-cost and low-risk, profitable drilling opportunities that will provide production and reserves growth for many years. To date, the Corporation's finding costs and operating costs are some of the lowest in the industry and Birchcliff's strategy is to continue to seek opportunities and solutions that reduce its costs further. Birchcliff's strategy is based on its current ownership of large contiguous blocks of high working interest land in the Corporation's operating areas and its 100% ownership of its major facilities and infrastructure in proximity to its drilling operations. Birchcliff's land position and infrastructure ownership gives it a competitive advantage over others in its areas of operation and supports its low operating cost structure that helps Birchcliff maintain profitability in a low commodity price environment. The PCS Gas Plant is the cornerstone of Birchcliff's strategy to develop its Montney/Doig Natural Gas Resource Play to control and expand its production and to further reduce its operating costs on a per boe basis.

Birchcliff works to de-risk plays by drilling both vertical and horizontal exploration wells to develop an in-depth understanding of oil and gas pools, rock properties and petrophysical characteristics and reservoir parameters. The Corporation designs, tests and evaluates the drilling, completion and production technologies and practices to achieve continual improvements in productivity and expected ultimate recoveries to drive down capital and operating costs. The Corporation's pool delineation strategy de-risks future development and reduces future costs as new well pads and infrastructure are designed and built to support multiple horizontal well locations and increased production. The Corporation has a focused strategy to acquire additional contiguous land blocks at Crown sales or through selective acquisitions. The Corporation's dominant land and infrastructure position in the Peace River Arch has helped Birchcliff develop an in-depth knowledge of the land, the geology, the reservoirs, the infrastructure and the stakeholders.

During 2014, the Corporation's average annual production was 33,734 boe/d and fourth quarter average production was 37,704 boe/d.

The Corporation has excellent control of and access to infrastructure in the Peace River Arch to process its light oil and natural gas production. In 2010, the Corporation commenced processing natural gas through the PCS Gas Plant, which is a 100% owned and operated facility located on the Montney/Doig Natural Gas Resource Play. The PCS Gas Plant currently has a licensed processing capacity of 180 MMcf/d.

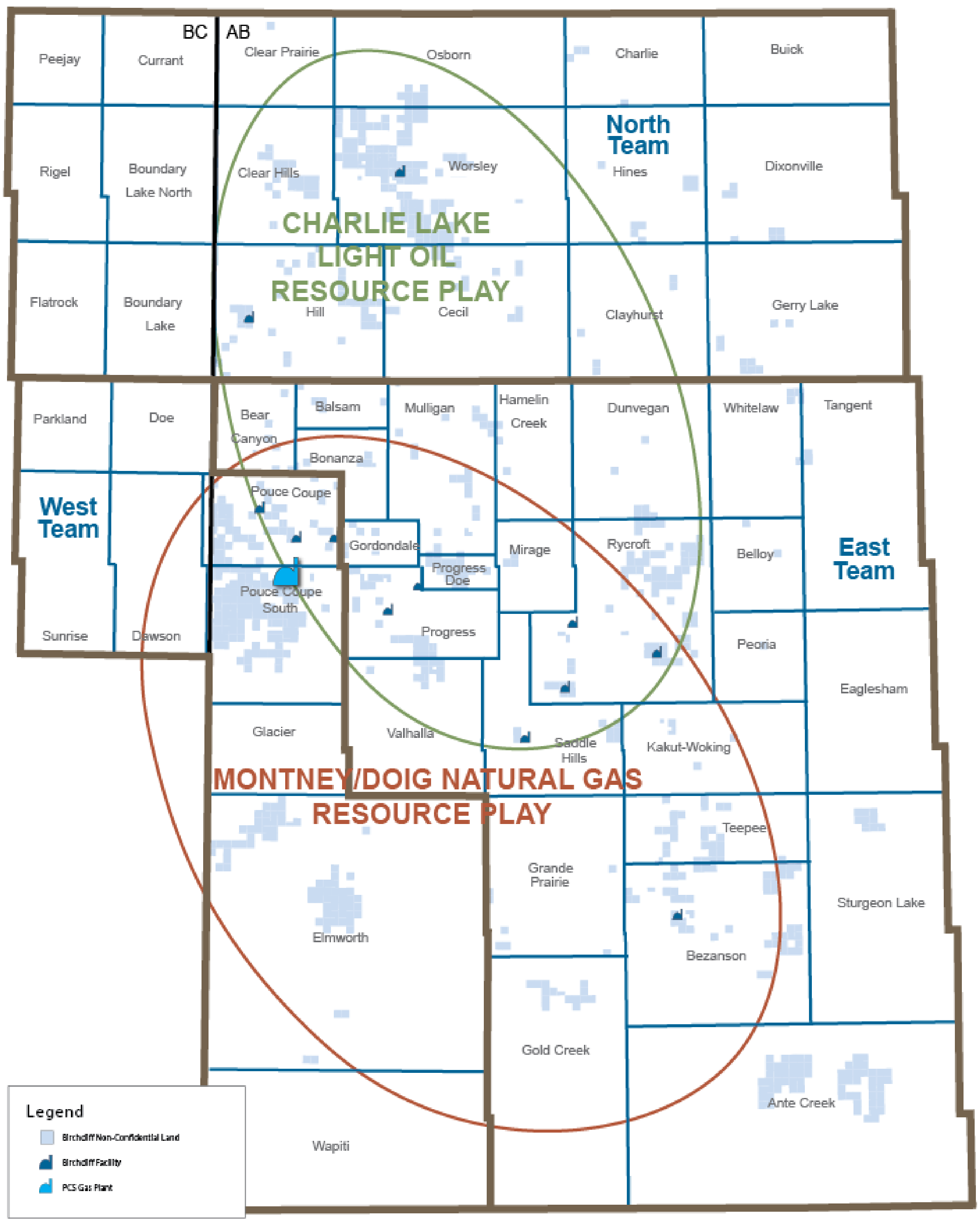
The Corporation invested $17.7 million to expand and maintain its land position in the Peace River Arch during 2014 and at December 31, 2014 held 506,621.5 (478,295.1 net) acres of undeveloped land, with a 94% average working interest.

In 2014, Birchcliff spent $449.4 million on exploration and development projects (including acquisitions and dispositions) in the Peace River Arch, including the drilling of 57 (56.0 net) wells. Drilling depths on a true vertical depth basis can range from 300 metres for the shallower horizons to 2,700 metres for the deeper, higher impact targets. The Corporation manages efficiencies for the capital cost of horizontal wells with multi-well pads, proximity to existing infrastructure and cost competitive pricing for services.

Birchcliff's Resource Plays in the Peace River Arch

Birchcliff is focused on two established resource plays within the Peace River Arch: the Montney/Doig Natural Gas Resource Play and the Charlie Lake Light Oil Resource Play. Birchcliff characterizes its resource plays as plays that have regionally pervasive, continuous, low permeability hydrocarbon accumulations or systems that usually require intensive stimulation to produce. The production characteristics of these plays include steep initial declines that rapidly trend to much lower decline rates, yielding long life production and reserves. Resource plays exhibit a statistical distribution of estimated ultimate recoveries and therefore provide a repeatable distribution of drilling opportunities. As more wells are drilled into a resource play, there is a substantial decrease in both the geological and technical risks. These plays are ideally suited for the application of horizontal drilling and multi-stage fracture stimulation technology.

Birchcliff's Resource Plays within the Peace River Arch



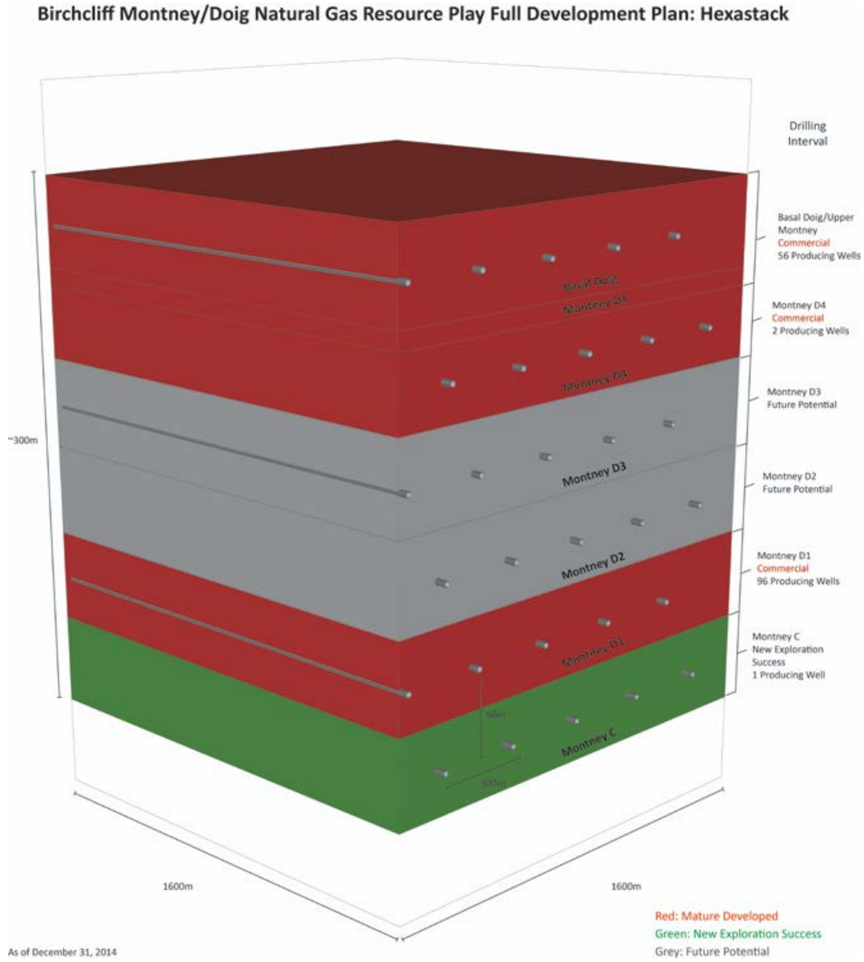
Montney/Doig Natural Gas Resource Play

Birchcliff's Montney/Doig Natural Gas Resource Play is centred approximately 95 kilometres northwest of Grande Prairie and, in the opinion of management, is one of the most sought after natural gas resource plays in North America. The Montney/Doig Natural Gas Resource Play contains six primary producing regions: Pouce Coupe, Pouce Coupe South, Glacier, Progress, Gordondale and Elmworth (which encompasses the Sinclair region and was previously described by Birchcliff as Elmworth/Sinclair area).

The Montney/Doig Natural Gas Resource Play in the Pouce Coupe area is approximately 300 metres (1,000 feet) thick and is classified by Birchcliff as a hybrid resource play because it is comprised of gas saturated rock with both tight silt and sand reservoir rock interlayered with shale gas source rock.

The Montney/Doig Natural Gas Resource Play exists in two geological formations, the Montney formation and the Doig formation. Due to the complexity of the geology, not all of the same intervals are present in all areas of the play trend. Birchcliff has divided the geologic column in its area into six drilling intervals from youngest (top) to oldest (bottom): (i) the Basal Doig/Upper Montney; (ii) the Montney D4; (iii) the Montney D3; (iv) the Montney D2; (v) the Montney D1; and (vi) the Montney C.

Birchcliff Montney/Doig Natural Gas Resource Play Full Development Plan: Hexastack



Prior to 2014, Birchcliff drilled wells and commercialized the Basal Doig/Upper Montney interval and the Montney D1 interval. During 2014, Birchcliff drilled successful exploration horizontal natural gas wells in both the Montney D4 interval and the Montney C interval as discussed below.

The first exploration success was in Birchcliff's development area of Pouce Coupe where the Corporation drilled a successful horizontal well in a new interval of the Montney/Doig Natural Gas Resource Play in which Birchcliff had not previously drilled horizontal wells. This exploration success was drilled in the Montney D4 interval and the well was brought on production in the third quarter of 2014. This well and associated future drilling locations were attributed reserves at December 31, 2014 by Deloitte. The Montney D4 interval is prospective over most of the Corporation's Pouce Coupe land base where the Corporation has existing infrastructure and its scalable PCS Gas Plant.

The second exploration success on the Montney/Doig Natural Gas Resource Play was the Corporation's first horizontal well drilled in the Corporation's Elmworth area and it was also in the Montney D4 interval. This well was brought on production in the fourth quarter of 2014. This well and associated future drilling locations were attributed reserves at December 31, 2014 by Deloitte.

The third exploration success on the Montney/Doig Natural Gas Resource Play was also in Birchcliff's development area of Pouce Coupe, where the Corporation drilled a successful horizontal well in a new interval for Birchcliff, the Montney C, which is the lowermost interval of the play in this area. This well and associated future drilling locations were attributed reserves at December 31, 2014 by Deloitte based on completion test data from late December 2014. This well was brought on production in the fourth quarter of 2014. Birchcliff holds 316.1 (306.2 net) sections of land that have potential for the Montney C interval.

Well spacing is an important consideration for the Montney/Doig Natural Gas Resource Play. While industry competitors in the Peace River Arch area have drilled up to eight horizontal wells per section, per drilled interval, using 80 acre spacing, reserve assignments by Deloitte to Birchcliff's lands on the Montney/Doig Natural Gas Resource Play are currently based on four wells per section, per drilled interval. Birchcliff's technological analysis supports reducing inter-well spacing and in the future, the Corporation expects Deloitte to assign additional future horizontal locations and reserves based on reduced inter-well spacing.

Drilling activities during 2014 on the Montney/Doig Natural Gas Resource Play consisted of 37 (37.0 net) horizontal natural gas wells and 4 (4.0 net) horizontal oil wells. All horizontal wells drilled in 2014 utilized recent advancements in multi-stage fracture stimulation technology.

In 2014, approximately 91% of the Corporation's natural gas production and 28% of the Corporation's oil and NGLs production came from the wells drilled on the Montney/Doig Natural Gas Resource Play. Natural gas production is from both the Montney and Doig formations and from multiple zones, from the late Devonian to the Cretaceous. In 2014, Montney/Doig Natural Gas Resource Play production averaged 27,384 boe/d and the operating netback for this production was $24.60/boe. Average operating costs on the Montney/Doig Natural Gas Resource Play were $3.83/boe.

In 2014, the Corporation invested $11.7 million to expand and maintain its land position on the Montney/Doig Natural Gas Resource Play.

The majority of the production from the Montney/Doig Natural Gas Resource Play is processed at the 100% owned and operated PCS Gas Plant, which currently has a licensed processing capacity of 180 MMcf/d. The Corporation also processes gas at the Progress gas plant operated by Canadian Natural

Resources Northern Alberta Partnership, in which Birchcliff has a small working interest. Other gas is delivered to the Spectra gathering system, which is processed under firm service contracts at either the Fourth Creek gas plant, the Gordondale East gas plant or the Pouce Coupe gas plant. The Corporation also has a firm service contract with AltaGas for a small volume of gas delivered to and processed at the AltaGas Pouce Coupe gas plant. Clean oil from the Progress region is trucked to a terminal located in Gordondale.

In 2014, the Montney/Doig Natural Gas Resource Play accounted for:

- 81% of total corporate exploration and development expenditures (including acquisitions and dispositions).
- 81% of total corporate production volumes.
- 89% of total corporate proved plus probable reserves.

Charlie Lake Light Oil Resource Play

The Charlie Lake Light Oil Resource Play is described by Birchcliff as a regionally extensive variety of restricted to nearshore marine facies. The Charlie Lake reservoirs are heterogeneous and consist of varying quantities of laminated and dolomitic, silty to fine-grained sandstones. The reservoir intervals typically exhibit porosity in the order of 8 to 15 percent, and net reservoir thickness of 3 to 30 metres. A critical component of the Charlie Lake Light Oil Resource play is the main trapping mechanism being a regional hydrodynamic trap setting up a large regional hydrocarbon column.

The Charlie Lake reservoirs on the Peace River Arch were historically drilled vertically with reasonable economic results. Starting in the 1980s, various companies drilled horizontal wells in the Charlie Lake reservoirs with varying results. Birchcliff was one of the first companies to utilize multi-stage fracture stimulation technology with horizontal wells in the Charlie Lake and has had very positive results.

Horizontal wells on the Charlie Lake Light Oil Resource Play that utilize multi-stage fracture stimulation technology are drilled to a measured depth of 2,500 to 3,500 metres and deliver initial productivity rates of 100 to 600 boe/d.

Charlie Lake Light Oil Resource Play – Worsley Area

The Corporation entered the Charlie Lake Light Oil Resource Play through the acquisition of the Worsley Property in September 2007. The Worsley Property is located approximately 150 kilometres north of Grande Prairie, which is in close proximity to Birchcliff's other assets. Production was approximately 3,400 boe/d, consisting of 2,580 bbls/d of 38 degrees light oil and NGLs and 4.9 MMcf/d of natural gas. The Worsley Property is characterized by large contiguous blocks of mainly 100% working interest lands containing a very large Charlie Lake light oil pool. Essentially, all of the production is operated and the related infrastructure is owned.

When Birchcliff acquired the Worsley Property in 2007, the previous operator had started a pilot water flood project. During the years of Birchcliff ownership, the water flood has been significantly expanded as the results have been very positive adding significant reserves by increasing the recovery factor.

Drilling activities during 2014 on the Worsley Charlie Lake Light Oil Resource Play consisted of 11 (11.0 net) Charlie Lake horizontal oil wells, that utilized the latest advancements in multi-stage fracture stimulation technology, all of which were successful.

In 2014, 6% of the Corporation's natural gas production and 62% of the Corporation's oil and NGLs production came from the wells drilled on the Worsley Charlie Lake Light Oil Resource Play, with production primarily from the oil rich Charlie Lake formation. In 2014, the Worsley Charlie Lake Light Oil Resource Play production averaged 4,991 boe/d and the operating netback for this production was $45.23/boe.

The majority of the production from the Worsley Charlie Lake Light Oil Resource Play flows through the Corporation's 100% owned and operated Worsley gas plant and oil battery, which is located in the core of the Worsley area. Clean oil is trucked from the Worsley facility to truck terminals located in the towns of High Prairie, Valleyview and Gordondale, Alberta and Taylor, British Columbia, to be transported on the Pembina Peace pipeline to Edmonton.

In 2014, the Corporation invested $1.0 million to expand and maintain its Worsley Charlie Lake Light Oil Resource Play land position.

In 2014, the Worsley Charlie Lake Light Oil Resource Play accounted for:

- 14% of total corporate exploration and development expenditures (including acquisitions and dispositions).
- 15% of total corporate production volumes.
- 9% of total corporate proved plus probable reserves.

Charlie Lake Light Oil Resource Play – Progress Area

Birchcliff drilled its first Charlie Lake exploration horizontal well in the Progress area in the fourth quarter of 2014. The well was drilled, cased and completed utilizing recent advancements in multi-stage fracture stimulation technology. The well was brought on production in December of 2014. Birchcliff has acquired a significant contiguous land block on this project totalling 26.5 (25.75 net) sections. Birchcliff is currently planning a 3-D geophysical program to be acquired in the first quarter of 2015 to help delineate this exploration success.

Landholdings

Birchcliff's undeveloped land base at December 31, 2014 was 506,621.5 (478,295.1 net) acres, with a 94% average working interest. During 2014, Birchcliff added 28,810.2 (28,426.2 net) acres, or 45.0 (44.4 net) sections of undeveloped land, substantially all at 100% working interest, and all in Birchcliff's core area of the Peace River Arch.

Birchcliff's land base primarily consists of large contiguous blocks of high working interest acreage located near facilities owned and/or operated by Birchcliff or near third-party infrastructure. Substantially all of the new land has been purchased without partners at 100% working interest.

Birchcliff continued to strategically add lands on its resource plays during 2014. The following table sets out Birchcliff's land holdings on the following resource plays at December 31, 2014.

Resource Play Land Holdings

Resource Play	December 31, 2014 Working Interest	Gross (acres)	Net (acres)
Montney/Doig Natural Gas Resource Play			
Basal Doig/Upper Montney Interval	94.5%	195,264	184,579
Montney D4 Interval	97.6%	184,704	180,288
Montney D1 Interval	96.9%	202,304	195,968
Montney C Interval	96.9%	202,304	195,968
Charlie Lake Light Oil Resource Play	93.7%	173,440	162,496
Duvernay Resource Play	100.0%	132,160	132,160
Nordegg Resource Play	86.6%	426,240	368,930
Banff/Exshaw Resource Play	99.3%	364,160	361,744

Drilling Program

Birchcliff's 2014 drilling program was focused on its two proven resource plays, the Montney/Doig Natural Gas Resource Play and the Charlie Lake Light Oil Resource Play. Birchcliff actively employs the evolving technology utilized by leaders in the industry regarding horizontal well drilling and the related multi-stage fracture stimulation technology.

During 2014, Birchcliff drilled 57 (56.0 net) wells, consisting of 37 (37.0 net) natural gas wells and 20 (19.0 net) oil wells. The natural gas wells are all Montney/Doig horizontal wells. The oil wells included 4 (4.0 net) Montney/Doig horizontal oil wells, 11 (11.0 net) Worsley Charlie Lake horizontal light oil wells, 1 (1.0 net) Progress Charlie Lake horizontal light oil well, 3 (2.0 net) Halfway horizontal light oil wells and 1 (1.0 net) Upper Doig horizontal light oil well. All horizontal wells drilled in 2014 utilized recent advancements in multi-stage fracture stimulation technology.

Facilities

During 2014, the Corporation spent approximately $43.1 million on infrastructure projects. During 2015, the Corporation expects to spend approximately $59.0 million on infrastructure projects. These investments will help the Corporation to control infrastructure and continue to reduce its per boe operating costs.

Gas Plants and Oil Batteries

At December 31, 2014, Birchcliff had a working interest in 11 gas plants, four of which are wholly-owned and five of which are operated by the Corporation, and a working interest in two major oil batteries, one of which is wholly-owned and operated by the Corporation. The following table provides details on the gas plants and oil batteries that the Corporation had an interest in at December 31, 2014.

Birchcliff's Interest in Gas Plants and Oil Batteries as at December 31, 2014

Facility Description	Area	Birchcliff Operated	WI%
PCS Gas Plant	Pouce Coupe South	Yes	100
Gas Plant	Pouce Coupe North	Yes	100
Gas Plant	Worsley	Yes	100
Gas Plant	Rycroft	No	50
Gas Plant	Gordondale West	No	32.9
Gas Plant	Pouce Coupe North	No	15
Gas Plant	Progress	No	2.6
Gas Plant	Rycroft	No	2.4
Gas Plant	Progress	No	0.3
Gas Plant (suspended)	Bezanson	Yes	100
Gas Plant (suspended)	Rycroft	Yes	55.5
Oil Battery	Worsley	Yes	100
Oil Battery	Progress	No	0.5

The following is a more detailed description of the PCS Gas Plant and the Worsley Oil Battery and Gas Plant.

PCS Gas Plant

Birchcliff's 100% owned PCS Gas Plant, which is currently licensed to process up to 180 MMcf/d of natural gas, is located in the heart of the Corporation's Montney/Doig Natural Gas Resource Play. The strategically situated site for the PCS Gas Plant enables the Corporation to control and operate all essential infrastructure from wellhead to sales point.

The low operating costs of the PCS Gas Plant and related infrastructure gives the Corporation a strong competitive advantage over others paying for third-party natural gas processing. The PCS Gas Plant is a key component in positioning the Corporation as a low-cost finder and producer of natural gas on the Montney/Doig Natural Gas Resource Play.

In September 2014, the Corporation completed the Phase IV expansion of the PCS Gas Plant, which expanded processing capacity to 180 MMcf/d from 150 MMcf/d. The cost of the Phase IV expansion was approximately $11.6 million.

Engineering, procurement and fabrication work is underway for the Phase V expansion of the PCS Gas Plant which will increase processing capacity to 260 MMcf/d from 180 MMcf/d. As a result of weak commodity prices and a reduced capital budget which was announced on February 11, 2015, management of the Corporation has determined to delay the field assembly and construction work of the Phase V expansion of the PCS Gas Plant. Birchcliff currently expects to rebid the field assembly and construction work of the Phase V expansion after Q1 2015 which is anticipated to result in cost savings due to the continued reduction in demand for labour, services and materials. As a result, the timing of the field assembly and construction and start-up for Phase V is currently uncertain and is expected to be determined later in 2015.

Preliminary planning and permitting work has been initiated for the Phase VI expansion of the PCS Gas Plant which is designed to increase processing capacity to 320 MMcf/d from 260 MMcf/d. As a result of the delay of the Phase V expansion due to weak commodity prices and a reduced capital budget as discussed above, the timing of the construction and start-up of Phase VI is currently uncertain and will be determined at a later date.

Worsley Oil Battery and Gas Plant

The 100% owned and operated Worsley oil battery and gas plant are located in the heart of the Worsley Charlie Lake Light Oil Resource Play. Control of infrastructure in the Worsley region allows Birchcliff to effectively manage the operating costs associated with the oil production from this region.

Other Facilities

At December 31, 2014, the Corporation also had an interest in numerous other facilities, including gas compressor stations and gas satellites.

Production and Sales Revenues

Production

During 2014, the Corporation's average annual production was 33,734 boe/d.

Product Sales Revenues

The only significant products produced and sold by the Corporation are light crude oil, natural gas and natural gas liquids. In 2014, virtually all of these products were sold on a short-term basis at prices that were a function of current market prices. The Corporation's revenues are substantially dependent upon the prices that it receives for oil, natural gas and NGLs and the prices that it receives for such products is closely correlated to the price of crude oil and natural gas. See *"Risk Factors – Financial Risks and Risks Relating to Economic Conditions – Commodity Price Volatility".*

In 2014, the Corporation initiated a hedging program with contracts for forward physical sales of natural gas during the summer months of April 1 to October 31, 2014 and WTI put options (financial derivatives) for crude oil throughout the year. As at December 31, 2014, the Corporation had no financial derivatives in place as all 2014 contracts expired on December 31, 2014. See *"Risk Factors – Financial Risks and Risks Relating to Economic Conditions – Hedging".*

None of the Corporation's products are sold to non-arm's length parties.

The following table sets forth the aggregate sale of those products produced by the Corporation during the years ended December 31, 2014 and December 31, 2013.

Product	2014 PNG Sales(1)	2013 PNG Sales(1)
Natural Gas	$293,659,781	$156,433,094
Light Crude Oil	$133,431,094	$132,218,880
NGLs	$45,638,072	$27,344,189

Note:

(1) Excludes the effects of financial instruments.

Specialized Skill and Knowledge

The Corporation's business requires the application of extremely high levels of technical skill in the areas of geology, geophysics and reservoir engineering, well drilling and completions and well production operations. Birchcliff has assembled a team of skilled technical experts who provide the technical skills required to succeed in its business. See "*Risk Factors – Other Risks – Reliance on Key Personnel*".

Competitive Conditions

The oil and natural gas industry is competitive in all its phases. The Corporation competes with numerous other participants in the search for, and the acquisition of, lands, oil and natural gas projects and properties and in the marketing of oil and natural gas. The Corporation's competitors include companies that have more financial resources, staff and facilities than those of the Corporation. However, management believes that the Corporation has a competitive advantage in its focus area of the Peace River Arch area of Alberta, based upon the infrastructure and land base it controls and the experience it has developed on the resource plays it pursues. See "*Risk Factors – Business and Operational Risks – Competition*".

Seasonal Factors

The exploration for and development of oil and natural gas reserves in the Corporation's focus area is dependent on access to areas where operational activities are to be conducted. Seasonal weather variations, including freeze-up and break-up, can delay such access. See *"Risk Factors – Business and Operational Risks – Seasonality"*.

Environmental Protection

The Corporation has an active program to monitor and comply with environmental regulatory requirements. Birchcliff is committed to constantly evolving and improving its Health, Safety and Environmental Management Program and conducting its activities in a manner that safeguards its employees, contractors, representatives, the environment and the public at large.

As part of its fundamental values, the Corporation recognizes the importance of its responsibility for environmental stewardship. The Corporation endeavors to maintain excellence in environmental reporting and response, and to take proactive steps to eliminate or reduce its environmental impact.

As an organization which strives for continuous improvement, Birchcliff continues to look for and develop new technology, systems and processes that will help improve efficiency, reduce its environmental footprint and create a safer work environment.

The PCS Gas Plant is a state-of-the-art facility and meets or exceeds all AER and Alberta Environment requirements. The facility employs energy efficient equipment to optimize performance and keep operating costs low. The PCS Gas Plant uses an amine system to remove sulphur content, and refrigeration to meet dew point specification. Acid gas is injected into a high quality reservoir, via two wells located at and near the site of the PCS Gas Plant.

As a result of its net ownership interest in oil and gas properties and equipment, including well sites, processing facilities and gathering systems, the Corporation incurs decommissioning obligations. The Corporation's decommissioning obligation at December 31, 2014 was $85.8 million, calculated on a discounted fair value basis using a risk-free rate of 2.4% and an inflation rate of 2.0%.

Social and Environmental Policies

Environmental

The Corporation has an active program to monitor and comply with health, safety and environmental laws, rules and regulations applicable to its operations. Birchcliff's corporate policies require operational activities to be conducted in a manner which meets or exceeds regulatory requirements and industry standards to safeguard the environment and protect employees, contractors and the public at large. All employees receive pertinent health, safety and environmental training for their role. The Corporation conducts regularly scheduled operational audits and assessments to identify risks and takes steps to reduce or prevent accidents. See "*Risk Factors – Business and Operational Risks – Health, Safety and Environment*".

Community

Fostering a strong relationship with the community and its stakeholders is as integral to the success of the Corporation's projects as obtaining the required regulatory approvals. The Corporation believes cooperative, sincere and responsive consultation efforts with stakeholders in the areas in which Birchcliff operates creates a solid foundation for its business. Birchcliff has an experienced team working with local stakeholders to learn their values and priorities and to resolve any issues or concerns that arise in the course of its field operations.

Birchcliff recognizes the role that communities play in its success and looks for opportunities to "give back". The Corporation is a staunch supporter of the community and the business and educational initiatives of the First Nations who live in areas in which Birchcliff operates. Every year, the Corporation participates in a number of community support endeavours in the areas surrounding its field operations and in Calgary.

In 2014, the Corporation contributed to a number of local community initiatives that elevate and enhance quality of life at the local level – including minor hockey, amateur sports, agricultural societies and fire departments.

STARS Air Ambulance is an important partner in trauma care for the Grande Prairie region of Alberta. Birchcliff has raised more than $650,000 to support STARS Air Ambulance in the Grande Prairie area. Each year, the Corporation raises funds for the United Way and the YMCA. Birchcliff makes an annual contribution to Home Front Calgary, a community-justice response team dedicated to helping families experiencing domestic violence. The Corporation supports the Children's Hospital Foundation and Big Brothers, Big Sisters. Through Birchcliff's support of Momentum, Calgarians living in poverty learn how to achieve a sustainable livelihood. The Corporation donates to the OneSight program and supports the Canadian Cancer Society daffodil campaign. The Corporation volunteers with Feed the Hungry, providing healthy meals in an atmosphere of dignity and respect. During the holiday season, Birchcliff employees "adopt" a number of families in need and donate gifts, food and decorations to help make the holidays special. The Corporation also fill backpacks with living essentials and gifts for the Mustard Seed as part of their Christmas campaign.

Through these activities and numerous others, Birchcliff creates and maintains long-term, positive partnerships and relationships, while promoting employee engagement in the communities where we live and work.

Employees

The Corporation hires skilled contractors to perform drilling operations, well completions and other field service operations. The following table summarizes Birchcliff's employees as at December 31, 2014. See "*Risk Factors – Other Risks – Reliance on Key Personnel*".

	Employees
Head Office Employees	113
Field Employees	44

RISK FACTORS

The Corporation's operations are exposed to a number of risks, some that impact the oil and gas industry as a whole and others that are unique to the Corporation. The impact of any risk or a combination of risks may adversely affect the Corporation's business, financial condition, results of operations, prospects, cash flow and reputation, which may reduce or restrict the Corporation's ability to pay preferred share dividends and may materially affect the market price of the Corporation's securities. The Corporation's approach to risk management includes an annual review of principal and emerging risks, an analysis of the severity and likelihood of each principal risk and an evaluation of the effectiveness of current mitigation procedures.

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Corporation's other public filings before making an investment decision. The risks set out below are not an exhaustive list and should not be taken as a complete summary or description of all the risks associated with the Corporation's business and the oil and natural gas business generally.

Financial Risks and Risks Relating to Economic Conditions

Commodity Price Volatility

The Corporation's revenues, operating results and financial condition are substantially dependent upon the prices that it receives for oil, natural gas and NGLs and the prices that it receives for such products is closely correlated to the price of crude oil and natural gas. Since the latter half of 2014, crude oil prices have declined substantially. Historically, crude oil and natural gas markets have been volatile and are likely to continue to be volatile in the future. Crude oil and natural gas prices have fluctuated widely during recent years and, in particular, in recent months, and are subject to fluctuations in response to changes in supply, demand, market uncertainty and other factors that are beyond the Corporation's control. These factors include, but are not limited to:

- global energy policy, including (without limitation) the ability of OPEC to set and maintain production levels and influence prices for crude oil;
- political instability and hostilities;
- domestic and foreign supplies of crude oil;
- the overall level of energy demand;
- weather conditions;
- government regulations;
- taxes;
- currency exchange rates;
- the availability of refining capacity and transportation infrastructure;
- the effect of worldwide environmental and/or energy conservation measures;
- the price and availability of alternative energy supplies; and

- the overall economic environment.

The price for crude oil declined significantly in the latter half of 2014 and into 2015. Any prolonged period of low crude oil or natural gas prices could result in a decision by the Corporation to suspend or slow exploration and development activities, the construction or expansion of new or existing facilities or reduce production levels. Any of such actions could have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects and ultimately on the market price of the Corporation's securities, the Corporation's ability to pay dividends on its preferred shares and on the value of the Corporation's reserves.

Volatility in oil and natural gas prices makes it difficult to estimate the value of producing properties for acquisitions and often causes disruption in the market for oil and natural gas producing properties, as buyers and sellers may have difficultly agreeing on the value of such properties. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

The Corporation's reserves as at December 31, 2014 are estimated using forecast prices and costs. These prices are substantially above current crude oil and natural gas prices. If crude oil and natural gas prices stay at current levels, the Corporation's reserves may be substantially reduced as economic limits of developed reserves are reached earlier and undeveloped reserves become uneconomic at such prices. Even if some reserves remain economic at lower price levels, sustained low prices may compel the Corporation to re-evaluate its development plans and reduce or eliminate various projects with marginal economics.

Birchcliff conducts an assessment of the carrying value of its assets to the extent required by International Financial Reporting Standards. If oil or natural gas prices decline, the carrying value of the Corporation's assets could be subject to downward revision, and the Corporation's earnings could be adversely affected by any reduction in such carrying value.

Additional Funding Requirements and 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 its acquisition, exploration and development activities. As part of this strategy, the Corporation obtains some of this necessary capital by incurring debt; therefore, the Corporation is dependent to a certain extent on continued availability of the credit markets. The continued availability of the credit markets for the Corporation is primarily dependent on the state of the economy and the health of the banking industry in Canada and the United States. There is a risk that if the economy and banking industry experienced unexpected or prolonged deterioration, the Corporation'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, situations that give rise to credit markets tightening or disappearing are largely beyond the Corporation's control.

Because of global economic volatility, the Corporation may from time to time have restricted access to capital and increased borrowing costs. Failure to obtain such financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Corporation's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Corporation's ability to expend the necessary capital to replace its reserves or to maintain its production. To the extent that external sources of capital become limited, unavailable or available on onerous terms, the Corporation's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future development of the Corporation's petroleum properties may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Failure to obtain any financing necessary for the Corporation's capital expenditure plans may result in a delay in development or production on the Corporation's properties.

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

Issuance of Debt

From time to time, the Corporation may enter into transactions to acquire assets or shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase the Corporation's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, the Corporation may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time could impair the Corporation's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Global Financial Markets

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the American and European sovereign debt levels, have caused significant volatility in commodity prices. These events and conditions have caused a decrease in confidence in the broader United States and global credit and financial markets and have created a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. While there are signs of economic recovery, these factors have negatively impacted Corporation valuations and are likely to continue to impact the performance of the global economy going forward. Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, actions taken by OPEC and the ongoing global credit and liquidity concerns. This volatility may in the future affect the Corporation's ability to obtain equity or debt financing on acceptable terms.

Ability to Pay Dividends on Preferred Shares

Dividends on the Corporation's outstanding preferred shares, being the Series A Preferred Shares and Series C Preferred Shares, are payable at the discretion of the Board. 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 stated capital of its outstanding shares. Additionally, the Corporation may only declare and pay cash dividends on the outstanding preferred shares if no default or event of default shall have occurred or shall occur under the Credit Facilities as a result of declaring such dividend. See *"Dividend and Distribution Policy".*

Credit Facilities

The amount authorized under the Credit Facilities is dependent on the borrowing base determined by the Corporation's lenders. The Corporation is required to comply with covenants under the Credit Facilities which may, in certain cases, include certain financial ratio tests. In the event that the Corporation does not comply with these covenants, the Corporation's access to capital could be restricted or repayment could be required. Events beyond the Corporation's control may contribute to the failure of the Corporation to comply with such covenants. A failure to comply with covenants could result in default under the Credit Facilities, which could result in the Corporation being required to repay amounts owing thereunder. Even if the Corporation is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to the Corporation. If the Corporation is unable to repay amounts owing under the Credit Facilities, the lenders under the Credit Facilities could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness. The acceleration of the Corporation's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross default or cross-acceleration provisions. In addition, the Credit Facilities impose certain operating and financial restrictions on the Corporation including, but not limited to, restrictions on the payment of dividends, incurring of additional indebtedness, dispositions of properties and the entering into of amalgamations, mergers, plans of arrangements, reorganizations or consolidations with any person.

The Corporation's lenders use the Corporation's reserves, commodity prices, applicable discount rate and other factors to periodically determine the Corporation's borrowing base. A material decline in commodity prices could reduce the Corporation's borrowing base, reducing the funds available to the Corporation under the Credit Facilities. This could result in the requirement to repay a portion, or all, of the Corporation's bank indebtedness.

Hedging

From time to time, the Corporation may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline. However, to the extent that the Corporation engages in price risk management activities to protect it from commodity price declines, the Corporation may also be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk. In addition, the Corporation's hedging arrangements may expose it to the risk of financial loss in certain circumstances, including instances in which:

- production falls short of the hedged volumes;
- there is a widening of price-basis differentials between delivery points for production and the delivery point assumed in the hedge arrangement;
- the counterparties to the hedging arrangements or other price risk management contracts fail to perform under those arrangements; or
- a sudden unexpected event materially impacts oil and natural gas prices.

Similarly, from time to time the Corporation may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar. However, if the Canadian dollar declines in value compared to the United States dollar, the Corporation will not benefit from the fluctuating exchange rate.

In 2014, the Corporation initiated a hedging program with contracts for forward physical sales of natural gas during the summer months of April 1 to October 31, 2014 and WTI put options (financial derivatives) for crude oil throughout the year. As at December 31, 2014, the Corporation had no financial derivatives in place as all 2014 contracts expired on December 31, 2014.

Counterparty Credit Risk

The Corporation may be exposed to third-party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Corporation, such failures may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry and of joint venture partners may affect a joint venture partner's willingness to participate in the Corporation's ongoing capital program, potentially delaying the program and the results of such program until the Corporation finds a suitable alternative partner.

Variations in Foreign Exchange Rates and Interest Rates

World oil and natural gas prices are quoted in United States dollars. The Canadian/United States dollar exchange rate, which fluctuates over time, consequently affects the price received by Canadian producers of oil and natural gas. Material increases in the value of the Canadian dollar relative to the United States dollar may negatively affect the Corporation's production revenues. Future Canadian/United States exchange rates could also impact the future value of the Corporation's reserves as determined by independent evaluators.

To the extent that the Corporation engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which the Corporation may contract. The Corporation has not hedged any of its foreign exchange risk at the date hereof. See "*– Hedging*".

An increase in interest rates could result in a significant increase in the amount the Corporation pays to service debt, resulting in a reduced amount available to fund its exploration and development activities, and if applicable, the cash available for dividends and could negatively impact the market price of the Corporation's securities.

Business and Operational Risks

Exploration, Development and Production

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves the Corporation may have at any particular time and the production therefrom, will decline over time as such existing reserves are exploited. A future increase in the Corporation's reserves will depend on both the ability of the Corporation to explore and develop its existing properties and its ability to select and acquire suitable producing properties or prospects. There is no assurance that the Corporation will be able continue to find satisfactory properties to acquire or participate in. Moreover, management of the Corporation may determine that current markets, terms of acquisition, participation or pricing conditions make potential acquisitions or participations uneconomic. There is also no assurance that the Corporation will discover or acquire further commercial quantities of oil and natural gas.

The Corporation remains subject to the risk that the production rate of a significant well may decrease in an unpredictable and uncontrollable manner, which could result in a decrease in the Corporation's overall production and associated cash flows. The Corporation mitigates this risk by having a large number of wells on production, reducing the ability of any one well to materially affect overall production and associated cash flow.

Future oil and natural gas exploration may involve unprofitable efforts from dry wells as well as from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, completing (including hydraulic fracturing), operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs.

Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. Field operating conditions include, but are not limited to, delays in obtaining governmental approvals or consents, and shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including, but not limited to, fire, explosion, blowouts, cratering, sour gas releases, spills and other environmental hazards. These typical risks and hazards could result in substantial damage to oil and natural gas wells, production facilities, other property, the environment and personal injury. Particularly, the Corporation may explore for and produce sour natural gas in certain areas. An unintentional leak of sour natural gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to the Corporation.

Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

As is standard industry practice, the Corporation is not fully insured against all risks, nor are all risks insurable. Although the Corporation maintains liability insurance in an amount that it considers consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. In either event, the Corporation could incur significant costs. See *"– Other Risks – Insurance"*.

Project Risks

The Corporation manages a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. The Corporation's ability to execute projects and market oil and natural gas depends upon numerous factors beyond the Corporation's control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the availability of, and the ability to acquire, water supplies needed for drilling and hydraulic fracturing, or the Corporation's ability to dispose of water used or removed from strata at a reasonable cost and in accordance with applicable environmental regulations;
- the supply of and demand for oil and natural gas;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- regulatory changes;
- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, the Corporation could be unable to execute projects on time, on budget, or at all, and may be unable to market the oil and natural gas that it produces effectively.

Availability of Processing and Pipeline Capacity

The Corporation is subject to deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and the possible inability to secure space on gathering systems that deliver production to processing facilities and on pipelines which deliver oil and natural gas to commercial markets. The majority of the Corporation's production passes through Birchcliff owned or third party infrastructure prior to it being ready for transfer at designated commodity sales points. There is a risk that should this infrastructure fail and cause a significant portion of the Corporation's production to be shut-in and be unable to be sold, this could have a material adverse effect on the Corporation's available cash flow. The Corporation mitigates this risk by purchasing business interruption and property insurance policies for Birchcliff owned infrastructure and contingent business interruption insurance policies for its significant third-party infrastructure.

Hydraulic Fracturing

Hydraulic fracturing involves the injection of water, sand and small amounts of additives under pressure into rock formations to stimulate hydrocarbon production. The use of hydraulic fracturing is necessary to produce commercial quantities of natural gas and oil from many reservoirs. The Corporation anticipates that federal, provincial and state regulatory frameworks to address concerns related to hydraulic fracturing will continue to emerge. The implementation of new regulations with respect to hydraulic fracturing could lead to operational delays, as well as increase the Corporation's costs of compliance and its operating costs and may negatively impact the Corporation's prospects, any of which may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. Restrictions on hydraulic fracturing could also reduce the amount of oil and natural gas that the Corporation is ultimately able to produce from its reserves. The Corporation conducts its fracturing operations with reputable service providers, with due regard for potential impact on the environment and closely monitors and complies with the regulatory regime.

Uncertainty of Reserve Estimates

There are a number of uncertainties inherent in estimating the quantities of reserves and resources and the future cash flows attributed to such reserves, including many factors beyond the control of the Corporation. In general, estimates of oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as: (i) historical production from the properties; (ii) initial production rates; (iii) production decline rates; (iv) ultimate recovery of reserves; (v) the success of future development activities; (vi) the timing and amount of capital expenditures; (vii) marketability of production; (viii) future operating costs; and (ix) the assumed effects of regulation by governmental agencies and government levies imposed over the life of the reserves, all of which may vary considerably from actual results. For these reasons, estimates of oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom, prepared by different engineers or by the same engineer at different times, may vary substantially. The actual production, revenues, taxes and development and operating expenditures of the Corporation with respect to these reserves will vary from such estimates and such variances could be material.

Estimates with respect to proved plus probable reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history will result in variations, which may be substantial, in the estimated reserves.

Consistent with Canadian securities disclosure legislation and policies, the Corporation has used forecast prices and costs in calculating reserve quantities. Actual future net cash flows also will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulations or taxation and the impact of inflation on costs. NI 51-101 requires the inclusion of the following statement in estimates of future net revenues based on reserves estimates, "estimates of future net revenues, whether discounted or not, do not represent fair market value".

Actual production and cash flows derived from the Corporation's reserves will vary from the estimates contained in the 2014 Reserves Evaluation, and such variations could be material. The 2014 Reserves Evaluation is based in part on the assumed success of activities the Corporation intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom and contained in the 2014

Reserves Evaluation may be reduced to the extent that such activities do not achieve the level of success assumed in the evaluation. The 2014 Reserves Evaluation is effective as of December 31, 2014 and has not been updated and therefore does not reflect changes in the Corporation's reserves since that date.

Costs and Availability of Equipment and Services

During times of high commodity prices for oil and natural gas, there is a risk of substantially increased cost of operation, which impacts both the amount of capital required to perform operations and the netback the Corporation achieves from its production sales. Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities. Although the Corporation strives for continuous improvement in its planning, operations and procurement of materials, unexpected changes in the market for such equipment and services could negatively affect the Corporation's business, financial condition, results of operations and prospects.

Operational Dependence

Other companies operate some of the assets in which the Corporation has an interest. The Corporation has limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect the Corporation's business, financial condition, results of operations and prospects. The Corporation's return on assets operated by others depends upon a number of factors that may be outside of the Corporation's control, including, but not limited to, the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

Cost of New Technologies

The oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil and gas companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Corporation. There can be no assurance that the Corporation will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by the Corporation or implemented in the future may become obsolete. In such case, the Corporation's business, financial condition, results of operations and prospects could be affected adversely and materially. If the Corporation is unable to utilize the most advanced commercially available technology, its business, financial condition, results of operations and prospects could also be adversely affected in a material way.

Alternatives to and Changing Demand for Petroleum Products

Full conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas and technological advances in fuel economy and energy generation devices could reduce the demand for oil, natural gas and other liquid hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Health, Safety and Environment

Health, safety and environmental risks influence the workforce, operating costs and the establishment of regulatory standards. These risks include, but are not limited to, encountering unexpected formations or pressures; premature declines of reservoirs; blow-outs; equipment failures; human error or wilful misconduct by field workers; other accidents such as, cratering, sour gas releases, uncontrollable flows of oil, natural gas or well fluid spills; adverse weather conditions, pollution, fires and other environmental risks. The Corporation provides staff with the training and resources they need to complete work safely and effectively; incorporates hazard assessment and risk management as an integral part of everyday operations; monitors performance to ensure its operations comply with legal obligations and internal standards; and identifies and manages environmental liabilities associated with its existing asset base. The Corporation has a site inspection program and a corrosion risk management program designed to ensure compliance with environmental laws and regulations. The Corporation carries insurance to cover a portion of property losses, liability to third parties and business interruption resulting from unusual events.

The Corporation is subject to the risk that the unexpected failure of its equipment used in drilling, completing or producing wells or in transporting production could result in release of fluid substances that pollute or contaminate lands at or near its facilities, which could result in significant liability to the Corporation for costs of clean up, remediation and reclamation of contaminated lands. The Corporation conducts its operations with due regard for the potential impact on the environment. This includes hiring skilled personnel, providing adequate training to all staff involved with operations, and by retaining expert advice and assistance to deal with environmental remediation and reclamation work where such expertise is needed.

Reserve Replacement

Oil and natural gas reserves naturally deplete as they are produced over time. The success of the Corporation’s business is highly dependent on its ability to acquire or discover new reserves in a cost efficient manner. Substantially all of the Corporation’s cash flow is derived from the sale of the petroleum and natural gas reserves it accumulates and develops. In order to remain financially viable, the Corporation must be able to replace reserves over time at a lesser cost on a per unit basis than its cash flow on a per unit basis. The reserves and costs used in this determination are estimated each year based on numerous assumptions and these estimates and costs may vary materially from the actual reserves produced or from the costs required to produce those reserves. In order to mitigate this risk, the Corporation employs a competent and experienced team of petroleum and natural gas professionals and closely monitors the capital expenditures made for the purposes of increasing its petroleum and natural gas reserves. Historically, the Corporation’s finding, development and acquisition costs and reserves replacement on a proved plus probable basis have remained competitive compared to industry peers.

Seasonality

The level of activity in the Canadian oil and gas industry is influenced by seasonal weather patterns. A mild winter or wet spring may result in limited access and, as a result, reduced operations or a cessation of operations. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consist of swampy terrain.

Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and corresponding declines in the demand for the goods and services of the Corporation.

Expiration of Licences and Leases

The Corporation's properties are held in the form of licences and leases and working interests in licences or leases held by others. If the Corporation or the holder of the licence or lease fails to meet specific requirements of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of licences or leases may have a material adverse effect on the business, financial condition, results of operations and prospects of the Corporation. To mitigate this risk, the Corporation carefully monitors its undeveloped land position and plans operations in order to keep key licences and leases from terminating or expiring.

Competition

The oil and natural gas industry is highly competitive, particularly as it pertains to the exploration for and development of new sources of oil and natural gas reserves. The industry also competes with other industries in supplying non-petroleum energy products. The Corporation actively competes for land, production and reserve acquisitions, exploration leases, licences and concessions and skilled technical and operating personnel with a substantial number of other oil and natural gas companies, many of which have greater financial resources, staff and facilities than the Corporation. Competitive factors in the distribution and marketing of oil and natural gas include price, methods, and reliability of delivery and storage. Competition may also be presented by alternate fuel sources.

Environmental and Regulatory Risks

Environmental Regulation

The oil and gas industry is subject to environmental regulation pursuant to local, provincial and federal legislation. Environmental legislation provides for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain oil and gas industry operations. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites. Compliance with such legislation can require significant expenditures and a breach of any such legislation may result in the imposition of fines or other penalties, as well as the responsibility to remedy environmental problems caused by the Corporation's operations. A serious breach could result in the Corporation being required to suspend operations or enter into an interim compliance measure which may restrict the Corporation's ability to conduct operations.

Compliance with environmental legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge. Although the Corporation believes that it will be in material compliance with current applicable environmental legislation, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Political and economic events may significantly affect the scope and timing of climate change measures that are put in place. Some of the Corporation's facilities may be subject to future provincial or federal climate change regulations to manage emissions and there can be no assurance that the compliance costs will be immaterial. The implementation of new environmental regulations or the modification of existing environmental regulations affecting the crude oil and natural gas industry generally could reduce demand for crude oil and natural gas and increase costs.

Changes in Legislation

Government royalties, income tax laws, environmental laws and regulatory requirements can have a significant financial and operational impact on the Corporation. As an oil and natural gas producer, the Corporation is subject to a broad range of regulatory requirements. Negative consequences which could arise as a result of changes to the current regulatory environment include, but are not limited to, extraordinary environmental and emissions regulation of current and future projects by governmental authorities, which could result in changes to facility design and operating requirements, thereby potentially increasing the cost of construction, operation and abandonment. There can be no assurance that the federal government and the provincial governments of the western provinces will not adopt new royalty regimes or modify the existing royalty regimes which may have an impact on the economics of the Corporation's projects. An increase in royalties would reduce the Corporation's earnings and could make future capital investments, or the Corporation's operations, less economic. In addition, legislation or policies that limit the purchase of crude oil or bitumen produced from the oil sands may be adopted in domestic and/or foreign jurisdictions, which, in turn, may limit the world market for this crude oil and reduce its price. The Corporation hires and retains skilled personnel that are knowledgeable regarding changes to the regulatory regime under which it operates.

Other Risks

Volatility of Market Price of Securities

The trading price of the Corporation's securities is subject to volatility as a result of factors both related and unrelated to the financial performance of the Corporation. The market price of the Corporation's securities may respond to variations in the Corporation's operating results, financial condition, liquidity and other internal factors. The market price of the Corporation's securities may also respond to factors unrelated to the Corporation's performance such as commodity prices and the market perception of the attractiveness of the oil and gas industry.

Insurance

The Corporation obtains insurance in accordance with industry standards to address business risks, however such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, certain risks may not in all circumstances be insurable or, in certain circumstances, the Corporation may elect not to obtain insurance to deal with specific risks due to high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on its business, financial condition, results of operations or prospects.

Management of Growth

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. An inability of the Corporation to effectively deal with this growth could have a material adverse impact on its business, financial condition, results of operations and prospects. Management mitigates this risk by continually implementing appropriate procedures and policies for its size, upgrading its systems, training its employees and providing effective supervision and management of its staff.

Reliance on Key Personnel

The Corporation's success depends, in large measure, on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on the Corporation. The Corporation does not have "key person" insurance in effect for management and the contributions of these individuals to the Corporation's immediate operations is of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Shareholders must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the Corporation's management.

Litigation

In the normal course of the Corporation's operations, it may become involved in, be named as a party to, or be the subject of various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to personal injuries, property damage, property tax, land rights, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Corporation and as a result, could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results of operations. Even if the Corporation prevails in any such legal proceeding, the proceeding could be costly and time-consuming and may divert the attention of management and key personnel from the Corporation's business operations. For specific disclosure of current legal proceedings, see *"Legal Proceedings and Regulatory Actions"* in this Annual Information Form.

Title to Assets

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the Corporation's ownership claims. If a title defect does exist, this could result in the Corporation losing all or a portion of its right title and interest in and to the properties to which the title defects relate which may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights in portions of Western Canada. The Corporation is not aware that any claims have been made in respect of its properties or assets; however, the legal basis of an aboriginal land claim and aboriginal rights is a matter of considerable legal complexity and the impact of the assertion of such a claim, or the possible effect of a settlement of such claim, upon the Corporation cannot be predicted with any degree of certainty at this time. In addition, no assurance can be given that any recognition of aboriginal rights or claims whether by way of a negotiated settlement or by judicial pronouncement (or through the grant of an injunction prohibiting exploration or development pending resolution of any such claim) would not delay or even prevent the Corporation's exploration and development activities. If a claim arose and was successful, such claim may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Corporation makes acquisitions and dispositions of properties and other assets in the ordinary course of business. Typically, once an opportunity is identified, a review of available information relating to the assets is conducted with most of the review effort being focused on the most significant assets. There is a risk that even a detailed review of records and assets may not necessarily reveal every existing or potential problem, nor will it permit the Corporation to become sufficiently familiar with the assets to fully assess their deficiencies and potential. Inspections may not always be performed on every well, and environmental problems, such as ground water contamination, are not necessarily observable even when an inspection is undertaken. Even when problems are identified, the Corporation may assume certain environmental and other risk liabilities in connection with acquired assets. There are numerous uncertainties inherent in estimating quantities of oil and gas reserves and actual future production rates and associated costs with respect to acquired properties, and actual results may vary substantially from those assumed in estimates.

Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner and the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of acquired businesses may require substantial management effort, time and resources, diverting management's focus from other strategic opportunities and operational matters.

Management continually assesses the value of the Corporation's assets and may dispose of non-core assets so that the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market, there is a risk that certain non-core assets could realize less than their carrying value in the Corporation's financial statements.

Income Taxes

The Corporation files all required income tax returns and believes that it is in full compliance with the provisions of the *Income Tax Act* (Canada) and all other applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Corporation, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Income tax laws relating to the oil and natural gas industry, such as the treatment of resource taxation or dividends, may in the future be changed or interpreted in a manner that adversely affects the Corporation. Furthermore, tax authorities having jurisdiction over the Corporation may disagree with how the Corporation calculates its income for tax purposes or could change administrative practices to the Corporation's detriment.

Breaches of Confidentiality

While discussing potential business relationships or other transactions with third parties, the Corporation may disclose confidential information relating to the business, operations or affairs of the

Corporation. Although confidentiality agreements are signed by third parties prior to the disclosure of confidential information, a breach could put the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Corporation will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Dilution

The Corporation may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation which may be dilutive.

Forward-Looking Information May Prove Inaccurate

Shareholders and prospective investors are cautioned not to place undue reliance on the Corporation's forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties regarding forward-looking information are found under the heading *"Advisories – Forward-Looking Information"* in this Annual Information Form.

RESERVES DATA AND OTHER OIL AND GAS INFORMATION

The 2014 Reserves Evaluation was prepared by Deloitte and evaluated the Corporation's oil and natural gas reserves as at December 31, 2014. The 2014 Reserves Evaluation was prepared by Deloitte in accordance with the COGE Handbook and NI 51-101.

The reserves data derived from the 2014 Reserves Evaluation and other information required to be disclosed by NI 51-101 is contained in the following documents:

(i) Form 51-101F1 – *Statement of Reserves Data and Other Oil and Gas Information* dated March 18, 2015;

(ii) Form 51-101F2 – *Report on Reserves Data by Independent Qualified Reserves Evaluator* dated March 18, 2015; and

(iii) Form 51-101F3 – *Report of Management and Directors on Oil and Gas Disclosure* dated March 18, 2015.

Each of these documents is filed on SEDAR contemporaneously with this Annual Information Form and can be accessed on SEDAR at www.sedar.com. Each of these documents is incorporated by reference herein.

DIVIDEND AND DISTRIBUTION POLICY

Common Shares

The Corporation has never paid any dividends on its Common Shares or made distributions to holders of Common Shares and it is unlikely to pay any dividends on its Common Shares or make distributions to holders of Common Shares in the foreseeable future. The Corporation currently intends to retain future earnings, if any, for future operations, expansion and debt repayment. Any decision to declare and pay dividends will be made at the discretion of the Board and will depend on, among other things, the Corporation's results of operations, current and anticipated cash requirements and surplus, financial condition, contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that the Board may deem relevant.

In addition to the foregoing, the Corporation's ability to pay dividends now or in the future may be limited by covenants contained in the agreements governing any indebtedness that the Corporation has incurred or may incur in the future including the terms of the Credit Facilities. 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.

Preferred Shares

The Corporation has Series A Preferred Shares and Series C Preferred Shares outstanding, which have paid dividends to their holders. The decision whether or not to pay dividends on preferred shares and the amount of any such dividend is subject to the discretion of the Board. All dividends will be reviewed by the Board and may be increased, reduced or suspended from time to time. Payment of dividends will be dependent on, among other things, the cash flow, results of operations and financial condition of the Corporation, the need for funds to finance ongoing operations and other considerations as the Board considers relevant. In the event of the liquidation, dissolution or winding-up of the Corporation, the holders of preferred shares are entitled to all accrued and unpaid dividends thereon, before any amount is paid or any property or assets are distributed to holders of the Common Shares.

As a result of the restriction contained in the Credit Facilities as discussed above, the Corporation previously obtained the consent of the lenders under the Credit Facilities to accommodate the cash payment of dividends on the Series A Preferred Shares, the Series B Preferred Shares and the Series C Preferred Shares.

See also *"Risk Factors"* in this Annual Information Form for a description of certain risk factors that may impair the Corporation's ability to pay dividends on its preferred shares.

Dividend History for Series A Preferred Shares

The following table sets forth the amount of cash dividends declared on the Series A Preferred Shares since the Series A Preferred Shares were issued on August 8, 2012.

Declared	**Record Date**	**Payable**	**Type**	**Amount ($)**
December 3, 2014	December 15, 2014	December 31, 2014	Quarterly, Cash	0.50
September 8, 2014	September 18, 2014	September 30, 2014	Quarterly, Cash	0.50
June 3, 2014	June 16, 2014	June 30, 2014	Quarterly, Cash	0.50
March 12, 2014	March 24, 2014	March 31, 2014	Quarterly, Cash	0.50
December 4, 2013	December 16, 2013	December 31, 2013	Quarterly, Cash	0.50
September 6, 2013	September 18, 2013	September 30, 2013	Quarterly, Cash	0.50
June 4, 2013	June 21, 2013	July 2, 2013	Quarterly, Cash	0.50
March 13, 2013	March 26, 2013	April 1, 2013	Quarterly, Cash	0.50
December 6, 2012	December 19, 2012	December 31, 2012	Quarterly, Cash	0.50
September 6, 2012	September 17, 2012	October 1, 2012	First Issuance, Cash	0.28962

Dividend History for Series C Preferred Shares

The following table sets forth the amount of cash dividends declared on the Series C Preferred Shares since the Series C Preferred Shares were issued on June 14, 2013.

Declared	Record Date	Payable	Type	Amount ($)
December 3, 2014	December 15, 2014	December 31, 2014	Quarterly, Cash	0.4375
September 8, 2014	September 18, 2014	September 30, 2014	Quarterly, Cash	0.4375
June 3, 2014	June 16, 2014	June 30, 2014	Quarterly, Cash	0.4375
March 12, 2014	March 24, 2014	March 31, 2014	Quarterly, Cash	0.4375
December 4, 2013	December 16, 2013	December 31, 2013	Quarterly, Cash	0.4375
September 6, 2013	September 18, 2013	September 30, 2013	First Issuance, Cash	0.5190

DESCRIPTION OF CAPITAL STRUCTURE

Authorized and Issued Capital

The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares issuable in series, each without par value. In addition, the Corporation also has Performance Warrants and Options that are outstanding.

The following table sets forth the securities of the Corporation that were outstanding at December 31, 2014.

Authorized Securities Outstanding	Number of Securities
Common Shares	152,214,206
Common Shares Diluted[1]	166,301,610
Series A Preferred Shares	2,000,000
Series C Preferred Shares	2,000,000
Performance Warrants	2,939,732
Options	11,147,672

Note:
(1) Value is calculated after giving effect to unexercised Performance Warrants and Options.

The material characteristics of each class of authorized securities are set forth below.

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 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.

Preferred Shares

The preferred shares are issuable in series and each series will have such designation, rights, privileges, restrictions and conditions as are fixed by the Board at the time of issue. As a class, the preferred shares are entitled to preference over the Common Shares with respect to the payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up.

The preferred shares of each series rank on a parity with the preferred shares of every other series provided that when any cumulative dividends or amounts payable on return of capital in respect of any series are not paid in full in accordance with their respective terms, the preferred shares of all series shall participate rateably in respect of such dividends in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full in accordance with their respective terms and on any return of capital in accordance with the sums payable on such return of capital if all sums so payable were paid in full in accordance with their terms.

Series A Preferred Shares and Series B Preferred Shares

The Series A Preferred Shares and the Series B Preferred Shares are identical in all material respects other than different dividend rights, redemption rights and conversion rights attached thereto.

On August 8, 2012, the Corporation issued an aggregate of 2,000,000 Series A Preferred Shares. The holders of the outstanding Series A Preferred Shares are entitled to receive, as and when declared by the Board, fixed cumulative preferential cash dividends for the initial period from and including the date of issue to, but excluding, September 30, 2017, at an annual rate of $2.00 per share, payable quarterly. Thereafter, the dividend rate will reset every five years at a rate equal to the then current five-year Government of Canada bond yield plus 6.83%. The Series A Preferred Shares are redeemable by the Corporation on September 30, 2017 and on September 30 in every fifth year thereafter, at a redemption price of $25.00 per share, plus all accrued and unpaid dividends.

The holders of the Series A Preferred Shares will have the right to convert their shares into an equal number of Series B Preferred Shares, subject to certain conditions, on September 30, 2017 and on September 30 in every fifth year thereafter. The holders of the Series B Preferred Shares will be entitled to receive, as and when declared by the Board, quarterly floating rate cumulative preferential cash dividends at a rate equal to the sum of the then current 90-day Government of Canada treasury bill rate plus 6.83%. The holders of Series B Preferred Shares will have the right to convert their shares into an equal number of Series A Preferred Shares, subject to certain conditions, on September 30, 2022 and on September 30 in every fifth year thereafter. The Series B Preferred Shares will also be redeemable by the Corporation at a redemption price of $25.00 per share in the case of redemptions on September 30, 2022 and on September 30 in every fifth year thereafter and at a redemption price of $25.50 per share in the case of redemptions on any date after September 30, 2017 that is not a conversion date, in each case plus all accrued and unpaid dividends. There are currently no Series B Preferred Shares outstanding.

Series C Preferred Shares

On June 14, 2013, the Corporation issued 2,000,000 Series C Preferred Shares. The holders of the outstanding Series C Preferred Shares are entitled to receive, as and when declared by the Board, fixed cumulative preferential cash dividends at an annual rate of $1.75 per share, payable quarterly. The Series C Preferred Shares are redeemable by the Corporation on and after June 30, 2018 at a redemption price of $25.75 per share if redeemed before June 30, 2019, at a redemption price of $25.50 per share if redeemed on or after June 30, 2019 but before June 30, 2020 and at a redemption price of $25.00 per share if redeemed on or after June 30, 2020, in each case together with all accrued and unpaid dividends.

On and after June 30, 2020, the holders of Series C Preferred Shares may redeem their shares for cash on the last day of March, June, September and December of each year at $25.00 per share, together with all accrued and unpaid dividends. Upon receipt of a notice of redemption from the holder, the

Corporation may elect to convert such Series C Preferred Shares into Common Shares. The number of Common Shares into which each Series C Preferred Shares may be so converted will be determined by dividing the amount of $25.00 together with all accrued and unpaid dividends by the greater of $2.00 and 95% of the weighted average trading price of the Common Shares on the TSX for a period of 20 consecutive trading days ending on the fourth day prior to the date specified for conversion (the "**Current Market Price**"). In addition, on and after June 30, 2018, the Corporation may convert the outstanding Series C Preferred Shares into Common Shares. The number of Common Shares into which each Series C Preferred Share may be so converted will be determined by dividing the then applicable redemption price, together with all accrued and unpaid dividends, by the greater of $2.00 and 95% of the Current Market Price. Any conversion of the Series C Preferred Shares will be subject to the approval of the TSX, if required.

Performance Warrants

Performance Warrants were granted to the executive officers of the Corporation at the Corporation's inception and were designed to act as a long-term retention incentive for the holders thereof. The Performance Warrants were specifically designed to provide a financial incentive to the holders upon the trading price of the Common Shares exceeding $6.00. This condition was satisfied in November of 2005 and accordingly, all of the Performance Warrants have been exercisable since November 2005. The outstanding Performance Warrants are held by Messrs. Tonken, Geremia, Surbey and Bosman, each of whom is an executive officer of the Corporation. On May 15, 2014, the shareholders of the Corporation approved an amendment to the outstanding Performance Warrants to extend the expiry date of such Performance Warrants from January 31, 2015 to January 31, 2020.

Options

Pursuant to the Stock Option Plan, Options may be granted to directors, executive officers, employees and consultants of the Corporation. Options are granted by the Board who, at the time of the grant, fixes the exercise price, vesting dates and the expiry date of such Options. The maximum number of Common Shares that may be issued under the Stock Option Plan at any time shall not exceed 10% of the aggregate number of Common Shares actually outstanding at that time, as determined on a non-diluted basis.

The Stock Option Plan provides that the expiry date of an Option shall be no later than 10 years from the date of grant of such Option and that the exercise price of an Option shall be determined by the Board but shall not be lower than the higher of the closing price of the Common Shares on the TSX on the first trading day immediately preceding the date of grant, or the lowest price permitted by the TSX. All of the Options granted to date under the Stock Option Plan provide for: (a) the expiry of such Options not later than the fifth anniversary of the date of grant; and (b) the vesting of such Options with respect to one-third of the Common Shares issuable thereunder on each of the first, second and third anniversaries of the date of grant.

Preferred Warrants

In connection with the issue of the Series A Preferred Shares on August 8, 2012, the Corporation issued three Preferred Warrants with each Series A Preferred Share. Each Warrant provided the right to purchase one Common Share of the Corporation at a price of $8.30 per Common Share until the expiry date of the Preferred Warrants, which expiry occurred on August 8, 2014.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares, the Series A Preferred Shares and the Series C Preferred Shares are listed for trading on the TSX under the trading symbols "BIR", "BIR.PR.A" and "BIR.PR.C", respectively. During the financial year ended December 31, 2014, the Preferred Warrants also traded on the TSX under the trading symbol "BIR.WT". The Preferred Warrants expired on August 8, 2014.

The following table sets forth the price ranges and volumes of each class of securities of the Corporation that were traded on the TSX during the financial year ended December 31, 2014.

Month	**Common Shares**			**Series A Preferred Shares**			**Series C Preferred Shares**			**Preferred Warrants**		
	High	*Low*	*Monthly Trading Volume*	*High*	*Low*	*Monthly Trading Volume*	*High*	*Low*	*Monthly Trading Volume*	*High*	*Low*	*Monthly Trading Volume*
January	8.74	7.17	9,007,205	25.88	25.29	83,872	24.89	23.72	63,250	1.15	0.53	388,535
February	10.27	8.17	12,578,178	26.44	25.31	51,240	25.26	24.58	77,126	2.19	0.83	438,360
March	11.17	9.73	7,750,128	26.62	26.00	33,315	26.29	25.10	27,125	2.96	1.77	1,037,190
April	12.88	10.78	11,599,600	26.98	26.49	26,862	25.93	25.52	26,945	4.60	2.79	648,882
May	13.59	11.40	10,251,704	27.15	26.54	39,577	26.24	25.60	22,005	5.25	3.31	430,735
June	14.97	13.39	8,985,355	27.12	26.45	25,479	26.21	25.56	58,911	6.70	5.15	409,755
July	14.28	10.41	11,291,671	26.83	26.50	27,651	26.20	25.75	32,040	6.00	2.42	263,086
August	12.84	10.67	15,971,480	26.76	25.81	26,953	26.14	25.90	39,015	2.79	2.33	59,200
September	12.82	10.05	12,877,408	27.09	26.45	15,291	26.10	25.46	23,150	N/A	N/A	N/A
October	10.70	8.49	19,213,185	26.51	25.75	25,259	25.97	25.01	54,640	N/A	N/A	N/A
November	11.86	8.53	16,411,364	26.58	25.60	29,449	26.10	24.76	53,165	N/A	N/A	N/A
December	10.25	7.48	16,744,685	26.25	24.65	125,743	25.51	24.00	94,920	N/A	N/A	N/A

Prior Sales

During the year ended December 31, 2014, the only securities the Corporation issued which are outstanding but are not listed or quoted on a marketplace were an aggregate of 3,112,500 Options which were granted at exercise prices ranging from $7.36 to $14.56 per Common Share.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To the Corporation's knowledge, as of December 31, 2014, no securities of Birchcliff were held in escrow or subject to a contractual restriction on transfer.

DIRECTORS AND OFFICERS

Directors

The following table sets forth the name, province and country of residence, the committees of Birchcliff of which they are a member, year first elected to the Board and the principal occupation during the past five years or more of each person who is a director of the Corporation as at the date hereof.

Name, Province and Country of Residence and Committee Membership	Director Since	Principal Occupation During the Past Five Years or More
Larry A. Shaw *Alberta, Canada* Independent Director and Chairman of the Board Chairman and Member of each the Audit Committee, the Compensation Committee and the Reserves Evaluation Committee	January 18, 2005	Mr. Shaw is a Director of Birchcliff and has more than 27 years of experience in the oil and gas industry and is one of the Corporation's founders. Prior to joining Birchcliff, Mr. Shaw served as Chairman of the Board of Case Resources Inc., Big Bear Exploration Ltd. and Stampeder Exploration Ltd. He was President of Shaw Automotive Group Ltd. and Shaw G.M.C. Pontiac Buick Hummer Ltd. Mr. Shaw received his Honors Degree in Business Administration from the University of Western Ontario.
Kenneth N. (Ken) Cullen *Alberta, Canada* Independent Director Member of the Audit Committee, the Compensation Committee and the Reserves Evaluation Committee	February 16, 2011	Mr. Cullen is a Director of Birchcliff and has more than 33 years of experience working with companies in the oil and gas industry as a partner at Deloitte & Touche LLP in the Assurance and Advisory (Audit) group prior to his retirement in 2006. Mr. Cullen currently serves as a director of Southern Pacific Resource Corp. Mr. Cullen received his Chartered Accountant Designation from the Institute of Chartered Accountants of British Columbia.
A. Jeffery Tonken *Alberta, Canada* Director	January 18, 2005	See Mr. Tonken's biography under *"Executive Officers"*.

The directors of the Corporation are elected annually at the annual meeting of shareholders and hold office until the close of the next annual meeting of shareholders.

The Corporation's Board has an Audit Committee, a Compensation Committee and a Reserves Evaluation Committee. Because of the small size of the Board, the Corporation does not have separate corporate governance or executive committees. During the year ended December 31, 2014, Mr. Werner (Vern) A. Siemens was a director of the Corporation and was a member of the Audit Committee, the Compensation Committee and the Reserves Evaluation Committee. Mr. Siemens passed away on March 2, 2015. As at the date hereof, the members of the Audit Committee, the Compensation Committee and the Reserves Evaluation Committee are the two independent directors of the Corporation, namely Messrs. Cullen and Shaw. It is expected that the membership of the committees of the Corporation will be re-constituted following the next annual meeting of the shareholders of the Corporation.

Executive Officers

The following table sets forth the name, province and country of residence, position with the Corporation and principal occupation during the past five years or more of each person who is an executive officer of the Corporation as at the date hereof.

Name and Province and Country of Residence	Current Position with Birchcliff	Principal Occupation During the Past Five Years or More
A. Jeffery Tonken *Alberta, Canada*	President, Chief Executive Officer and Director	Mr. Tonken is a Director and the President and Chief Executive Officer of Birchcliff. He has more than 34 years of experience in the oil and gas industry and is one of the Corporation's founders. Prior to creating Birchcliff, Mr. Tonken founded and served as President and Chief Executive Officer of Case Resources Inc., Big Bear Exploration Ltd. and Stampeder Exploration Ltd. Mr. Tonken was previously a Partner of the law firm Howard, Mackie (now Borden Ladner Gervais LLP). Mr. Tonken is a Governor of the Canadian Association of Petroleum Producers (CAPP). Mr. Tonken received his Bachelor of Commerce degree from the University of Alberta and his Bachelor of Laws degree from the University of Wales.
Myles R. Bosman *Alberta, Canada*	Vice-President, Exploration and Chief Operating Officer	Mr. Bosman is the Vice-President, Exploration and Chief Operating Officer of Birchcliff and is a Professional Geologist. He has more than 24 years of experience in the oil and gas industry and is one of the Corporation's founders. Prior to joining Birchcliff, Mr. Bosman served as Vice-President, Exploration and Chief Operating Officer of Case Resources Inc.; Exploration Manager of Summit Resources Ltd.; and as an Exploration Geologist with both Numac Energy Inc. and Canadian Hunter Exploration. Mr. Bosman received his Bachelor of Science degree in Geology from the University of Calgary and his Resource Engineering diploma from the Northern Alberta Institute of Technology.
Christopher A. Carlsen *Alberta, Canada*	Vice-President, Engineering	Mr. Carlsen was appointed Vice-President, Engineering on July 22, 2013. He previously served as Asset Team Lead and Senior Exploitation Engineer with Birchcliff. Mr. Carlsen is a Professional Engineer with more than 14 years of experience in the oil and gas industry. Prior to joining Birchcliff in 2008, he was the Senior Engineer at Greenfield Resources Ltd. and held various engineering positions at both EnCana Corporation and PanCanadian Petroleum Ltd. Mr. Carlsen received his Bachelor of Science in Chemical Engineering from the University of Saskatchewan.

Name and Province and Country of Residence	Current Position with Birchcliff	Principal Occupation During the Past Five Years or More
Bruno P. Geremia *Alberta, Canada*	Vice-President and Chief Financial Officer	Mr. Geremia is the Vice-President and Chief Financial Officer of Birchcliff and is a Chartered Accountant. He has more than 23 years of experience in the oil and gas industry and is one of the Corporation's founders. Prior to joining Birchcliff, Mr. Geremia served as Vice-President and Chief Financial Officer of both Case Resources Inc. and Big Bear Exploration Ltd.; as Director, Commercial of Gulf Canada Resources; and as Manager, Special Projects of Stampeder Exploration Ltd. Mr. Geremia was previously a Chartered Accountant with Deloitte & Touche LLP. Mr. Geremia received his Bachelor of Commerce degree from the University of Calgary.
David M. Humphreys *Alberta, Canada*	Vice-President, Operations	Mr. Humphreys is the Vice-President, Operations of Birchcliff. He has more than 28 years of experience in the oil and gas industry. Prior to joining Birchcliff in 2009, he served as Vice-President, Operations of Highpine Oil & Gas Ltd., White Fire Energy Ltd., and Virtus Energy Ltd.; Production Manager of both Husky Oil Operations Ltd. and Ionic Energy; and as a Senior Production Engineer with Northrock Resources Ltd. Mr. Humphreys received his Hydrocarbon Engineering Technology diploma from the Northern Alberta Institute of Technology.
James W. Surbey *Alberta, Canada*	Vice-President, Corporate Development	Mr. Surbey is the Vice-President, Corporate Development of Birchcliff and is a member of the Law Society of Alberta. He has more than 37 years of experience in the oil and gas industry and is one of the Corporation's founders. Prior to joining Birchcliff, he served as Vice-President, Corporate Development of Case Resources Inc.; Senior Vice-President, Corporate Development of Big Bear Exploration Ltd.; and Vice-President, Corporate Development of Stampeder Exploration Ltd. Mr. Surbey was previously a Senior Partner of the law firm Howard, Mackie (now Borden Ladner Gervais LLP). Mr. Surbey received his Bachelor of Engineering degree and Bachelor of Laws degree from McGill University.

Shareholdings of Directors and Executive Officers

At March 13, 2015, the directors and executive officers of the Corporation, as a group, beneficially owned, or exercised control or direction over, directly or indirectly, 5,140,844 Common Shares representing approximately 3.4% of the 152,214,206 Common Shares issued and outstanding at that date. The directors and executive officers and their families, as a group, beneficially owned or exercised control or direction over, directly or indirectly, 6,693,632 Common Shares representing approximately 4.4% of the 152,214,206 Common Shares issued and outstanding at that date.

At March 13, 2015, the directors and executive officers of the Corporation, as a group, also held or exercised control or direction over, 4,054,900 Options and 2,534,765 Performance Warrants. On a fully diluted basis at that date, the directors and executive officers of the Corporation, as a group, held or exercised control or direction over, 11,730,509 Common Shares or approximately 7.1% of the 166,301,610 fully diluted Common Shares. On a fully diluted basis at that date, the directors and executive officers of the Corporation and their families, as a group, beneficially owned or exercised control or direction over, directly or indirectly, 13,283,297 Common Shares, representing approximately 8.0% of the 166,301,610 fully diluted Common Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as disclosed below, none of the directors or executive officers of the Corporation is, as at the date of this Annual Information Form, or was within 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company including the Corporation that: (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to an exemption under securities laws that was in effect for a period of more than 30 days (an "**Order**") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as disclosed below, none of the directors or executive officers of the Corporation or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation: (a) is, as at the date of this Annual Information Form, or within the 10 years before the date of this Annual Information Form, a director or executive officer of any company including the Corporation that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

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

Mr. Cullen is a director of Southern Pacific Resource Corp. ("**Southern Pacific**") which was cease traded effective February 20, 2015 for failure to file its quarterly filings when due. Southern Pacific which obtained creditor protection under the *Companies' Creditors Arrangement Act* (Canada) pursuant to an order granted on January 21, 2015 by the Court of Queen's Bench of Alberta.

None of the directors or executive officers of the Corporation or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Directors and executive officers of the Corporation are investors in or directors of other oil and gas companies or entities that may provide financing to, or make equity investments in competitors of the Corporation, which may give rise to conflicts of interest. In accordance with the ABCA, directors and executive officers of the Corporation are required to disclose the nature and extent of any interest that they have in a material contract or material transaction, and in the case of a director, such director will refrain from voting on any matter in respect of such contract or transaction, unless otherwise provided by the ABCA.

AUDIT COMMITTEE

The Charter adopted by the Audit Committee of the Corporation is attached hereto as Schedule A.

As at the date hereof, the Audit Committee is comprised of Messrs. Cullen and Shaw and Mr. Shaw is Chairman of the Audit Committee. During the year ended December 31, 2014, Mr. Werner (Vern) Siemens was a director of the Corporation and was a member of the Audit Committee. Mr. Siemens passed away on March 2, 2015. It is expected that the membership of the Audit Committee will be re-constituted following the next annual meeting of the shareholders of the Corporation.

Each of the members of the Audit Committee is "independent" and "financially literate" within the meaning of NI 52-110. Mr. Cullen is a Chartered Accountant and a former Partner of Deloitte and Touche LLP. Mr. Shaw has served as the chairman of several public oil and gas companies and as a member of the audit committee of such companies and was also the president of Shaw Automotive Group Ltd. and Shaw G.M.C. Pontiac Buick Hummer Ltd. As a result, each of the members of the Audit Committee are "financially literate" in that they have an ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the Corporation's financial statements. Further details of the relevant education and experience of each of the members of the Audit Committee are set forth under the heading "*Directors and Officers – Directors*".

The Audit Committee meets with the Chief Financial Officer and the Corporation's auditors and reviews the Corporation's annual and interim financial statements prior to their presentation to the full Board for approval. The Audit Committee also reviews the Corporation's systems of internal controls and reviews any proposed engagement of the Corporation's auditors to provide non-audit services to the Corporation.

The Audit Committee also meets with the Corporation's auditors separately from management and management members of the Board to both plan and review the audit process.

The following table provides information about fees billed to Birchcliff for professional services rendered by KPMG LLP in the years ended December 31, 2014 and 2013.

	2014	**2013**
Audit Fees(1)	$130,000	$120,000
Audit-Related Fees(2)	$42,000	$39,000
Tax Fees(3)	$14,170	$16,520
All Other Fees(4)	–	$56,880
Total	**$186,170**	**$232,400**

Notes:

(1) "Audit Fees" were for professional services rendered by the auditors for the audit of the annual financial statements of the Corporation. The only fees billed to the Corporation by the auditors for audit services in each of the last two fiscal years were: (i) $130,000 in 2014 of

which $50,000 was for the 2014 audit and $80,000 was for the 2013 audit; and (ii) $120,000 in 2013 of which $40,000 was for the 2013 audit and $80,000 was for the 2012 audit.

(2) "Audit-Related Fees" relate to the review of the Corporation's quarterly financial statements. Audit-Related Fees were for assurance and related services not reported under the heading of "Audit Fees" above.

(3) "Tax Fees" consist of fees in respect of services provided in connection with the preparation and filing of the corporate income tax return and other tax-related work.

(4) In 2013, the auditors billed the Corporation an aggregate of $56,880 largely in respect of their services provided in connection with the preferred share equity financing, including the review of the prospectus, attendance at due diligence meetings and the review Birchcliff's continuous disclosure documents. Fees to be disclosed under this category would be for products and services other than those described under the headings of "Audit Fees", "Audit-Related Fees" and "Tax Fees" above.

The Charter adopted by the Audit Committee provides that all non-audit services to be provided to the Corporation by the Corporation's external auditor must be pre-approved by the Audit Committee. The Audit Committee may delegate this function to one of its independent members, who shall report to the Audit Committee on any such approvals.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Corporation's 2006 and 2007 income tax filings have been reassessed by the CRA. The reassessments are based on the CRA's determination that the tax pools available to Veracel, prior to its amalgamation with the Corporation on May 31, 2005, ceased to be available after the amalgamation. The Veracel tax pools in dispute totalled $39.3 million. A trial of the matter was held in the Federal Court of Canada in November 2013 and Birchcliff is now awaiting the Court's decision.

There are no other material legal proceedings that the Corporation is or was a party to, or that any of its property is or was the subject of, during the most recently completed financial year or that the Corporation knows to be contemplated.

There are: (a) no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory body during the most recently completed financial year; (b) no other penalties or sanctions imposed by a court or regulatory body against the Corporation that would be considered important to a reasonable investor in making an investment decision; or (c) no settlement agreements the Corporation entered into before a court relating to securities legislation or with a securities regulatory authority during the most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Within the three most recently completed financial years or during the current financial year, no director or executive officer of the Corporation; no other person or company who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Common Shares; nor any associate or affiliate of such person or company, had any material interest, directly or indirectly, in any transaction that has materially affected or is reasonably expected to materially affect the Corporation.

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada, located at Suite 600, 530 – 8th Avenue S.W., Calgary, Alberta T2P 3S8 is the transfer agent and registrar of the Corporation.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the Corporation has not entered into any material contracts during the most recently completed financial year or before the last financial year that are still in effect.

INTERESTS OF EXPERTS

KPMG LLP performed the audit in respect of the annual financial statements of the Corporation as at and for the years ended December 31, 2014 and December 31, 2013. KPMG LLP is considered independent of the Corporation within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

The Corporation's independent qualified reserves evaluators, Deloitte, prepared reserves estimates referred to in the Corporation's annual filings in respect of the financial years ended December 31, 2014 and December 31, 2013. As at the date hereof, the principals of Deloitte, as a group, beneficially own, directly or indirectly, less than 1% of the securities of the Corporation.

Other than as set out above, there is no person or company whose profession or business gives authority to a report, valuation, statement or opinion made by them, who was named in the filings made under NI 51-102 by the Corporation during, or related to, the Corporation's most recently completed financial year.

ADDITIONAL INFORMATION

Additional information about the Corporation can be found on SEDAR at www.sedar.com and on the Corporation's website at www.birchcliffenergy.com.

Additional information including the remuneration and indebtedness of the directors and executive officers of the Corporation, the principal holders of Common Shares, and the securities authorized for issuance under equity compensation plans, is contained in the Information Circular of the Corporation for the most recent annual meeting of shareholders, which was held on May 15, 2014.

Additional financial information relating to the Corporation is provided in the Corporation's Financial Statements and Management's Discussion and Analysis for the financial year ended December 31, 2014.

DEFINITIONS

In this Annual Information Form, the capitalized terms set forth below have the following meanings.

"**2014 Reserves Evaluation**" means the independent evaluation dated January 30, 2015, prepared by Deloitte, evaluating the Corporation's oil and natural gas reserves at December 31, 2014.

"**ABCA**" means the *Business Corporations Act,* R.S.A. 2000, C. B-9, as amended.

"**Annual Information Form**" means this annual information form of the Corporation dated March 18, 2015 for the year ended December 31, 2014.

"**Birchcliff**" or "**Corporation**" means Birchcliff Energy Ltd.

"**Board**" means the board of directors of the Corporation.

"**Charlie Lake Light Oil Resource Play**" means Birchcliff's Charlie Lake formation light oil resource play located northwest of Grande Prairie, Alberta.

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time to time.

"**Common Shares**" means the common shares of the Corporation.

"**CRA**" means Canada Revenue Agency.

"**Credit Facilities**" has the meaning set forth under the heading *"General Development of the Business – Three Year History – 2014"*.

"**CSA Staff Notice 51-324**" means the Canadian Securities Administrators Staff Notice 51-324 – *Glossary to NI 51-101.*

"**Current Market Price**" has the meaning set forth under the heading *"Description of Capital Structure – Preferred Shares – Series C Preferred Shares"*.

"**Deloitte**" means Deloitte LLP, independent qualified reserves evaluators of Calgary, Alberta.

"**Gross**" means:

(a) in relation to the Corporation's interest in production or reserves, the Corporation's working interest (operating or non-operating) share before deduction of royalty obligations and without including any royalty interests;

(b) in relation to wells, the total number of wells in which the Corporation has an interest; and

(c) in relation to properties, the total area in which the Corporation has an interest.

"**Montney/Doig Natural Gas Resource Play**" means Birchcliff's Montney and Doig formations natural gas resource play located northwest of Grande Prairie, Alberta.

"**Net**" means:

(a) in relation to the Corporation's interest in production or reserves, the Corporation's working interest (operating or non-operating) share after deduction of royalty obligations, plus the Corporation's royalty interests in such production or reserves;

(b) in relation to wells, the number of wells obtained by aggregating the Corporation's working interest in each of the Corporation's gross wells; and

(c) in relation to properties, the total area in which the Corporation has an interest multiplied by the working interest owned by the Corporation.

"**NI 51-101**" means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

"**NI 51-102**" means National Instrument 51-101 – *Continuous Disclosure Obligations*.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees*.

"**OPEC**" means the Organization of the Petroleum Exporting Countries.

"**Options**" means stock options to purchase Common Shares.

"**Order**" has the meaning set forth under the heading "*Directors and Officers – Cease Trade Orders, Bankruptcies, Penalties or Sanctions".*

"**PCS Gas Plant**" means Birchcliff's 100% owned and operated natural gas plant located in the Pouce Coupe South area.

"**Performance Warrants**" means the performance warrants of the Corporation with each performance warrant providing the right to purchase one Common Share at a price of $6.00 per Common Share which expire on January 31, 2020.

"**PNG**" means petroleum and natural gas.

“**PRA Acquisition**” has the meaning set forth under the *heading “General Development of the Business – Prior History”*.

“**Preferred Warrants**” means the common share purchase warrants of the Corporation with each warrant providing the right to purchase one Common Share at a price of $8.30 per Common Share which preferred warrants expired on August 8, 2014.

“**revolving term credit facilities**” has the meaning set forth under the heading *“General Development of the Business – Prior History”.*

“**Reserves**” means estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates:

(a) Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

(b) Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

(c) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

“**Scout**” means Scout Capital Corp.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval.

“**Series A Preferred Shares**” means the Corporation’s cumulative redeemable preferred shares, Series A.

“**Series B Preferred Shares**” means the Corporation’s cumulative redeemable preferred shares, Series B.

“**Series C Preferred Shares**” means the Corporation’s cumulative redeemable preferred shares, Series C.

“**Stock Option Plan**” means the Corporation’s stock option plan dated January 18, 2005, as amended and restated on April 21, 2005 and May 15, 2008.

“**TSX**” means the Toronto Stock Exchange.

“**Veracel**” means Veracel Inc.

“**Western Canadian Sedimentary Basin**” means the vast sedimentary basin underlying Western Canada that is the source of most of Western Canada’s current oil and gas production.

“**working interest**” means a percentage of ownership in an oil and gas property, obligating the owner to share in the costs of exploration, development and operations and granting the owner the right to share in production revenues after royalties are paid.

“**Worsley Acquisition**” has the meaning set forth under the heading *“General Development of the Business – Prior History”.*

"**Worsley Charlie Lake Light Oil Resource Play**" means Birchcliff's Charlie Lake Light Oil Resource Play located near Worsley, Alberta.

"**Worsley Property**" has the meaning set forth under the heading *"General Development of the Business – Prior History".*

ABBREVIATIONS, CONVERSIONS AND CONVENTIONS

Abbreviations

The abbreviations set forth below have the following meanings:

Oil and Natural Gas Liquids		**Natural Gas**	
bbl	barrel	GJ	gigajoule
NGLs	natural gas liquids	Mcf	thousand cubic feet
		MMcf	million cubic feet
		MMcf/d	million cubic feet per day

Other	
AECO	benchmark natural gas price determined at the AECO 'C' hub in southeast Alberta
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
LNG	liquefied natural gas
m^3	cubic metres
Mcfe	thousands of cubic feet of gas equivalent
MMcfe	millions of cubic feet of gas equivalent
MMcfe/d	millions of cubic feet of gas equivalent per day
WTI	West Texas Intermediate crude oil, a benchmark oil price determined at Cushing, Oklahoma

Conversions

The following table sets forth certain Standard Imperial Units and International System of Units conversions.

From	To	Multiply By
Mcf	m^3	28.174
Mcf	GJ	1.055
m^3	cubic feet	35.494
bbls	cubic metres	0.159
acres	hectares	0.405
sections	acres	640
sections	hectares	256

Conventions

Certain terms used herein are defined in NI 51-101 and CSA Staff Notice 51-324 and, unless the context otherwise requires, shall have the same meanings in this Annual Information Form as in NI 51-101 or 51-324, as the case may be. Unless otherwise indicated, references in this Annual Information Form to "$" or "dollars" are to Canadian dollars. All financial information contained in this Annual Information Form has been presented in Canadian dollars in accordance with Canadian generally accepted accounting principles. Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders.

ADVISORIES

Non-GAAP Measures: *This Annual Information Form and the documents incorporated by reference herein use "netback" and "operating netback" which do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Netback and operating netback denote petroleum and natural gas revenue less royalties, less operating expenses and less transportation and marketing expenses. Management uses netback and operating netback as key measures to assess the Corporation's efficiency and its ability to generate the cash necessary to fund future growth through capital investments, pay dividends on preferred shares and repay debt.*

Boe Conversions: *Boe amounts have been calculated by using the conversion ratio of six thousand cubic feet (6 Mcf) of natural gas to one barrel of oil (1 bbl). Boe amounts may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*

MMcfe Conversions: *MMcfe amounts have been calculated by using the conversion ratio of one barrel of oil (1 bbl) to six thousand cubic feet (6 Mcf) of natural gas. Mcfe amounts may be misleading, particularly if used in isolation. A Mcfe conversion ratio of 1 bbl to 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*

2014 Reserves Evaluation: *The reserves volumes disclosed are based on the 2014 Reserves Evaluation prepared by Deloitte. The 2014 Reserves Evaluation has been prepared in accordance with the standards contained in the COGE Handbook and NI 51-101.*

Reserves for a Portion of Properties: *With respect to the disclosure of reserves contained herein relating to portions of the Corporation's properties, the estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties due to the effects of aggregation.*

Forward-Looking Information: *This Annual Information Form and the documents incorporated by reference herein contain forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking information relates to future events or future performance and is based upon the Corporation's current internal expectations, estimates, projections, assumptions and beliefs. All information other than historical fact is forward-looking information. Information relating to reserves and resources is forward-looking as it involves the implied assessment, based on certain estimates and assumptions, that the reserves and resources exist in the quantities estimated and that they will be commercially viable to produce in the future. Words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "estimated", "forecast", "may", "will", "potential", "proposed" and other similar words that convey certain events or conditions "may" or "will" occur are intended to identify forward-looking information.*

In particular, this Annual Information Form contains forward-looking information including, among other places, under the headings "Description of the Business", "Reserves Data and Other Information" and "Risk Factors". This forward-looking information includes but is not limited to statements regarding: the Corporation's plans and other aspects of its anticipated future operations, management focus, strategies and priorities; estimates of reserves volumes; the net present values of future net revenue associated *with the Corporation's reserves; the Corporation's intention to drill and complete future wells; expected results from the Corporation's portfolio of oil and gas assets; the quantity and development of oil and gas reserves; royalty rates and incentives; treatment under tax laws; decline rates; the Corporation's 2015 capital budget; proposed expansions of the PCS Gas Plant including the anticipated processing capacities of the PCS Gas Plant after such expansions, the anticipated timing of the field construction and start-up of such expansions and the Corporation's plan to rebid the field assembly and construction work of the Phase V expansion after Q1 2015, which is anticipated to result in cost savings due to the continued reduction in demand for labour, services and material; the Corporation's expectation that its reserves evaluator will assign additional future horizontal locations and reserves based on reduced inter-well spacing; and the Corporation's dividend policy and the payment of dividends on the preferred shares.*

The forward-looking information contained in this Annual Information Form and the documents incorporated by reference is based upon certain expectations and assumptions including: prevailing and future commodity prices, currency exchange rates, interest rates, inflation rates and applicable royalty rates and tax laws; the state of the economy and the exploration and production business; reserve and resource volumes; anticipated timing and results of capital expenditures; the sufficiency of budgeted capital expenditures to carry out planned expenditures; results of operations; operating and general and administrative costs; the performance of existing and future wells and well production rates; well drainage areas; success rates for future drilling; the impact of competition; the availability and demand for labour, services and materials; the Corporation's ability to access capital; and the Corporation's ability to market oil and gas. In addition, the Corporation has made the following key assumptions with respect to certain forward-looking information contained in this Annual Information Form and the documents incorporated by reference herein:

- *With respect to estimates of reserves volumes and the net present values of future net revenue associated with the Corporation's reserves, the key assumption is the validity of the data used by Deloitte in their independent reserves evaluations and resource assessments.*

- *With respect to statements of future wells to be drilled, completed, equipped and tied-in, estimates of future drilling locations and opportunities, statements as to decline rates of the Corporation's wells and statements as to future growth in the Elmworth area, the key assumption is the validity of the geological and other technical interpretations performed by the Corporation's technical staff, which indicate that commercially economic volumes can be recovered from the Corporation's lands as a result of drilling future wells.*

- *With respect to statements regarding proposed expansions of the PCS Gas Plant, the anticipated processing capacities of the PCS Gas Plant after such expansions and the anticipated timing of the field construction and start-up of such expansions, the key assumptions are that: future drilling is successful; there is an availability of sufficient labour, services and equipment; the Corporation will have access to sufficient capital to fund those projects; and commodity prices warrant proceeding with the construction of such facilities and the drilling of associated wells.*

- *With respect to the Corporation's expectation that the rebidding of the field assembly and construction work of the Phase V expansion after Q1 2015 is anticipated to result in cost savings due to the continued reduction in demand for labour, services and material, the key assumption is that service providers will reduce the costs of their services to the Corporation and other industry participants which will result in savings to the Corporation.*

Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions, expectations or assumptions upon which they are based will occur. Although the Corporation believes that the expectations and assumptions reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. As a consequence, actual results may differ materially from those anticipated.

Forward-looking information necessarily involves both known and unknown risks and uncertainties that could cause actual results to differ materially from those anticipated including risks associated with oil and gas exploration, production, transportation and marketing such as uncertainty of geological and technical data, imprecision of reserves and resource estimates, operational risks, environmental risks, loss of market demand, general economic conditions affecting ability to access sufficient capital, commodity price fluctuations, changes in governmental regulation of the oil and gas industry and competition from others for scarce resources.

The foregoing list of risk factors is not exhaustive. Additional information on these and other risk factors that could affect operations or financial results are included under the heading "Risk Factors" in this Annual Information Form and in other reports filed with Canadian securities regulatory authorities. Forward-looking information is based on estimates and opinions of management at the time the information is presented. The Corporation is not under any duty to update the forward-looking information after the date of this Annual Information Form to conform such information to actual results or to changes in the Corporation's plans or expectations, except as otherwise required by applicable securities laws.

Any "financial outlook" contained in this Annual Information Form or the documents incorporated by reference herein, as such term is defined by applicable securities laws, is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes.

SCHEDULE A

AUDIT COMMITTEE CHARTER

1) **Purpose**

The purpose of the Audit Committee is to assist the Board of Directors in overseeing:

(a) The preparation of the financial statements of the Corporation and the conduct of any audit thereof.

(b) The Corporation's compliance with applicable financial reporting requirements.

(c) The independence and performance of the Auditor.

(d) The Corporation's compliance with the Corporation's policies and guidelines.

2) **Definitions**

For the purposes of this Charter:

(a) "**Auditor**" means the auditor appointed to prepare an Audit Report in respect of the annual financial statements of the Corporation.

(b) "**Board**" means the Board of Directors of the Corporation.

(c) "**Chairperson**" means Chairperson of the Audit Committee.

(d) "**Committee**" means the Audit Committee of the Board.

(e) "**Corporation**" means Birchcliff Energy Ltd.

3) **Election and Composition**

(a) The Board shall appoint annually, from among its members, a Committee to be known as the "Audit Committee".

(b) The Audit Committee shall be comprised of at least three Directors, of whom a majority shall not be officers or employees of the Corporation or an affiliate of the Corporation. All committee members shall be "independent" (as such term is used in National Instrument 52-110 – *Audit Committees*). All members of the Committee shall comply with the financial literacy requirements of National Instrument 52-110 - *Audit Committees*.

(c) The Audit Committee shall select from its members a Chairperson of the Committee.

(d) Any member of the Committee may be removed or replaced at any time by the Board and shall automatically cease to be a member of the Committee upon ceasing to be a Director of the Corporation.

4) **Meetings**

(a) The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate.

(b) The Chairperson of the Committee or any member may at any time convene a meeting of the Committee, and the Chairperson or any member of the Committee shall convene a meeting at the request of the Auditor.

(c) Notice of meetings shall be delivered, mailed, faxed or sent by any other form of transmitted or recorded message to each member not less than forty-eight hours before the meeting is to take place.

(d) Notice of any meeting or any irregularity in any meeting or the notice thereof may be waived by any member.

(e) A quorum for meetings of the Audit Committee shall be at least two members of the Committee who are not officers or employees of the Corporation or an affiliate of the Corporation.

(f) Meetings may be held at any time without formal notice if all the members are present, or if a quorum is present and those members who are absent signify their consent to the meeting being held in their absence. Any resolution passed or action taken at such a meeting shall be valid and effectual as if it had been passed or taken at a meeting duly called and constituted.

(g) Questions arising at any meeting of the Committee shall be decided by the majority of votes. In the case of an equality of votes, the Chairperson shall have the casting vote.

5) **Responsibilities**

(a) The Committee shall recommend to the Board:

(i) the person or firm to be nominated as Auditor for the purposes of preparing or issuing an Auditor's report or performing other audit, review or attest services for the Corporation; and

(ii) the compensation of the Auditor.

(b) The Committee shall be directly responsible for overseeing the work of the Auditor engaged for the purpose of preparing or issuing an Auditor's Report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the Auditor regarding financial reporting.

(c) When there is to be a change in Auditor, the Committee shall review the issues related to the change and shall approve the information to be included in the required notice to securities regulators of such change.

(d) The Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's Auditor. The Committee may delegate this function to one of its independent members, who shall report to the Committee on any such approvals.

(e) The Committee shall review and report to the Board on the Corporation's interim and annual financial statements, and all related management's discussion and analysis, before those materials are filed with the regulators and published. If authorized by the Board, the Committee may approve the interim financial statements and the related management's discussion and analysis, before those materials are filed with regulators and published. The Committee's review process should include, but not be limited to:

(i) reviewing changes in accounting principles, or in their application, which may have a material impact on a current or future year's financial statements;

(ii) reviewing significant accruals, reserves or other estimates such as any ceiling test calculation;

(iii) reviewing the accounting treatment of unusual or non-recurring transactions;

(iv) reviewing disclosure of commitments and contingencies;

(v) reviewing adjustments suggested by the Auditor, whether or not included in the financial statements;

(vi) reviewing unresolved differences between management and the Auditors; and

(vii) obtain explanations of significant variances with comparative reporting periods.

(f) The Committee shall review the annual and interim earnings press releases and any press releases or other documents for public disclosure containing information extracted from financial statements that have not previously been reviewed by the Committee, before the Corporation publicly discloses this information.

(g) The Committee shall ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in subsection 5(e), and shall periodically assess the adequacy of those procedures.

(h) The Committee shall oversee management's reporting on internal controls and shall advise the Board of any material failures of the internal controls.

(i) The Committee shall establish procedures:

(i) for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

(ii) for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

Until the Committee determines otherwise, the Committee adopts the Whistleblower Policy attached hereto as Exhibit A. Prior to adopting any changes to the Whistleblower Policy, the Committee shall advise the Directors of the proposed changes.

(j) The Committee shall review and approve the employment by the Corporation of any current or former partner or employee of the Auditor.

(k) The Committee shall review the corporate systems that identify and manage principal business risks.

(l) The Committee shall review and, if necessary, update this Charter periodically, at least annually, as conditions dictate.

6) **Authority**

(a) The Committee is authorized in carrying out its duties to:

(i) engage independent counsel and other advisors as it determines necessary to carry out its duties;

(ii) set and pay the compensation for any advisors employed by the Committee; and

(iii) communicate directly with the Auditors.

(b) Prior to exercising the authority in subsection 6(a)(i) or (ii), the Committee shall notify the Board of its proposed action and also consult with the Chief Financial Officer with respect to the engagement of any independent counsel or other advisors.

(c) The Board may refer to the Committee such matters and questions relating to the financial position of the Corporation and its affiliates as the Board from time to time sees fit.

(d) The members of the Committee have the right for the purpose of performing their duties of inspecting any of the books and records of the Corporation and its affiliates.

(e) The Committee may require the Auditor, any Director, officer or employee of the Corporation to appear before it to discuss the accounts and records and/or financial position of the Corporation.

(f) The Auditor shall be given notice of every meeting of the Committee and shall have the right to attend and be heard thereat. The Auditor shall report directly to the Audit Committee.

(g) Members of the Committee may rely upon the accuracy of any statement or report prepared by the Auditor or upon any other statement or report including any appraisal report prepared by a qualified person and shall not be responsible or held liable for any loss or damage in respect of any action taken on the basis of such statement or report.

7) **Records**

(a) The Audit Committee shall keep such records as it may deem necessary, of its proceedings and shall report regularly its activities and recommendations to the Board of Directors as appropriate.

EXHIBIT A
to the Audit Committee Charter of Birchcliff Energy Ltd.

WHISTLEBLOWER POLICY

Scope of the Whistleblower Policy

The Audit Committee (the "**Audit Committee**") of the Board of Directors of Birchcliff Energy Ltd. (the "**Corporation**") is responsible under Canadian securities laws for the integrity of the financial reporting of the Corporation and for the system of internal controls, the audit process and monitoring compliance with the financial reporting laws applicable to the Corporation and to all other corporations, trusts, partnerships or other entities which may be established by the Corporation (the "**Other Entities**"). The integrity of the financial information of the Corporation is of paramount importance to the Committee and to the Board of Directors.

National Instrument 52-110 Audit Committees ("**NI 52-110**") has outlined certain aspects of audit committee responsibility and the Audit Committee understands the importance of the responsibilities described in NI 52-110 and intends to be in compliance with such responsibilities. One such responsibility relates to the implementation of procedures for addressing complaints regarding questionable accounting or auditing matters.

This document outlines the procedure which the Audit Committee is establishing for the confidential, anonymous submission by employees of the Corporation and the Other Entities of any concerns which individuals may have regarding questionable accounting or auditing matters.

Individuals are encouraged to submit all good faith concerns and complaints in respect of the accuracy and integrity of the Corporation's accounting, auditing and financial reporting, without fear of retaliation of any kind. If an individual has any concerns about accounting, audit, internal controls or financial reporting matters which he or she considers to be questionable, incorrect, misleading or fraudulent, the individual is urged to come forward as contemplated by this Policy with any such information, complaints or concerns, without regard to the instructions or objections of the person or persons responsible for the subject matter of the relevant complaint or concern.

The designated contact to receive completed reports from employees is Mr. Larry Shaw, the Chairman of the Audit Committee (the "**Designated Contact**").

Procedure for Reporting Concerns

The reporting individual should describe his or her concerns in writing and should include sufficient information to allow the Audit Committee to understand and review the written concern. If the reporting individual wishes to remain anonymous, the written communication should clearly indicate this wish for anonymity. All concerns should be forwarded to Larry Shaw, Chairperson of the Audit Committee, at the address noted below, in a sealed envelope labeled as follows:

"**PRIVATE AND CONFIDENTIAL - To be opened by the addressee only**"

Mr. Larry Shaw, Chairman of the Audit Committee
c/o of Birchcliff Energy Ltd.
Suite 500, 630 – 4th Avenue S.W.
Calgary, Alberta T2P 0J9

If the reporting individual wishes to discuss the matter with the Audit Committee, this request should be indicated in the submission. In order to facilitate such a discussion, the reporting individual should include a telephone number at which he or she can be contacted.

Anonymous Submissions

If the reporting individual wishes to remain anonymous, the individual may indicate this request for anonymity on the submission and should remove any items that may inadvertently disclose his or her identity.

Handling of Concerns Raised:

Promptly following the receipt of any complaints submitted to it, the Audit Committee will investigate each complaint and take corrective actions it considers appropriate in the circumstances.

Authority of Audit Committee

The Audit Committee has the authority to:

(a) conduct any investigation which it considers appropriate, and has direct access to the external auditor of the Corporation, as well as officers and employees of the Corporation and Other Entities, as applicable; and

(b) retain, at the Corporation's expense, special legal, accounting or such other advisors, consultants or experts it deems necessary in the performance of its duties.

In conducting any investigation, the Audit Committee shall use reasonable efforts to protect the anonymity of the reporting individual to the extent so requested.

Records

The Audit Committee will retain as part of its records, any complaints or concerns for a period of no less than seven years. The Audit Committee will keep written record of such reports or inquiries and make quarterly reports to the Board on any ongoing investigation which will include steps taken to satisfactorily address each complaint.

Employee Protection

All employees are assured that no retaliation of any kind is permitted against the applicable individual for complaints or concerns made in good faith. No employee will be adversely affected because the employee refuses to carry out a directive which, in fact, constitutes corporate fraud, or is a violation of a federal or provincial law.

Questions about this Policy

Questions regarding the policy may be directed to Mr. Larry Shaw, Chairperson of the Audit Committee and Designated Contact. He can be reached for this purpose by telephone at (403) 206-3330.