



**BIRCHCLIFF ENERGY LTD.**

**Annual Meeting of Shareholders**

**to be held at**

**3:00 p.m. (Mountain Daylight Time) on Thursday, May 12, 2016  
at the Metropolitan Conference Centre  
333 – 4<sup>th</sup> Avenue S.W., Calgary, Alberta**

---

**NOTICE OF MEETING AND INFORMATION CIRCULAR**

---

**March 16, 2016**

**BIRCHCLIFF ENERGY LTD.**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TAKE NOTICE THAT** the annual meeting (the “**Meeting**”) of the holders of common shares (“**Common Shares**”) of Birchcliff Energy Ltd. (the “**Corporation**”) will be held at 3:00 p.m. (Mountain Daylight Time) on Thursday, May 12, 2016 in the Strand/Tivoli Room at the Metropolitan Conference Centre, 333 – 4<sup>th</sup> Avenue S.W., Calgary, Alberta, for the following purposes:

1. to receive and consider the audited financial statements of the Corporation for the financial year ended December 31, 2015 and the report of the auditors thereon;
2. to fix the numbers of directors of the Corporation to be elected at the Meeting at four (4);
3. to elect the directors of the Corporation for the ensuing year;
4. to appoint KPMG LLP, Chartered Accountants, as the auditors of the Corporation for the ensuing year and to authorize the board of directors to fix their remuneration; and
5. to transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

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

**A shareholder may attend the Meeting in person or may be represented by proxy. Registered shareholders of the Corporation who are unable to attend the Meeting in person are requested to date and sign the enclosed form of proxy and return it to the Corporation’s transfer agent, Computershare Trust Company of Canada: (i) by mail using the enclosed return envelope or one addressed to Computershare Trust Company of Canada, Proxy Department, 135 West Beaver Creek, P.O. Box 300, Richmond Hill, Ontario L4B 4R5; (ii) by hand delivery to Computershare Trust Company of Canada, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1; or (iii) by facsimile to (416) 263-9524 or 1-866-249-7775. Registered shareholders may also use the internet at [www.investorvote.com](http://www.investorvote.com) to vote their Common Shares and to appoint another person to be the shareholder’s proxyholder. Shareholders voting through the internet will be prompted to enter the 15-digit control number found on the form of proxy. In order to be valid, proxies must be received by Computershare Trust Company of Canada on or before 3:00 p.m. (Mountain Daylight Time) on Tuesday, May 10, 2016, or if the Meeting is adjourned or postponed, at least 48 hours (excluding Saturdays, Sundays and holidays) prior to any adjournment or postponement thereof.**

Only shareholders of record as of the close of business on March 24, 2016 (the “**Record Date**”) are entitled to receive notice of and to vote at the Meeting, provided that if a shareholder has transferred the ownership of any of his or her Common Shares after the Record Date and the transferee of those Common Shares produces properly endorsed Common Share certificates or otherwise establishes that he or she owns the Common Shares and demands, not later than ten days before the Meeting, that his or her name be included in the list of shareholders before the Meeting, then the transferee shall be entitled to vote such Common Shares at the Meeting.

**DATED** at the City of Calgary, in the Province of Alberta, this 16<sup>th</sup> day of March, 2016.

**BY ORDER OF THE BOARD OF DIRECTORS**

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

## INFORMATION CIRCULAR

### Persons Making the Solicitation

This Information Circular (the “**Information Circular**”) is furnished in connection with the solicitation of proxies by the management of Birchcliff Energy Ltd. (“**Birchcliff**” or the “**Corporation**”) for use at the annual meeting (the “**Meeting**”) of the holders of common shares of the Corporation (“**Common Shares**”) to be held on Thursday, May 12, 2016 in the Strand/Tivoli Room at the Metropolitan Conference Centre, 333 – 4<sup>th</sup> Avenue S.W., Calgary, Alberta at 3:00 p.m. (Mountain Daylight Time), and at any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders (the “**Notice of Meeting**”).

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

The information contained in this Information Circular is given as of March 16, 2016, except where otherwise indicated.

### Appointment of Proxies

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

**In order to be valid, proxies must be received by Computershare Trust Company of Canada on or before 3:00 p.m. (Mountain Daylight Time) on Tuesday, May 10, 2016, or if the Meeting is adjourned or postponed, at least 48 hours (excluding Saturdays, Sundays and holidays) prior to any adjournment or postponement thereof.** The Chairman of the Meeting will have the discretion, but is not obligated, to accept proxies that are deposited with Computershare Trust Company of Canada or with the Chairman of the Meeting less than 48 hours prior to the time of the Meeting or any adjournment or postponement thereof.

The persons named as proxyholders in the enclosed form of proxy are directors and/or executive officers of the Corporation. **A shareholder has the right to appoint a person or company to attend and represent the shareholder at the Meeting, other than the persons designated in the form of proxy furnished by the Corporation. To exercise this right, the shareholder is required to either insert the name of the shareholder’s appointee in the blank space provided in the form of proxy or complete another appropriate form of proxy and, in either case, deliver the completed proxy to Computershare Trust Company of Canada, at the places and within the time specified above for the deposit of proxies.**

## **Notice-and-Access**

The Corporation has elected to use “notice-and-access” (“**Notice-and-Access**”) under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”) in respect of the Meeting for delivery of meeting materials to its shareholders who do not hold Common Shares in their own name (“**Beneficial Shareholders**”). Notice-and-Access is a set of rules developed by the Canadian Securities Administrators that are intended to reduce the volume of materials mailed to shareholders by allowing a reporting issuer to post proxy-related materials in respect of a shareholders’ meeting online, rather than mailing paper copies.

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

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

## **Revocation of Proxies**

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

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

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

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

## Advice to Beneficial Shareholders

The information set forth in this section is of significant importance to many shareholders of Birchcliff, as a substantial number of shareholders do not hold Common Shares registered in their own name. In most cases, shareholders are the “beneficial holders” of Common Shares registered in the name of an intermediary such as a broker or trustee. Beneficial Shareholders who do not hold Common Shares in their own name should note that only proxies deposited by shareholders whose names appear on the records of the Corporation as registered holders of the Common Shares can be recognized and acted upon at the Meeting.

If Common Shares are listed in an account statement provided to a shareholder by a broker or trustee, then in almost all cases those Common Shares will not be registered in the shareholder’s name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the shareholder’s broker or trustee.

In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co., the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms. Under Canadian securities laws, Common Shares held by brokers or their nominees for Beneficial Shareholders can only be voted upon the instructions of the Beneficial Shareholder. Without specific instructions, intermediaries are prohibited from voting Common Shares for their clients. The directors and executive officers of Birchcliff do not know for whose benefit the Common Shares registered in the name of CDS & Co. are held.

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

The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”) in Canada. Broadridge prepares a machine readable voting instruction form, mails this form to Beneficial Shareholders and asks Beneficial Shareholders to communicate voting instructions to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting.

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

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

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

**Interest of Certain Persons or Companies in Matters to be Acted Upon**

Management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer of the Corporation at any time since the beginning of the financial year ended December 31, 2015, any proposed nominee for election as a director of the Corporation or any associate or affiliate of any of the foregoing, in any matter to be acted upon at the Meeting, except as disclosed in this Information Circular under the headings “*Business of the Meeting – Fixing Number of Directors*” and “*Business of the Meeting – Election of Directors*”.

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

On March 16, 2016, Birchcliff had 152,307,539 Common Shares issued and outstanding. Only shareholders of record at the close of business on March 24, 2016 (the “**Record Date**”) are entitled at the Meeting to one vote for each Common Share held, provided that if a shareholder has transferred the ownership of any of his or her Common Shares after the Record Date and the transferee of those Common Shares produces properly endorsed Common Share certificates or otherwise establishes that he or she owns the Common Shares and demands, not later than ten days before the Meeting, that his or her name be included in the list of shareholders before the Meeting, then the transferee shall be entitled to vote such Common Shares at the Meeting.

As at March 16, 2016 and to the best of the knowledge of the directors and executive officers of the Corporation, no person or company beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares other than as set forth in the table below.

Name and Municipality of Residence of Shareholder	Number and Percentage of Common Shares
Seymour Schulich Toronto, Ontario	42,000,000 27.6%

## BUSINESS OF THE MEETING

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

### 1. Annual Report and Financial Statements

Pursuant to the *Business Corporations Act* (Alberta) (the “**ABCA**”), the directors will place before the shareholders at the Meeting, the audited financial statements of the Corporation for the financial year ended December 31, 2015 and the auditors’ report thereon, as presented in the 2015 Annual Report of the Corporation. Shareholder approval is not required in relation to the audited financial statements.

### 2. Fixing Number of Directors

The Corporation is required to have a minimum of three and a maximum of eleven directors. At the Meeting, shareholders will be asked to fix the number of directors to be elected at the Meeting at four (4). The Board presently consists of four (4) directors, each of whom management proposes to nominate for re-election at the Meeting. Details relating to the proposed nominees are set forth in the table below under the heading “*Election of Directors*”.

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

**It is the intention of the persons named in the enclosed form of proxy, if not expressly directed to the contrary, to vote proxies in favour of the ordinary resolution to fix the number of directors of the Corporation to be elected at the Meeting at four (4).**

### 3. Election of Directors

The following table sets forth for each person proposed to be nominated for election as a director: (i) their name and province and country of residence; (ii) information regarding their committee memberships and their attendance at Board and committee meetings during 2015, as applicable; (iii) their principal occupation within the past five years and a brief biography; (iv) the period served as a director; and (v) the number of Common Shares that each proposed nominee beneficially owns, or exercises control or direction over, directly or indirectly, as of the date of this Information Circular.

## Nominees for Election

<b>Kenneth N. (Ken) Cullen</b>		
<i>Alberta, Canada</i>	Mr. Cullen is a director of the Corporation. He has more than 34 years of experience working with companies in the oil and natural gas industry as a partner at Deloitte & Touche LLP in the Assurance and Advisory (Audit) group prior to his retirement in 2006. Mr. Cullen received his Chartered Accountant designation from the Institute of Chartered Accountants of British Columbia.	
Independent Director		
Director Since: February 16, 2011		
Common Shares: 27,000 <sup>(1)(2)</sup>		
	<b>Board and Board Committees</b>	<b>2015 Meeting Attendance</b>
	Board	13 of 13
	Reserves Evaluation Committee	4 of 4
	Audit Committee	5 of 5
	Compensation Committee	3 of 3
<b>Dennis A. Dawson</b>		
<i>Alberta, Canada</i>	Mr. Dawson is a director of the Corporation and was previously the Vice-President General Counsel and Corporate Secretary of AltaGas. Mr. Dawson joined AltaGas as Associate General Counsel in August 1997, after consulting with AltaGas Services Inc. from July 1996. Effective July 1998, he became AltaGas' General Counsel and Corporate Secretary and effective December 1998, Mr. Dawson became Vice-President General Counsel and Corporate Secretary. Mr. Dawson has over 30 years of oil and natural gas experience, including nine years as General Counsel for Pan-Alberta Gas Ltd., a major Canadian natural gas marketing company. Mr. Dawson received his Bachelor of Arts degree from the University of Lethbridge and his Bachelor of Laws degree from the University of Alberta.	
Independent Director		
Director Since: May 14, 2015		
Common Shares: 30,200 <sup>(1)(3)</sup>		
	<b>Board and Board Committees</b>	<b>2015 Meeting Attendance<sup>(6)</sup></b>
	Board	7 of 13
	Reserves Evaluation Committee	2 of 4
	Audit Committee	2 of 5
	Compensation Committee	1 of 3
<b>Larry A. Shaw</b>		
<i>Alberta, Canada</i>	Mr. Shaw is a director of the Corporation and is the Chairman of the Board and Chairman of each committee on which he serves. He has more than 28 years of experience in the oil and natural gas industry and is one of the Corporation's founders. Prior to joining Birchcliff, Mr. Shaw served as Chairman of the Board of Case Resources Inc., Big Bear Exploration Ltd. and Stampeder Exploration Ltd. He was President of Shaw Automotive Group Ltd. and Shaw G.M.C. Pontiac Buick Hummer Ltd. Mr. Shaw received his Honors Degree in Business Administration from the University of Western Ontario.	
Independent Director		
Director Since: January 18, 2005		
Common Shares: 3,038,450 <sup>(1)(4)</sup>		
	<b>Board and Board Committees</b>	<b>2015 Meeting Attendance</b>
	Board – Chairman	13 of 13
	Reserves Evaluation Committee – Chairman	4 of 4
	Audit Committee – Chairman	5 of 5
	Compensation Committee – Chairman	3 of 3
<b>A. Jeffery Tonken</b>		
<i>Alberta, Canada</i>	Mr. Tonken is a director of the Corporation and is the President and Chief Executive Officer. He has more than 35 years of experience in the oil and natural gas industry and is one of the Corporation's founders. Prior to creating Birchcliff, Mr. Tonken founded and served as President and Chief Executive Officer of Case Resources Inc., Big Bear Exploration Ltd. and Stampeder Exploration Ltd. Mr. Tonken was previously a partner of the law firm Howard, Mackie (now Borden Ladner Gervais LLP). Mr. Tonken is a Governor of the Canadian Association of Petroleum Producers (CAPP). Mr. Tonken received his Bachelor of Commerce degree from the University of Alberta and his Bachelor of Laws degree from the University of Wales.	
Non-Independent Director		
Director Since: January 18, 2005		
Common Shares: 2,812,742 <sup>(1)(5)</sup>		
	<b>Board and Board Committees</b>	<b>2015 Meeting Attendance</b>
	Board	13 of 13



**Notes:**

- (1) The information as to Common Shares owned beneficially, not being within the knowledge of the Corporation, has been provided by each nominee.
- (2) Includes 14,000 Common Shares held by Mr. Cullen's spouse and 13,000 Common Shares held by K. Cullen Holdings Ltd., over which Mr. Cullen exercises control or direction.
- (3) Includes 3,000 Common Shares held by Mr. Dawson's spouse, over which Mr. Dawson does not exercise control or direction.
- (4) Includes 2,479,991 Common Shares held by Western Automotive Management Ltd., over which Mr. Shaw exercises control or direction.
- (5) Includes 1,402,724 Common Shares held by Mr. Tonken's spouse and 150,064 Common Shares held by a trust for the benefit of Mr. Tonken's children, in each case, over which Mr. Tonken does not exercise control or direction.
- (6) Mr. Dawson did not become a director until his election at the Annual Meeting of Shareholders held on May 14, 2015. Mr. Dawson attended every meeting of the Board, the Audit Committee, the Reserves Evaluation Committee and the Compensation Committee held after his election on May 14, 2015.

***Voting on Individual Basis***

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

The Corporation will publicly disclose the voting results, providing the percentage of votes for and withheld from each individual director. In 2011, the Corporation adopted voting on an individual basis and since that time, no director has received less than 85% of the votes in favour of such individual director.

***Majority Voting for Directors***

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

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

The Board shall accept each resignation tendered in accordance with the Majority Voting Policy absent exceptional circumstances. In considering whether to accept or reject such a resignation, the Board shall exercise its fiduciary duty to act in the best interests of the Corporation and shall consider all factors it deems relevant, including, without limitation:

- (a) any stated reasons as to why shareholders withheld votes from the election of such director;
- (b) the length of service and the qualifications of the director;
- (c) the director's past contributions to the Corporation;

- (d) the director's attendance at past meetings of the Board or of any committee the director is a member of;
- (e) the effect such resignation may have on the Corporation's ability to comply with any applicable laws, rules and policies (regulatory, securities or corporate laws or stock exchange rules);
- (f) the dynamics and composition of the existing Board;
- (g) the number of shares of the Corporation owned by the director; and
- (h) the effect such resignation might reasonably be expected to have on any covenants or agreements to which the Corporation or any of its affiliates is a party.

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

#### ***Corporate Cease Trade Orders or Bankruptcies***

No proposed director of the Corporation is, or has been within the past ten years, a director, chief executive officer or chief financial officer of any company, including the Corporation, that was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days, which was issued: (i) while that person was acting in such capacity; or (ii) after that person ceased to act in such capacity but which resulted from an event that occurred while that person was acting in such capacity, other than Mr. Cullen was previously a director of Southern Pacific Resource Corp. ("**Southern Pacific**") which was cease traded by the Alberta Securities Commission effective February 20, 2015 for failure to file its quarterly filings when due. Cease trade orders were subsequently issued by each of the Manitoba Securities Commission, the Ontario Securities Commission and the British Columbia Securities Commission. On June 1, 2015, all of the directors of Southern Pacific, including Mr. Cullen, resigned.

No proposed director of the Corporation is, or has been within the past ten years, a director or executive officer of any company, including the Corporation, that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than Mr. Cullen was previously a director of 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 (the "**Court**"). On June 1, 2015, the Court granted an order placing Southern Pacific in receivership and all of the directors of Southern Pacific, including Mr. Cullen, resigned.

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

#### ***Penalties or Sanctions***

No proposed director of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement with a securities regulatory authority or been subject to any other penalties or sanctions

imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

#### **4. Appointment of Auditors**

The persons named in the enclosed form of proxy intend to have nominated and to vote for the appointment of KPMG LLP, Chartered Accountants, of Calgary, Alberta as auditors of the Corporation to hold such office until the next annual meeting of shareholders of the Corporation and to authorize the Board to fix the remuneration to be paid to the auditors. The appointment of the auditors must be approved by a majority of votes cast by the shareholders. KPMG LLP was first appointed as the auditors of the Corporation on August 30, 2011.

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

#### **5. Other Business**

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

### **EXECUTIVE COMPENSATION**

#### **Compensation Discussion and Analysis**

The Compensation Committee of the Board determines the compensation to be provided to the executive officers of the Corporation and, in doing so, receives input from the President and Chief Executive Officer in respect of all other executive officers. The Compensation Committee submits its recommendation to the full Board as to the salary of the President and Chief Executive Officer. Executive compensation for the financial year ended December 31, 2015, including salaries and option grants, were set by the Compensation Committee on the recommendation of the President and Chief Executive Officer in January 2015 and bonuses in respect of the financial year ended December 31, 2015 were set by the Compensation Committee on the recommendation of the President and Chief Executive Officer in January 2016.

#### ***Compensation Philosophy***

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

The executive compensation program of the Corporation is comprised of both long and short-term elements and includes both cash and equity-based compensation. Specifically, the significant elements of the Corporation's compensation program are base salary, the payment of discretionary bonuses where appropriate, participation in the Corporation's Stock Option Plan dated January 18, 2005, as amended and restated on April 21, 2005 and May 15, 2008 (the "**Stock Option Plan**") and, historically, additional incentive-based compensation in the form of performance warrants ("**Performance**

**Warrants**) which were issued to executive management members at the Corporation's inception. In addition, the executive officers of the Corporation are entitled to participate in the Corporation's employee group savings plan (the "**Group Savings Plan**") and to receive other employee benefits.

### ***Elements of Compensation***

#### *Base Salaries*

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

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

The base salaries for the executive officers for the financial year ended December 31, 2015 were set to be competitive with industry levels. The Compensation Committee had regard to the contributions made by the executive officers, how their compensation levels related to compensation packages that would be achievable by such executive officers from other opportunities and available salary survey data and other information publicly disclosed by certain of the Corporation's competitors.

#### *The Bonus Plan*

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

In January 2016, the Compensation Committee and the Board approved the payment of a bonus in the amount of \$450,000 to each of the executive officers. Bonuses paid to the executive officers were in recognition of the extraordinary efforts made during the financial year ended December 31, 2015 in executing the Corporation's business plan. Further, the bonuses recognized the value of the Corporation's asset base and the success achieved in all aspects of the Corporation's business. The bonuses were based on overall contribution and effort and were not based on a formula or previously prescribed guidelines.

### *The Stock Option Plan*

The third element of the Corporation's compensation program is the Stock Option Plan. Pursuant to the Stock Option Plan, options to purchase Common Shares ("**Options**") may be granted to directors, executive officers, employees and consultants of the Corporation (each, an "**Optionee**"). The Stock Option Plan is an integral component of the Corporation's total compensation program and serves to enhance shareholder value by aligning the interests of Optionees with the interests of shareholders in the growth and profitability of the Corporation. The Stock Option Plan is designed, through the grant of Options, to reward Optionees with additional compensation relative to an increase in the price of the Common Shares. The longer-term focus of the Stock Option Plan is complemented and balanced by the cash-based compensation features of the Corporation's compensation program, specifically base salaries and the Bonus Plan.

Pursuant to the Stock Option Plan, the Board may grant Options from time to time. Generally, the number of Options granted to any Optionee is a function of the level of authority and responsibility of the Optionee, the contribution that has been made by the Optionee to the business and affairs of the Corporation, the number of Options that have already been granted to the Optionee and such other factors as the Compensation Committee may consider relevant. In determining the number of Options to be granted to the executive officers during 2015, the Compensation Committee had regard to the amount, terms and vesting levels of existing Options and Performance Warrants held by the executive officers and also the number of Options remaining available for grant by the Corporation in the future to attract and maintain qualified technical and administrative staff.

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

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

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

discontinuance or termination of the Stock Option Plan or any outstanding Options) is subject to the prior approval of shareholders of the Corporation.

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

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

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

The expiry date of an Option is automatically extended if the expiry date of such Option falls within any period imposed by the Corporation during which the employees of the Corporation are prohibited from trading securities of the Corporation (a “**Black-Out Period**”), or within two business days thereafter, for a period of ten business days following the end of the Black-Out Period.

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

In the event of any change or proposed change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise, the Board will proportionately adjust: (i) the number of Common Shares that underlie each Option; (ii) the number of Common Shares that are available for issuance pursuant to the exercise of all outstanding Options; (iii) the securities or other property that may be acquired upon the exercise of an Option; and (iv) the exercise price of such Option, to prevent substantial dilution or enlargement of the rights granted to Optionees. The Board may amend to an earlier date the date on which any or all unvested Options become vested Options and may decide whether such Options will remain as vested Options for a limited period of time only. Upon any such determination having been made, the Optionee shall be bound by such determination.

The Stock Option Plan contains various provisions that apply in the context of a transaction resulting in a “change of control” (as such term is defined in the Stock Option Plan). In most change of control situations, all unvested Options will be vested. In the context of a change of control where not less than

66<sup>2</sup>/<sub>3</sub>% of vested Options have been exercised, all remaining unexercised Options shall expire and automatically terminate and the Corporation shall make a cash payment to the former holders of such Options in an amount equal to the “in-the-money” value of such expired Options at such time.

Based on 152,307,539 issued and outstanding Common Shares as at March 16, 2016, the maximum number of Common Shares in respect of which Options may be issued under the Stock Option Plan is currently limited to 15,230,754 Common Shares. At March 16, 2016, 13,961,705 Options were outstanding, being approximately 9.2% of the Corporation’s issued and outstanding Common Shares, leaving 1,269,049 Common Shares unallocated and available for future Option grants.

At the annual general and special meeting of the shareholders of the Corporation held on May 15, 2014, shareholders approved all unallocated Options, rights or other entitlements available under the Stock Option Plan until May 15, 2017.

Option grants for the executive officers for the financial year ended December 31, 2015 were set by the Compensation Committee on the recommendation of the President and Chief Executive Officer in January 2015. The executive officers were each granted 140,000 Options on January 23, 2015. The Compensation Committee believes that these Options granted under the Stock Option Plan will provide above-market compensation to the executive officers of the Corporation only upon the significant enhancement of shareholder value.

#### *Performance Warrants*

Performance Warrants were originally granted on January 18, 2005 at the founding of the Corporation as a long-term incentive to the members of the Corporation’s management team at the time and to enhance shareholder value by aligning the interests of the holders with the growth and profitability of the Corporation. As a performance-based incentive, the Performance Warrants were not exercisable unless the trading price of the Common Shares exceeded \$6.00 for a period of 20 consecutive trading days. This condition was satisfied in November of 2005 and accordingly, all of the Performance Warrants have been exercisable since November 2005.

As at March 16, 2016, the Corporation had 2,939,732 Performance Warrants outstanding (representing approximately 1.9% of the issued and outstanding Common Shares) held by Messrs. Tonken, Geremia, Surbey and Bosman, each of whom is an executive officer of the Corporation. Each of the Performance Warrants entitles the holder thereof to purchase one Common Share of the Corporation at an exercise price of \$3.00 per Common Share, which was the price at which the Corporation originally raised its initial \$60 million of equity financing.

At the annual general and special meeting of the shareholders of the Corporation held on May 15, 2014, the shareholders approved an amendment to the Performance Warrants to extend the expiry date of the Performance Warrants from January 31, 2015 to January 31, 2020.

#### *Group Savings Plan and Benefits*

The Corporation provides executive officers, along with all other employees, with the opportunity to voluntarily participate in the Group Savings Plan and other employment benefits provided to employees generally typical of those provided by the Corporation’s peers in the Canadian oil and natural gas industry, including life and disability insurance and extended health and dental coverage.

The Corporation implemented the Group Savings Plan to assist employees in meeting their saving goals. Employees who join the Group Savings Plan contribute a percentage of their base salary each pay period and the Corporation matches the employee contributions to a maximum of 5% of the employee’s base salary. All employees are eligible to join the Group Savings Plan and vesting of the Corporation’s

contribution is immediate. The Group Savings Plan is administered for the Corporation by an independent third party investment firm. Investment options include a suite of professionally managed investment funds. The Corporation deposits contributions with the advisory firm on a semi-monthly basis and thereafter all investment decisions, transfers and withdrawals are completed directly between the employee and the third party investment firm.

**Risks of Compensation Policies and Practices**

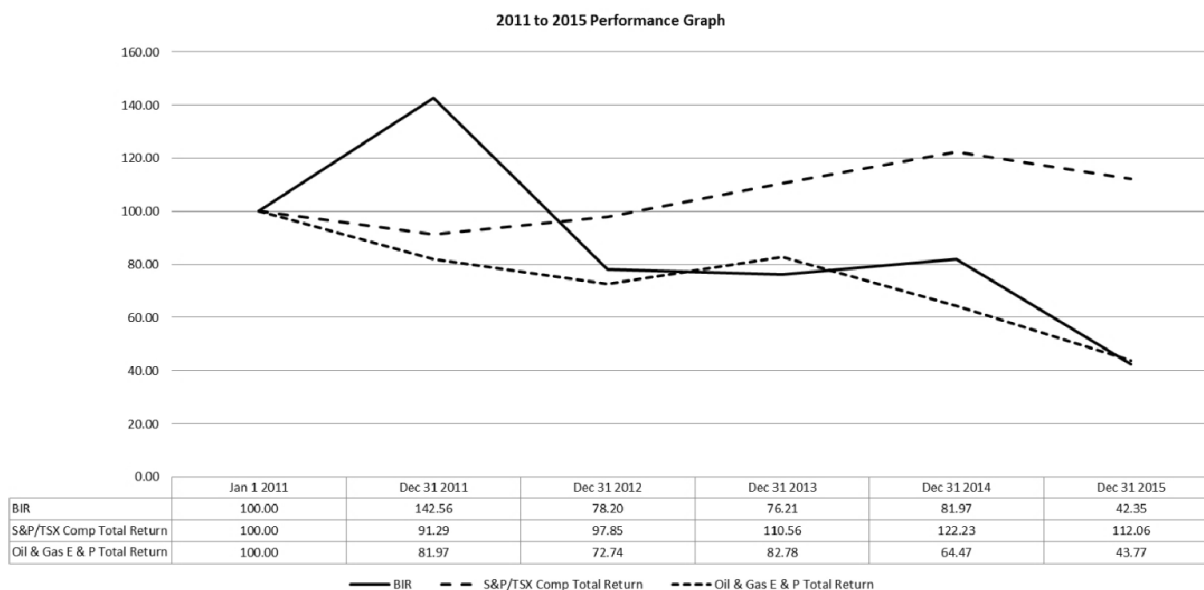
The Board and the Compensation Committee have not formally considered the implications of the risks associated with the Corporation’s compensation policies and practices. The Corporation’s compensation policies and practices give greater weight toward long-term incentives to mitigate the risk of encouraging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

**Financial Instruments**

The Corporation does not have a policy restricting the ability of an executive officer or a director from purchasing financial instruments (including pre-paid variable forward contracts, equity swaps, collars or units of exchange funds) that are designed to hedge or offset a decrease in market value of equity securities (or options in respect thereof) granted as compensation or held, directly or indirectly, by the executive officer or director. In 2015, none of the executive officers or directors purchased such financial instruments.

**Performance Graph**

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





The decrease in the closing trading price of the Common Shares on December 31, 2015 relative to the closing trading price of the Common Shares on January 1, 2011 was slightly less than the comparable relative decrease in value of the Oil & Gas Exploration and Production Total Return Index. On a relative basis, the closing trading price of the Common Shares on December 31, 2015 was 58% less than the closing trading price of the Common Shares on January 1, 2011. On a similar relative basis, the closing trading price of the S&P/TSX Composite Total Return Index on December 31, 2015 was 12% more than the closing trading price of such index on January 1, 2011.

Over the same five year period, executive compensation has increased each year. Executive compensation is not directly tied to the trading price of the Common Shares.

### **Summary Compensation for Named Executive Officers**

Securities legislation requires the disclosure of the compensation received by each “Named Executive Officer” (“**Named Executive Officer**”) of the Corporation for the most recently completed financial year. “Named Executive Officer” is defined by Form 51-102F6 – *Statement of Executive Compensation* to mean: (i) the chief executive officer of the Corporation; (ii) the chief financial officer of the Corporation; (iii) each of the Corporation’s three most highly compensated executive officers or three most highly compensated individuals acting in a similar capacity, other than the chief executive officer and chief financial officer, at the end of the most recently completed financial year and whose total compensation was, individually, more than \$150,000.00 for that financial year; and (iv) each individual who would be a “Named Executive Officer” under paragraph (iii) above but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of the most recently completed financial year. “Executive Officer” is defined by National Instrument 51-102 – *Continuous Disclosure Obligations* to mean an individual who is: (i) a chair, vice-chair or president; (ii) a chief executive officer or chief financial officer; (iii) a vice-president in charge of a principal business unit, division or function including sales, finance or production; or (iv) performing a policy-making function in respect of an issuer.

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

Summary Compensation Table for Named Executive Officers

Name and Principal Position	Year	Salary (\$)	Option-based awards <sup>(1)</sup> (\$)	Annual incentive plans (\$)	All other compensation <sup>(2)</sup> (\$)	Total compensation (\$)
A. Jeffery Tonken	2015	480,000	294,000	450,000	24,000	1,248,000
President and Chief Executive Officer <sup>(4)</sup>	2014	454,000	390,600	450,000	503,800 <sup>(3)</sup>	1,798,400
	2013	433,010	301,920	400,000	21,650	1,156,580
Myles R. Bosman	2015	438,000	294,000	450,000	21,900	1,203,900
Vice-President, Exploration and Chief Operating Officer	2014	414,000	390,600	450,000	323,600 <sup>(3)</sup>	1,578,200
	2013	394,680	301,920	400,000	19,734	1,116,334
Christopher A. Carlsen <sup>(5)</sup>	2015	438,000	294,000	450,000	21,900	1,203,900
Vice-President, Engineering	2014	414,000	390,600	450,000	20,700	1,275,300
	2013	293,575	796,944	275,000	9,867	1,375,386
Bruno P. Geremia	2015	438,000	294,000	450,000	21,900	1,203,900
Vice-President and Chief Financial Officer	2014	414,000	390,600	450,000	501,800 <sup>(3)(6)</sup>	1,756,400
	2013	394,680	301,920	400,000	19,734	1,116,334
Dave M. Humphreys	2015	438,000	294,000	450,000	21,900	1,203,900
Vice-President, Operations	2014	414,000	390,600	450,000	20,700	1,275,300
	2013	394,680	301,920	400,000	19,734	1,116,334
James W. Surbey	2015	438,000	294,000	450,000	21,900	1,203,900
Vice-President, Corporate Development	2014	414,000	390,600	450,000	501,800 <sup>(3)</sup>	1,756,400
	2013	394,680	301,920	400,000	19,734	1,116,334

Notes:

- (1) The Corporation has calculated the grant date fair value of the Options granted to the Named Executive Officers using the Black-Scholes-Merton model. The Corporation chose the Black-Scholes-Merton model because it is recognized as the most common methodology used for valuing Options and doing value comparisons. The value of each Option granted on January 23, 2015 under International Financial Reporting Standards ("IFRS") was \$2.10 and the Black-Scholes-Merton assumptions used were: (i) an initial expected life of 4.0 years; (ii) a historical volatility of 40.8%; and (iii) a risk-free interest rate of 0.7%. The value of each Option granted on January 27, 2014 under IFRS was \$2.79 and the Black-Scholes-Merton assumptions used were: (i) an initial expected life of 3.9 years; (ii) a historical volatility of 39.6%; and (iii) a risk-free interest rate of 1.4%. The value of each Option granted on July 22, 2013 under IFRS was \$3.08 and the Black-Scholes-Merton assumptions used were: (i) an initial expected life of 3.9 years; (ii) a historical volatility of 44.6%; and (iii) a risk-free interest rate of 1.4%. The value of each Option granted on January 24, 2013 under IFRS was \$2.72 and the Black-Scholes-Merton assumptions used were: (i) an initial expected life of 3.9 years; (ii) a historical volatility of 47.1%; and (iii) a risk-free interest rate of 1.3%. The aggregate number of Options held by each of the Named Executive Officers as at December 31, 2015 is disclosed in the table under the heading "Executive Compensation – Incentive Plan Awards – Outstanding Option-Based Awards".
- (2) The amounts under "All other compensation" include the matching contributions made by the Corporation on behalf of the Named Executive Officers under the Group Savings Plan. See "Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation – Group Savings Plan and Benefits". For each of the three most recently completed financial years, the value of perquisites and benefits for each Named Executive Officer that are not generally available to all employees is less than \$50,000 and less than 10% of each Named Executive Officer's total salary.
- (3) Includes the amount of \$481,100 in the case of Messrs. Tonken, Geremia and Surbey and \$302,900 in the case of Mr. Bosman, which amounts represent the incremental fair value of the extension of the Performance Warrants that were extended on May 15, 2014. See "Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation – Performance Warrants". The incremental fair value of the extension was determined as at May 15, 2014 by the difference between the fair value of the outstanding Performance Warrants with the expiration date of January 31, 2020 (the "extended term") and the fair value of the outstanding Performance Warrants with the original expiration date of January 31, 2015 (the "original term"). The Corporation has calculated the fair value of the extended term Performance Warrants held by the Named Executive Officers that were extended using the Black-Scholes-Merton model using the following assumptions: (i) an initial expected life of 5.7 years; (ii) a forfeiture rate of 0%; (iii) a historical volatility of 51.5%; and (iv) a risk-free interest rate of 1.7%. The Corporation has calculated the fair value of the original term Performance Warrants held by the Named Executive Officers that were extended using the Black-Scholes-Merton model using the following assumptions: (i) an initial expected life of 0.72 years; (ii) a forfeiture rate of 0%; (iii) a historical volatility of 27.0%; and (iv) a risk-free interest rate of 1.0%. The fair value of each Performance Warrant with the extended term was \$9.746 and the fair value of each Performance Warrant with the original term was \$9.152.
- (4) Mr. Tonken also serves as a director of the Corporation but receives no compensation for serving as a director of the Corporation.
- (5) Mr. Carlsen was appointed Vice-President, Engineering on July 22, 2013.
- (6) Fifty percent of the amount of \$481,100, which is in respect of the Performance Warrants, is held in trust for the benefit of Mr. Geremia's former spouse. Mr. Geremia does not exercise control or direction over the underlying securities.

## Incentive Plan Awards

### Outstanding Option-Based Awards

For a description of the process used by the Corporation to grant Option-based awards to executive officers, see the disclosure under the headings “Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation – The Stock Option Plan” and “Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation – Performance Warrants”. For a more detailed description of the Stock Option Plan, see the disclosure under the heading “Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation – The Stock Option Plan”. For a more detailed description of the Performance Warrants, see the disclosure under the heading “Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation – Performance Warrants”.

The following table sets forth information in respect of all Option-based awards outstanding at the end of the financial year ended December 31, 2015, for the Named Executive Officers of the Corporation.

#### Outstanding Option-Based Awards As at December 31, 2015

Name	Number of securities underlying unexercised Options <sup>(1)</sup> (#)	Option exercise price <sup>(1)</sup> (\$)	Option expiration date <sup>(1)</sup>	Value of unexercised in-the-money Options <sup>(1)(2)</sup> (\$)
A. Jeffery Tonken President and Chief Executive Officer	111,000 <sup>(3)</sup> 175,000 <sup>(3)</sup> 111,000 <sup>(3)</sup> 140,000 <sup>(3)</sup> 140,000 <sup>(3)</sup> 809,933 <sup>(4)</sup>	11.36 5.96 7.32 8.63 6.53 3.00	January 24, 2016 <sup>(6)</sup> April 24, 2017 January 24, 2018 January 27, 2019 January 23, 2020 January 31, 2020	– – – – – 842,330
Myles R. Bosman Vice-President, Exploration and Chief Operating Officer	111,000 <sup>(3)</sup> 175,000 <sup>(3)</sup> 111,000 <sup>(3)</sup> 140,000 <sup>(3)</sup> 140,000 <sup>(3)</sup> 509,933 <sup>(4)</sup>	11.36 5.96 7.32 8.63 6.53 3.00	January 24, 2016 <sup>(6)</sup> April 24, 2017 January 24, 2018 January 27, 2019 January 23, 2020 January 31, 2020	– – – – – 530,330
Christopher A. Carlsen Vice-President, Engineering	55,000 <sup>(3)</sup> 85,000 <sup>(3)</sup> 55,200 <sup>(3)</sup> 210,000 <sup>(3)</sup> 140,000 <sup>(3)</sup> 140,000 <sup>(3)</sup>	11.36 5.96 7.32 8.56 8.63 6.53	January 24, 2016 <sup>(6)</sup> April 24, 2017 January 24, 2018 July 22, 2018 January 27, 2019 January 23, 2020	– – – – – –
Bruno P. Geremia Vice-President and Chief Financial Officer	111,000 <sup>(3)</sup> 175,000 <sup>(3)</sup> 111,000 <sup>(3)</sup> 140,000 <sup>(3)</sup> 140,000 <sup>(3)</sup> 809,933 <sup>(4)(5)</sup>	11.36 5.96 7.32 8.63 6.53 3.00	January 24, 2016 <sup>(6)</sup> April 24, 2017 January 24, 2018 January 27, 2019 January 23, 2020 January 31, 2020	– – – – – 842,330 <sup>(5)</sup>
Dave M. Humphreys Vice-President, Operations	111,000 <sup>(3)</sup> 175,000 <sup>(3)</sup> 111,000 <sup>(3)</sup> 140,000 <sup>(3)</sup> 140,000 <sup>(3)</sup>	11.36 5.96 7.32 8.63 6.53	January 24, 2016 <sup>(6)</sup> April 24, 2017 January 24, 2018 January 27, 2019 January 23, 2020	– – – – –

Name	Number of securities underlying unexercised Options <sup>(1)</sup> (#)	Option exercise price <sup>(1)</sup> (\$)	Option expiration date <sup>(1)</sup>	Value of unexercised in-the-money Options <sup>(1)(2)</sup> (\$)
James W. Surbey	111,000 <sup>(3)</sup>	11.36	January 24, 2016 <sup>(6)</sup>	–
Vice-President,	175,000 <sup>(3)</sup>	5.96	April 24, 2017	–
Corporate Development	111,000 <sup>(3)</sup>	7.32	January 24, 2018	–
	140,000 <sup>(3)</sup>	8.63	January 27, 2019	–
	140,000 <sup>(3)</sup>	6.53	January 23, 2020	–
	809,933 <sup>(4)</sup>	3.00	January 31, 2020	842,330

**Notes:**

- (1) Includes information in respect of both Options and Performance Warrants.
- (2) Value is calculated based on the difference between the exercise price of the Options or Performance Warrants, as applicable, and the closing price of the Common Shares on the TSX on December 31, 2015 of \$4.04.
- (3) Represents Options.
- (4) Represents Performance Warrants.
- (5) Fifty percent of this amount is held in trust for the benefit of Mr. Geremia's former spouse. Mr. Geremia does not exercise control or direction over these securities.
- (6) The original expiry date of the Options was January 24, 2016; however, the actual expiry date was extended to February 25, 2016 as a result of a Black-Out Period in accordance with the terms of the Stock Option Plan.

**Incentive Plan Awards – Value Vested or Earned During the Year**

The following table sets forth information in respect of the value of incentive plan awards vested or earned during the Corporation's financial year ended December 31, 2015, in respect of Option-based and non-equity incentive plan awards for the Named Executive Officers of the Corporation.

*Incentive Plan Awards – Value Vested or Earned During Financial Year Ended December 31, 2015*

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\$)	Non-equity incentive plan awards – Value earned during the year <sup>(2)</sup> (\$)
A. Jeffery Tonken President and Chief Executive Officer	126,001	450,000
Myles R. Bosman Vice-President, Exploration and Chief Operating Officer	126,001	450,000
Christopher A. Carlsen Vice-President, Engineering	61,201	450,000
Bruno P. Geremia Vice-President and Chief Financial Officer	126,001	450,000
Dave M. Humphreys Vice-President, Operations	126,001	450,000
James W. Surbey Vice-President, Corporate Development	126,001	450,000

**Notes:**

- (1) Value is calculated for each of the Options based on the difference between the exercise price of the Options and the closing price of the Common Shares on the TSX on the vesting date for such Options or, if such day was not a trading day, the following trading day.
- (2) Non-equity incentive plan compensation represents the cash bonuses paid under the Bonus Plan for the financial year ended December 31, 2015.

**Pension Plan Benefits**

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

## Termination and Change of Control Benefits

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

- any person or group of persons acquires effective control of the Corporation (where “control” means the ability to exercise effective control of the management and policies of the Corporation and the ability to elect the majority of the Board and “group” refers to a combination of persons that act in concert);
- there is an acquisition of 20% or more of the Common Shares or securities convertible into Common Shares (other than by Mr. Seymour Schulich and his associates or affiliates);
- an amalgamation, arrangement or other such transaction is completed, which results in: the directors of the Corporation comprising less than two-thirds of the directors of the new entity; a sale of all or substantially all of the assets of the Corporation (other than to a partnership of which the Corporation is a partner); the liquidation, dissolution or winding up of the Corporation; or any person, partnership, entity or group acquiring control of the Corporation; or
- the Board determines that a change of control has occurred.

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

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

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

#### **Note:**

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

The following table sets forth the estimated incremental payments that would be made to each of the Named Executive Officers pursuant to their respective Employment Agreements upon the occurrence of

a termination without just cause, a resignation within 30 days following a change of control or a change of duties or remuneration following a change of control. All payments are calculated assuming the date of the triggering event was December 31, 2015 and the estimated value of the accelerated option vesting to each of the Named Executive Officers is set out assuming such event had occurred on December 31, 2015, based on the closing price of the Common Shares on the TSX on December 31, 2015, being the last trading day of the year.

*Summary of Potential Termination or Change of Control Payments*

Name	“Annual Compensation” multiplied by two <sup>(1)(2)</sup> (\$)	Value of Accelerated Option Vesting <sup>(3)</sup> (\$)	Benefits <sup>(4)</sup> (\$)
A. Jeffery Tonken President and Chief Executive Officer	1,966,882	–	8,907
Myles R. Bosman Vice-President, Exploration and Chief Operating Officer	1,868,281	–	7,690
Christopher A. Carlsen Vice-President, Engineering	1,872,171	–	8,014
Bruno P. Geremia Vice-President and Chief Financial Officer	1,872,408	–	8,034
Dave M. Humphreys Vice-President, Operations	1,879,590	–	8,632
James W. Surbey Vice-President, Corporate Development	1,905,442	–	10,787

**Notes:**

- (1) Includes the total value of the “Annual Compensation” as defined in the Employment Agreements.
- (2) Assumes no salary or vacation pay owing at the date of termination.
- (3) Calculated based on the difference between the market price of the Common Shares underlying the accelerated Options (based on the closing price of the Common Shares on the TSX on December 31, 2015 of \$4.04) and the exercise price of the Options.
- (4) Assumes that all benefits continue until two months from the date of the triggering event.

In addition, the Stock Option Plan contains various provisions that apply in the context of a transaction resulting in a “change of control” (as such term is defined in the Stock Option Plan). In most change of control situations, all unvested Options will be vested. In the context of a change of control where not less than 66<sup>2</sup>/<sub>3</sub>% of vested Options have been exercised, all remaining unexercised Options shall expire and automatically terminate and the Corporation shall make a cash payment to the former holders of such Options in an amount equal to the “in-the-money” value of such expired Options at such time. Assuming a change of control occurred on December 31, 2015, the estimated incremental value of the unvested Options for which vesting would be accelerated for each of the Named Executive Officers is nil, based on the difference between the market price of the Common Shares underlying the accelerated Options (which is based on the closing price of the Common Shares on the TSX on December 31, 2015 of \$4.04) and the exercise price of the Options.

## DIRECTOR COMPENSATION

### Summary Compensation for Directors

Compensation for the directors of the Corporation, excluding Mr. Tonken, consists of an annual retainer and a fee for each meeting of the Board or any committee thereof attended. The annual retainer for 2015 was \$90,000 and the per meeting fees were \$1,500. Mr. Tonken receives no compensation for acting as a director of the Corporation. Compensation information for Mr. Tonken is provided under the heading “Executive Compensation – Summary Compensation for Named Executive Officers”.

The directors may be granted options under the Stock Option Plan, although no options were granted to directors in 2015. All matters related to the compensation of directors are determined by the Compensation Committee.

The following table sets forth information in respect of all amounts of compensation provided to the directors of the Corporation for the financial year ended December 31, 2015, excluding Mr. Tonken, whose compensation information is provided under the heading “Executive Compensation – Summary Compensation for Named Executive Officers”.

*Summary Compensation Table for Directors  
For Financial Year Ended December 31, 2015*

<b>Name</b>	<b>Annual retainer and meeting fees earned (\$)</b>	<b>Option-based awards (\$)</b>	<b>All other compensation<sup>(1)</sup> (\$)</b>	<b>Total (\$)</b>
Kenneth N. Cullen	127,500	–	4,564	132,064
Dennis A. Dawson	108,000	–	901	108,901
Larry A. Shaw	127,500	–	8,958	136,458

**Note:**

(1) Primarily consists of healthcare and parking benefits provided to the directors.

**Incentive Plan Awards**

***Outstanding Option-Based Awards***

The following table sets forth information in respect of all Option-based awards outstanding at the end of the financial year ended December 31, 2015, for the directors of the Corporation.

*Outstanding Option-Based Awards  
As at December 31, 2015*

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

**Note:**

(1) Value is calculated based on the difference between the exercise price of the Options and the closing price of the Common Shares on the TSX on December 31, 2015 of \$4.04.

***Incentive Plan Awards – Value Vested or Earned During the Year***

During the financial year ended December 31, 2015, no value vested in respect of any Option-based awards held by any of the directors and no non-equity incentive plan compensation was earned by any of the directors.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth the details relating to the outstanding equity compensation plans of the Corporation at December 31, 2015.

Plan Category	Number of Common Shares to be issued upon exercise of outstanding Options, Performance Warrants and rights (A)	Weighted-average exercise price of outstanding Options, Performance Warrants and rights (B)	Number of Common Shares remaining available for future issuance under equity compensation plans (excluding those included in column (A)) (C)
Equity Compensation Plans approved by shareholders	Options: 12,569,238  Performance Warrants: 2,939,732  Options and Performance Warrants: 15,508,970	Options: \$7.80  Performance Warrants: \$3.00  Options and Performance Warrants: \$6.89	Options: 2,661,516  Performance Warrants: Nil  Options and Performance Warrants: 2,661,516
Equity Compensation Plans not approved by shareholders	Nil	N/A	N/A

## CORPORATE GOVERNANCE DISCLOSURE

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

### Board of Directors

The Board currently consists of four (4) directors, of which three (3) are independent directors. Accordingly, a majority of the directors are independent. A director is considered to be “independent” if the director is independent within the meaning of Section 1.4 of National Instrument 52-110 – *Audit Committees (“NI 52-110”)*. The independent directors are Messrs. Cullen, Dawson and Shaw. Mr. Tonken is not an independent director by virtue of his position as the President and Chief Executive Officer of the Corporation. The Chairman of the Board is Mr. Shaw, an independent director.

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

Independent Board members generally conduct *in-camera* sessions following regularly scheduled Board meetings, chaired by the Chairman of the Board. During the year ended December 31, 2015, a total of nine (9) *in-camera* sessions were held by the independent directors of the Corporation. In addition, the Board facilitates open and candid discussion among its independent directors by encouraging the independent directors to meet by themselves whenever they wish to do so and by providing an opportunity for the independent directors to meet without any members of management present at meetings of the Audit Committee, the Reserves Evaluation Committee and the Compensation Committee. While the Board relies heavily on information provided to it by management, it functions independently of management. The Chairman of the Board is not a member of management and chairs all meetings of the Board at which he is present in person. The independent directors are in regular communication with the Corporation’s President and Chief Executive Officer outside of formal Board meetings and processes.

The independent directors, as members of the Audit Committee and the Reserves Evaluation Committee, meet with the Corporation’s auditors and the Corporation’s independent qualified reserves



evaluator. These meetings are independent of management for the purposes of planning their activities and thereafter to supervise such activities. These meetings also ensure that the auditors and the independent qualified reserves evaluator have an opportunity to: (i) advise if they received full access to all requested information and received full cooperation of management; and (ii) confirm that they are not subject to any pressure from management, that there are no outstanding disagreements with management, that they are not aware of any evidence of illegal or fraudulent acts and that they are not aware of any other significant matters that should be brought to the attention of the independent directors.

The attendance record of each of the directors of the Corporation for the Board and the Board committee meetings held in 2015 is as follows:

Director	2015 Board	2015 Reserves	2015 Audit Committee	2015 Compensation
	Meetings Attended	Evaluation Committee Meetings Attended	Meetings Attended	Committee Meetings Attended
Kenneth N. Cullen	13 of 13	4 of 4	5 of 5	3 of 3
Dennis A. Dawson <sup>(1)</sup>	7 of 13	2 of 4	2 of 5	1 of 3
Larry A. Shaw (Chairman)	13 of 13	4 of 4	5 of 5	3 of 3
A. Jeffery Tonken	13 of 13	N/A	N/A	N/A

**Note:**

(1) Mr. Dawson did not become a director until his election at the Annual Meeting of Shareholders held on May 14, 2015. Mr. Dawson attended every meeting of the Board, the Audit Committee, the Reserves Evaluation Committee and the Compensation Committee held after his election on May 14, 2015.

**Board Mandate**

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

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

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

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

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

### **Position Descriptions**

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

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

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

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

### **Orientation and Continuing Education**

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

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

## **Ethical Business Conduct**

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

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

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

## **Nomination of Directors**

The Board has not initiated any formal process to identify new candidates for Board nomination as changes have been relatively limited since inception. The Board encourages the independent directors to put forward their suggestions regarding candidates for new directors and encourages an objective nomination process.

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

## **Compensation Committee**

The Board has a Compensation Committee which is comprised entirely of independent directors. Each of the Compensation Committee members has direct experience relevant to executive compensation. They have each held senior leadership positions in various organizations, giving them the skills and experience necessary to enable them to make decisions of the suitability of the Corporation’s compensation policies and practices. Mr. Shaw has served as the chairman of several public oil and gas companies and was the president of Shaw Automotive Group Ltd. and Shaw G.M.C. Pontiac Buick Hummer Ltd. Mr. Cullen was a partner of Deloitte & Touche LLP, an international accounting firm. Mr. Dawson was the Vice-President General Counsel and Corporate Secretary of AltaGas and has over 30 years of oil and natural gas experience, including nine years as General Counsel for Pan-Alberta Gas Ltd., a major Canadian natural gas marketing company. The foregoing has provided the members of the Compensation Committee with experience managing and/or implementing compensation policies and practices.

The Compensation Committee has the responsibility to review compensation matters and to recommend to the Board the appropriate levels of compensation for all of the directors and executive officers of the Corporation. In addition, it has the responsibility to provide oversight and guidance for

the compensation and benefits for all of the Corporation's employees. The Compensation Committee has the authority to engage outside advisors to the extent it considers it necessary or desirable. During the financial year ended December 31, 2015, the Board did not engage any outside compensation advisors. Further information regarding compensation matters is disclosed under the heading "*Executive Compensation*".

### **Audit Committee**

The Board has an Audit Committee which is comprised entirely of independent directors. Each member of the Audit Committee is "independent" and "financially literate" within the meaning of NI 52-110. Mr. Cullen is a Chartered Accountant and a former partner of Deloitte and Touche LLP, an international accounting firm. 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. Mr. Dawson was the Vice-President General Counsel and Corporate Secretary of AltaGas and has over 30 years of oil and natural gas experience, including nine years as General Counsel for Pan-Alberta Gas Ltd., a major Canadian natural gas marketing company. As a result, each member of the Audit Committee is "financially literate" in that they have an ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the Corporation's financial statements. Details of the relevant education and experience of each of the members of the Audit Committee are set forth under the heading "*Business of the Meeting – Election of Directors*".

The principal function of the Audit Committee is to review the overall audit plan and the Corporation's system of internal controls, to review the results of the external audit and to resolve any potential disputes with the Corporation's auditors. In performing this function, the Audit Committee monitors audit functions and the preparation of financial statements, communicates directly with the external auditors, has overview responsibility for management reporting on internal controls and meets with outside auditors independently of management. The Audit Committee also approves press releases of financial results, reviews all prospectuses and the Corporation's Annual Information Form. The Audit Committee has developed and adopted a formal Charter and the text of that Charter together with other disclosure required by NI 52-110 is contained in the Annual Information Form of the Corporation dated March 16, 2016, under the heading "*Audit Committee*", which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Other Board Committees**

Other than the Audit Committee and the Compensation Committee, the only other committee the Board has appointed is a Reserves Evaluation Committee, which is comprised entirely of independent directors. This committee assists the Board in fulfilling its oversight responsibilities in relation to the determination and reporting of the Corporation's reserve estimates, the qualifications of the Corporation's independent qualified reserves evaluator and their corporate procedures. This committee has the responsibility to monitor the Corporation's compliance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"), select, engage and supervise an independent qualified reserves evaluator to prepare reports required under NI 51-101, review reserves reports prepared by the independent qualified reserves evaluator and review all statements required to be filed pursuant to NI 51-101.

### **Assessments**

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

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

### **Director Term Limits and Other Mechanisms of Board Renewal**

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

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

### **Gender Diversity**

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

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

The Corporation considers the level of representation of women in executive officer positions when making executive officer appointments. In making executive officer appointments, the Corporation considers various factors, including, but not limited to: (i) the individual merits of each potential candidate, including their skills, education, background, experience and any previous contributions to the Corporation; (ii) the number and qualities of potential candidates and whether any such candidates

are women; (iii) the current composition of the executive officers; and (iv) the needs of the Corporation. The ultimate selection will be based on serving the best interests of the Corporation.

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

As at the date hereof, the number of women on the Board is zero and the number of women in executive officer positions is zero. As at the date hereof, the number of women in management positions within the Corporation is approximately 12%.

#### **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

No person who is or has been a director, executive officer or employee of the Corporation at any time since the beginning of the financial year ended December 31, 2015, nor any proposed nominee for election as a director of the Corporation, nor any associate of any such directors, executive officers or proposed nominees, is or was indebted to: (i) the Corporation; or (ii) another entity where such indebtedness is or was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation, in either case at any time since the beginning of the financial year ended December 31, 2015.

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

No informed person of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any one of them, has or has had at any time since the beginning of the financial year ended December 31, 2015, any material interest, direct or indirect, in any transaction or proposed transaction that has materially affected or would materially affect the Corporation.

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

### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information relating to the Corporation is provided in the Corporation's financial statements and management's discussion and analysis for the financial year ended December 31, 2015, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Any securityholder may obtain a copy of the Corporation's financial statements and management's discussion and analysis for the financial year ended December 31, 2015 by contacting Mr. James W. Surbey, Vice-President, Corporate Development, by e-mail, regular mail, fax or telephone as set forth below.

**Birchcliff Energy Ltd.**

500, 630 – 4<sup>th</sup> Avenue S.W.

Calgary, Alberta T2P 0J9

Phone: 1-844-261-6401

Fax: 403-237-9534

Email: [jsurbey@birchcliffenergy.com](mailto:jsurbey@birchcliffenergy.com)

[www.birchcliffenergy.com](http://www.birchcliffenergy.com) | TSX:BIR