A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Alberta, British Columbia, Saskatchewan, Manitoba and Ontario, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered under this preliminary short form prospectus have not been registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or any state securities laws. Accordingly, the securities may not be offered or sold within the United States or to or for the account or benefit of a U.S. person as defined in Regulation S under the 1933 Act, except in compliance with the registration requirements of the 1933 Act and applicable state securities requirements or pursuant to exemptions therefrom, and in compliance with the terms of the Underwriting Agreement. This preliminary short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities within the United States. See "Plan of Distribution".

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated by reference may be obtained on request, without charge, from the Secretary of the Corporation at Suite 300, 250 Sixth Avenue SW, Calgary, Alberta, T2P 3H7, telephone (403) 262-1838 and are also available electronically at www.sedar.com.*

PRELIMINARY SHORT FORM PROSPECTUS

New Issue November 20, 2006

Birch Mountain
RESOURCES LTD

Cdn. $ l
l % Convertible Unsecured Subordinated Debentures
Due December 31, 2011

This short form prospectus (the "**Prospectus**") qualifies the distribution (the "**Offering**") of $ l aggregate principal amount of l % convertible unsecured subordinated debentures (the "**Debentures**") due December 31, 2011 (the "**Maturity Date**") of Birch Mountain Resources Ltd. ("**Birch**" or the "**Corporation**"). The Debentures will be dated December 5, 2006, or on such other date as the Corporation and the Underwriter may agree, and will bear interest at an annual rate of l % payable semi-annually in arrears on June 30 and December 31 each year ("**Interest Payment Dates**") (or the immediately following business day if any interest payment date would not otherwise be a business day), commencing on June 30, 2007 and continuing until, and including, December 31, 2011. The first interest payment will include accrued interest from the Closing Date (as defined below) to June 30, 2007 and will be $ l per $1,000 principal amount of Debentures. Further particulars regarding the Debentures are set out under "Details of the Offering". The terms for the Offering were determined by negotiation between the Corporation and RBC Dominion Securities Inc. (the "**Underwriter**"). See "Plan of Distribution".

Debenture Conversion Privilege

Each Debenture will be convertible into common shares of the Corporation ("**Common Shares**") at the option of the holder at any time prior to the close of business on the business day immediately preceding the Maturity Date at a conversion price of $ l Common Share (the "**Conversion Price**"), being a ratio of approximately l Common Shares per $1,000 principal amount of Debentures, subject to adjustment in certain events as described in the Indenture (as defined herein).

	Price to the Public	Underwriter's Fee(1)	Net Proceeds to the Corporation (2)
Per Debenture	$1,000.00	$•	$•
Total(3)	$•	$•	$•

Notes:

(1) The Underwriter's fee represents l % of the offering price of the Debentures.

(2) Before deducting the expenses of this Offering, estimated to be $300,000, which, together with the Underwriter's fee, will be paid from the general funds of the Corporation.

(3) Birch has granted the Underwriter an over-allotment option (the "**Over-Allotment Option**"), to purchase up to an additional 15% of the principal amount of the Debentures (or up to an additional $l principal amount of Debentures) at a price of $1,000 per Debenture (plus accrued interest from the initial closing of the Offering to the closing of the Over-Allotment Option) on the same terms and conditions as the Offering of the Debentures, to cover over-allotments, if any, and for market stabilization purposes. The Over Allotment Option is exercisable in whole or in part until the close of business on December 27, 2006. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Underwriter's Fee" and "Net Proceeds to the Corporation" (before deducting expenses of the Offering) will be $l, $l and $l, respectively (excluding accrued interest paid in respect of such Debentures). The Over-Allotment Option and the Debentures issuable on exercise thereof are qualified for distribution under the Prospectus. See "Plan of Distribution".

Underwriter's Position	**Maximum Size or Number of Debentures Held**	**Exercise Period**	**Exercise Price**
Over-Allotment Option	Option to purchase up to 15% of the principal amount of the Debentures	Exercisable not later than the close of business on December 27, 2006	$1,000.00 per Debenture plus accrued interest

There is no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this Prospectus. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures, and the extent of issuer regulation. See "Risk Factors". The Corporation has applied to list the Debentures and the Common Shares that may be issued upon conversion of the Debentures on the TSX Venture Exchange ("**TSXV**") and has applied to list the Common Shares that may be issued upon conversion of the Debentures on the American Stock Exchange ("**AMEX**"). The listings will be subject to the Corporation fulfilling all of the listing requirements of the TSXV and AMEX.

The outstanding Common Shares are listed and posted for trading on the TSXV and on the AMEX under the symbol "BMD". On November 17, 2006, the last trading day prior to the announcement of the terms of the Offering, the closing price of the Corporation's Common Shares on the TSXV was $2.92 per Common Share and on the AMEX was US$2.52 per Common Share.

The interest coverage ratios for the twelve month periods ending December 31, 2005 and September 30, 2006 are less than 1:1. See "Interest Coverage".

RBC Dominion Securities Inc. is an indirect wholly owned subsidiary of a Canadian chartered bank (the "Lender"), which is a lender to the Corporation and to which the Corporation is indebted. Accordingly, the Corporation may be considered a connected issuer of RBC Dominion Securities Inc. for the purposes of the securities legislation in certain provinces. A portion of the net proceeds of the Offering will be used to repay indebtedness to the Lender. See "Use of Proceeds", "Plan of Distribution" and "Relationship Between the Corporation and an Underwriter".

A prospective investor should consider carefully certain risk factors before making an investment in Debentures of the Corporation. See "Risk Factors".

RBC Dominion Securities Inc., as principal, conditionally offers the Debentures, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriter in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Corporation by Borden Ladner Gervais LLP and on behalf of the Underwriter by Blake, Cassels & Graydon LLP. **The Underwriter may offer the Debentures at lower prices than stated above, see "Plan of Distribution".** Subscriptions for the Debentures will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. During the distribution of this Offering, the Underwriter may effect transactions in the Debentures and Common Shares in accordance with applicable market stabilization rules. See "Plan of Distribution". It is expected that the Closing will take place on December 5, 2006 (the "**Closing Date**") or on such other date as the Corporation and the Underwriter may agree, but in any event not later than December 29, 2006, and that definitive certificates representing the Debentures ("**Definitive Debentures**") will be available for delivery on or about the Closing Date. See "Plan of Distribution".

TABLE OF CONTENTS

DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the Corporation, filed with the securities commission or similar authority in various provinces of Canada, are specifically incorporated by reference into and form an integral part of this Prospectus:

(a) Material Change Report dated November 17, 2006 announcing the clarification by Birch of 2006 sales;

(b) Material Change Report dated November 14, 2006 announcing the third quarter results and the restatement of the comparative annual consolidated financial statements for the years ended December 31, 2005 and 2004;

(c) Unaudited comparative interim consolidated financial statements of the Corporation for the three-month and nine-month periods ended September 30, 2006 and 2005;

(d) Management's Discussion and Analysis of the financial condition and results of operations of Birch for the three-month and nine-month periods ended September 30, 2006 and 2005;

(e) Amended and restated comparative annual consolidated financial statements and Auditors' Report thereon for the year ended December 31, 2005 and 2004;

(f) Amended and restated comparative annual consolidated financial statements and Auditors' Report thereon for the year ended December 31, 2004 and 2005;

(g) Amended and restated Annual Report of the Corporation filed on Form 20-F dated November 10, 2006 (the "**AIF**"), excluding the exhibits 1.1, 1.2, 2.1, 4.1 through to and including 4.8, 11.1, 11.2 and 99.1;

(h) Material Change Report dated October 31, 2006 announcing planned construction of 12 kilometres of road;

(i) Material Change Report dated September 29, 2006 reporting sales results;

(j) Material Change Report dated August 28, 2006 reporting sales results;

(k) Material Change Report dated August 14, 2006 announcing the second quarter financial results;

(l) Material Change Report dated August 11, 2006 announcing an operations and project update;

(m) Material Change Report dated August 2, 2006 announcing the release of an updated NI 43-101 technical report;

(n) Technical Report dated August 1, 2006 prepared by AMEC Americas Ltd. and Phoenix Process Engineering Inc. on the Hammerstone Project;

(o) Material Change Report dated June 26, 2006 announcing receipt of a revised independent Hammerstone Project valuation;

(p) Material Change Report dated May 25, 2006 announcing the filing of the Hammerstone Project Application and Environmental Impact Assessment with the Alberta Government Regulatory Authorities;

(q) Material Change Report dated May 12, 2006 announcing the first quarter financial results;

(r) Material Change Report dated May 4, 2006 announcing the appointment of a director;

(s) Management Information Circular dated April 25, 2006 for the Annual General and Special Meeting of the Corporation's shareholders held on May 25, 2006;

(t) Material Change Report dated April 4, 2006 announcing the appointment of a Quarry Project Manager;

(u) Material Change Report dated March 30, 2006 announcing increasing interest from the oil sands industry in the Corporation's limestone aggregate and reagent products;

(v) Material Change Report dated March 27, 2006 announcing the 2005 annual financial results;

(w) Material Change Report dated February 7, 2006 announcing the filing of the Project Update – Public Disclosure Document with Alberta Environment;

(x) Material Change Report dated January 23, 2006 announcing the appointment of an officer; and

(y) Management's Discussion and Analysis of the financial condition and results of operations of Birch for the year ended December 31, 2005 and 2004.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained herein, or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Any document of the type required by National Instrument 44-101, *Short Form Prospectus Distributions*, to be incorporated by reference, including material change reports (excluding confidential material change reports), annual information forms, comparative interim financial statements, comparative annual financial statements and the auditors' report thereon, information circulars and business acquisition reports filed by the Corporation with a securities commission or similar authority in Canada after the date of this Prospectus and prior to the termination of the distribution of the Debentures pursuant to this Prospectus shall be deemed to be incorporated by reference into this Prospectus.

Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated by reference (other than exhibits to such documents, unless such exhibits are specifically incorporated by reference in such documents) may be obtained on request without charge from the Secretary of the Corporation at Suite 300, 250 - 6th Avenue S.W., Calgary, Alberta T2P 3H7, (telephone: (403) 262-1838; facsimile: (403) 263-9888) or by accessing disclosure documents available through the Internet on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at its web site, www.sedar.com.

ELIGIBILITY FOR INVESTMENT

In the opinion of Borden Ladner Gervais LLP, counsel to the Corporation, and Blake, Cassels & Graydon LLP, counsel to the Underwriter, (together, "**Counsel**"), subject to the qualifications and assumptions discussed under the heading "Certain Canadian Federal Income Tax Considerations", and provided the Common Shares are listed on a prescribed stock exchange at all relevant times, the Debentures and the Common Shares issuable upon the conversion, redemption, or maturity of the Debentures, when issued, will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans (other than a deferred profit sharing plan to which payments are made by the Corporation or another corporation with which the Corporation does not deal at arm's length) and registered education savings plans under the *Income Tax Act* (Canada).

In the opinion of Counsel, subject to compliance with the prudent investment standards or criteria and the general investment provisions of the following statutes (and, where applicable, the regulations thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies, procedures or goals and, in certain circumstances, the filing of such policies, procedures and goals, the Debentures offered hereunder are not, at the date hereof, precluded as investments under or by the following statutes:

Insurance Companies Act (Canada)
Trust and Loan Companies Act (Canada)
Pension Benefits Standards Act, 1985 (Canada)
Financial Institutions Act (British Columbia)
Pension Benefits Standards Act (British Columbia)
Loan and Trust Corporations Act (Alberta)
Insurance Act (Alberta)
Employment Pension Plans Act (Alberta)
Alberta Heritage Savings Trust Fund Act (Alberta)
The Pension Benefits Act, 1992 (Saskatchewan)
The Insurance Act (Manitoba)
The Trustee Act (Manitoba)
The Pension Benefits Act (Manitoba)
Pension Benefits Act (Ontario)
Loan and Trust Corporations Act (Ontario)
Trustee Act (Ontario)

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Prospectus, and in certain documents incorporated by reference into this Prospectus, constitute forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect, "may", "will", "project", "predict" "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this Prospectus should not be unduly relied upon. These statements speak only as of the date of this Prospectus or as of the date specified in the documents incorporated by reference into this Prospectus, as the case may be.

In particular, this Prospectus and the documents incorporated by reference contain forward-looking statements pertaining to the following:

- estimates of future demand, market share and sales of aggregate and reagent products;
- estimates of future prices and costs;
- estimates of future operating costs;
- the quantity and quality of limestone resources and reserves;
- aggregate, reagent limestone and quicklime production levels;
- capital expenditure programs;
- treatment under governmental regulatory and taxation regimes; and
- expectations regarding the Corporation's ability to raise capital and to add to reserves through exploration and development.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Prospectus:

- uncertainties associated with regulatory and environmental approval, including but not limited to permitting and site reclamation;
- uncertainties associated with estimating present and future demand, market share, prices, costs and reserves;
- uncertainties related to geological, technical, drilling and processing problems;
- liabilities and risks inherent in quarry operations;
- estimates of future operating costs;
- risks associated with dependency on oil sands customers and the price of oil;
- risks associated with operating costs being higher than expected;

- risks associated with competing with other suppliers of aggregate and reagent products;
- price risks and the risk of alternate products or technologies being substituted for limestone-based products; and
- competition for, among other things, capital, and skilled personnel.

These and additional factors are described in more detail in the management's discussion and analysis for the years ended December 31, 2005 and 2004, as well as management's discussion and analysis for the nine-months ended September 30, 2006 and 2005 and the AIF filed with the securities commissions or similar authorities in certain of the provinces of Canada.

Investors should not place undue reliance on forward-looking statements, as the plans, intentions or expectations upon which they are based might not occur. Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Prospectus and the documents incorporated by reference herein are expressly qualified by this cautionary statement. Subject at all times to its obligations under applicable securities laws, including those respecting continuous disclosure, the Corporation does not undertake any obligation to publicly update or revise any forward-looking statements.

ABBREVIATIONS

In this Prospectus, the abbreviations set forth below have the following meanings:

CONVERSION FACTORS:	1 tonne	=	1.1023 short tons
			1,000 kilograms
			2,204.6 pounds
	1 Hectare	=	2.4711 Acres
	1 Kilometre	=	0.6214 Miles
SYMBOLS:	$ or C$	=	Canadian dollar
	US$	=	United States dollar
	t	=	Metric tonne
	Kt	=	Kilotonnes (thousands of metric tonnes)
	Km	=	Kilometre
	Mt	=	Million tonnes

DEFINITIONS

In this Prospectus, unless the context prescribes otherwise, the following terms shall have the following meanings:

ABCA	The *Business Corporations Act* (Alberta).
aggregate	A granular material composed of gravel or crushed rock.
carbonate	A sedimentary rock composed of minerals containing carbon and oxygen in the form of carbonate (CO_3); for example, limestone, which is mainly composed of calcium carbonate ($CaCO_3$).
extraction	A chemical or physical process by which bitumen is separated from oil sand.
Flue Gas Desulphurization (FGD)	A process by which gaseous sulphur compounds, including sulphur dioxide (SO_2) and sulphur trioxide (SO_3) are removed from flue gases produced by burning sulphur-bearing fossil fuels.
Hammerstone or Hammerstone Project	A project comprising a limestone quarry and aggregate plant, and a limestone-processing complex. When approved, Hammerstone will operate as a single entity incorporating the initial Muskeg Valley Quarry and aggregate plant.
industrial mineral	A non-metallic mineral or rock that is used for industrial purposes.
in-situ recovery	Methods to produce bitumen in place, without disturbing the surface, by injecting steam into the reservoir and pumping the hot bitumen/water mix in a well to the surface.
kiln	A large firebrick lined furnace for making quicklime.
limestone	A rock predominantly composed of the mineral calcite (calcium carbonate or $CaCO_3$).
mineral	A naturally occurring homogeneous substance having fixed physical properties and chemical composition and a defined crystal form.
mineral deposit	A body of rock enriched in naturally occurring minerals of potential commercial value.
NI 43-101	National Instrument 43-101, *Standards of Disclosure For Mineral Projects.*
quicklime	Calcium oxide or CaO produced by heating limestone at white heat in a kiln or other process vessel.
SAGD	Steam Assisted Gravity Drainage technique for in-situ recovery of bitumen.
sedimentary rock	A rock originating from the weathering of pre-existing rocks that is deposited in layers on the Earth's surface by air, water or ice.

SUMMARY OF THE OFFERING

The following is a brief summary of some of the terms of this offering. For a more complete description of the terms of the Debentures, see "Details of the Debentures":

Issue: $ l aggregate principal amount of l % convertible unsecured subordinated debentures.

Maturity Date: December 31, 2011

Price: $1,000 per Debenture.

Interest: l % per annum payable semi-annually in arrears on June 30 and December 31 each year, commencing June 30, 2007 and continuing until and including December 31, 2011. The first interest payment, payable on June 30, 2007, will be $ l per $1,000 principal amount of Debentures.

Use of Proceeds: The estimated net proceeds from the sale of the Debentures offered under this Prospectus, after deducting the Underwriter's fee of $ l and expenses of this Offering estimated to be $300,000, will be approximately $ l . If the Over-Allotment Option is exercised in full the estimated net proceeds from the sale of Debentures hereunder, after deducting the Underwriter's fee of $ l and expenses of the Offering estimated to be $300,000, will be approximately $ l (excluding accrued interest paid on the Debentures issued pursuant to the Over-Allotment Option). The net proceeds will be used for the repayment of a non-revolving bank loan, to fund the application to Alberta regulatory authorities and construction of the South Haul Road (as defined herein), to fund the capital equipment costs of the MVQ (as defined herein) and the Hammerstone Project, to fund the Hammerstone Project pre-production capital costs and for working capital and land management and maintenance purposes. See "Use of Proceeds" and "Relationship Between the Corporation and an Underwriter".

Conversion: Holders of Debentures may convert their Debentures into Common Shares prior to maturity at the Conversion Price, being a ratio of approximately l Common Shares per $1,000 principal amount of Debentures, subject to satisfaction of certain conditions. The conversion rate may be adjusted upon the occurrence of certain events. Upon conversion, Birch may offer and the converting holder of the Debentures may agree to the delivery of cash for all or a portion of the Debentures surrendered in lieu of Common Shares. See "Details of the Debentures - Conversion Privilege".

If a holder elects to convert its Debentures in connection with a Change of Control, the holder will be entitled to receive a make whole premium upon conversion in certain circumstances, subject to Birch's right to make the Debentures convertible into Public Acquiror Shares. See "Details of the Debentures - Determination of Make Whole Premium" and "Details of the Debentures - Public Acquiror Change of Control".

Redemption for Tax Reasons:

In the event of certain changes to the laws governing Canadian withholding taxes, Birch will have the option to redeem, in whole but not in part, the Debentures for a purchase price equal to 100% of the principal amount of the Debentures, plus accrued and unpaid interest to, but excluding, the redemption date but without reduction for applicable Canadian Taxes (as defined herein) (except in respect of Excluded Holders (as defined herein)). Upon Birch giving a notice of redemption, a holder may elect not to have its Debentures redeemed, in which case such holder would not be entitled to receive the additional amounts referred to in "Additional Amounts" below after the redemption date. See "Details of the Debentures - Redemption for Tax Reasons" and "Details of the Debentures - Canadian Withholding Taxes".

Additional Amounts:

All payments made by Birch with respect to the Debentures will be made without withholding or deduction for Canadian Taxes unless Birch is legally required to do so, in which case Birch will pay such additional amounts as may be necessary so that the net amount received by holders of the Debentures after such withholding or deduction will not be less than the amount that would have been received in the absence of such withholding or deduction. See "Details of the Debentures - Canadian Withholding Taxes".

Payment of Principal Amount and Interest in Common Shares:

On redemption or at maturity, Birch may, at its option, on not more than 60 days and not less than 40 days prior notice and subject to applicable regulatory approval, elect to satisfy its obligation to pay all or a portion of the principal amount of the Debentures which are to be redeemed or which have matured, as the case may be, including accrued and unpaid interest, by issuing and delivering that number of Common Shares obtained by dividing the principal amount plus accrued and unpaid interest of the outstanding Debentures which are to be redeemed or which have matured by 95% of the Current Market Price, adjusted to take into account the occurrence, during the period for which the Current Market Price is calculated, of certain events described under "Details of the Debentures - Conversion Privilege - Conversion Rate Adjustments". See "Details of the Debentures - Method of Payment".

Interest Payment Option:

Birch may elect, from time to time, provided that Birch is not in default under the Indenture, to satisfy its obligation to pay interest on any interest payment date by delivering Common Shares to the Trustee in accordance with the Indenture in which event holders of Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Common Shares by the Trustee. See "Details of the Debentures - Interest Payment Option".

Subordination:

The payment of the principal of, and interest on, the Debentures will be subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of Birch's Senior Indebtedness (as defined in the Indenture). The Debentures will also be effectively subordinate to claims of creditors of Birch's subsidiaries, if any, except to the extent Birch is a creditor of such subsidiaries ranking at least pari passu with such other creditors. The Indenture will not limit Birch's ability to incur additional indebtedness, including indebtedness that ranks senior to the Debentures, or from mortgaging, pledging or charging Birch's properties to secure any indebtedness.

Change of Control:	Upon specified change of control events and subject to Birch's rights described under "Details of the Debentures - Public Acquiror Change of Control", Birch will be required to offer to purchase all of the outstanding Debentures at a price equal to 100% of the principal amount of Debentures, plus accrued and unpaid interest, if any, to, but excluding, the purchase date. See "Details of the Debentures - Change of Control".
Current Market Price:	"**Current Market Price**" means the volume weighted average trading price of the Common Shares on the TSXV for the 20 consecutive trading days ending on the fifth trading day preceding the applicable date.
Form and Denomination:	The Debentures will be issued in minimum denominations of $1,000 and any integral multiples thereof.
Governing Law:	The Debentures and the Indenture under which the Debentures will be issued will be governed by the laws of the Province of Alberta.
Listing and Trading:	Birch has applied to list the Debentures offered hereby on the TSXV, and has applied to list the Common Shares issuable on conversion of the Debentures, on the TSXV and AMEX. Listing will be subject to Birch fulfilling all of the listing requirements of the TSXV and AMEX.
Risk Factors:	See "Risk Factors" and other information included or incorporated by reference in this Prospectus for a discussion of the factors that should be carefully considered before making a decision to invest in the Debentures.

THE CORPORATION

Birch Mountain Resources Ltd. is an Alberta mineral exploration, development and operating company formed under the provisions of the ABCA, by amalgamation of one of Birch's predecessors, also named Birch Mountain Resources Ltd., and its wholly owned subsidiary, Birch Mountain Minerals Ltd. on December 31, 1995.

Birch's head office and registered office are located, respectively, at Suite 300, 250 - 6th Avenue S.W., Calgary, Alberta T2P 3H7, and Suite 1000, 400 - 3rd Avenue S.W., Calgary, Alberta T2P 4H2.

SUMMARY DESCRIPTION OF BUSINESS

Birch's principal operations are located north of Fort McMurray, Alberta, in the heart of the expanding Canadian oil sands industry, where the Corporation holds extensive metallic and industrial mineral properties underlying a significant part of the Athabasca oil sands region. Since 2002, Birch has worked to commercialize the industrial mineral potential of limestone deposits that occur on its mineral holdings in the Athabasca region. In December 2005, Birch opened the Muskeg Valley Quarry ("**MVQ**"), its initial limestone quarry and aggregate operation, with sales commencing in the second quarter of 2006. In May 2006, Birch filed an application with provincial regulatory authorities for the Hammerstone Project, to integrate the existing MVQ with an expanded quarry and aggregate plant, as well as a limestone-processing complex to produce limestone-based reagent products.

Two principal product classes have been identified for MVQ and the Hammerstone Project: limestone aggregate products used in construction and limestone-based reagent products such as reagent limestone, quicklime and hydrated lime. The primary sources of demand for limestone aggregate and reagent products in the Fort McMurray region are the numerous oil sands bitumen extraction and upgrading projects and the related infrastructure and municipal development.

Aggregate products are in increasingly short supply in the area and the MVQ and the Hammerstone Project are new, long-lived sources of high-quality aggregates for constructing and operating oil sands facilities and building the necessary supporting infrastructure, including home and road construction. Limestone is also in demand for its chemical properties, either as reagent limestone or in its processed form as quicklime and hydrated lime. The closest alternate source of quicklime or hydrated lime is located in Exshaw, Alberta, approximately 900 kilometres away.

Limestone reagent products are used in a range of industrial and environmental applications. Flue gas desulphurization ("**FGD**") is required when bitumen or other sulphur-bearing alternative fuels are burned as fuel. In FGD, exhaust gases containing sulphur dioxide are treated with reagent limestone or quicklime to capture the sulphur as calcium sulphate or gypsum. Hydrated lime is used in warm and hot lime softening systems for treating boiler feed water for SAGD in-situ recovery projects.

In August 2006, an updated independent NI 43-101 technical report entitled *Hammerstone Project, Alberta: Qualified Person's Review and Technical Report* (the "**2006 Technical Report**") was released, based on an update of the pre-feasibility study. The 2006 Technical Report was authored by AMEC Americas Limited and Phoenix Process Engineering, Inc. and is incorporated by reference into this Prospectus.

The 2006 Technical Report describes and values the Hammerstone Project, which will ultimately cover an area of approximately 1,500 hectares (3,700 acres). Aggregate processing facilities within the quarry will supply the needs of the oil sands industry, local infrastructure and municipal demand, as well as providing feedstock for the proposed limestone-processing complex. Limestone aggregate and reagent product average yearly sales are projected to reach an ultimate level of 19 Mt. The limestone-processing complex includes a quicklime plant that will be built in stages, projected to reach a production capacity of

1 Mt per year. Some of the quicklime will be further processed into hydrated lime in a plant with a capacity of 400,000 tonnes per year.

Updated limestone reserves reported in the 2006 Technical Report are 1.0 billion tonnes (net of mining losses), with 460 Mt of proven limestone reserves and 539 Mt of probable limestone reserves. These reserves are consumed over the projected 55-year quarry life from 2006 to 2060. Initial development capital required prior to 2013 to construct the Hammerstone quarry and aggregate plant, the first activation and the first two calcining kilns, and the first hydrating plant, is estimated in the 2006 Technical Report to be $270 million. Total development capital spending over the life of the project is estimated to be $577 million, with a further $443 million in sustaining capital to be spent over the life of the project.

The discounted cash flow net present value ("**NPV**") of the Hammerstone Project in constant 2006 dollars, using a discount rate of 7.5%, is $1,669 million on a pre-tax basis and $1,099 million on an after-tax basis. The internal rate of return ("**IRR**") pre-tax is 36.2% and after tax is 31.2% while the payback period is estimated to be 5.9 years from first production in January 2006. All operating and capital costs are deducted from revenues in calculating the annual cash flows used to arrive at the NPV.

For a detailed description of the business of the Corporation including a summary of the general development of Birch and an industry overview, please refer to "Item 4 - Information on Birch - History and Development of Birch" and "Business Overview" contained in Birch's current AIF.

RECENT DEVELOPMENTS

Update on Aggregate Sales and Orders

To the end of the third quarter of 2006, Birch reported sales of 288,345 tonnes of aggregate. The majority of the aggregate reported, 276,635 tonnes, was sold in the third quarter of 2006 and consisted primarily of sub-base aggregate. At the end of the third quarter of 2006, and over and above the reported sales, Birch had orders in place for 619,530 tonnes of aggregate, including orders for construction and base aggregates as well as concrete rock, with a weighted average price of approximately $9.50 per tonne.

In addition to sales made from the MVQ, an oil sands producer excavated and used 1.24 Mt of Birch limestone without authorization from Birch. The limestone was uncovered at the base of an oil sands mine where Birch holds mineral rights to the limestone beneath the oil sands deposit. Birch and the oil sands producer agree on Birch's ownership of the limestone and the tonnage of limestone taken, but negotiations on the price for the limestone taken have failed. Birch has filed a statement of claim against the oil sands producer.

Construction of the South Haul Road

Birch has submitted an application to Alberta regulatory authorities to construct 12 kilometres of road (the "**South Haul Road**") south from the MVQ, along the eastern side of the proposed Hammerstone Project. The road will connect to the proposed East Athabasca Access Road. Subject to regulatory approval, the Corporation plans to clear trees this winter followed by road construction in 2007.

The East Athabasca Access Road is an industry-led initiative to provide 54 kilometres of all-weather highway and a new bridge to serve the new and expanding oil sands developments east of the Athabasca River. Management believes the South Haul Road will position Birch to provide materials for the construction of the new highway and bridge, and to supply the long-term aggregate and reagent product requirements of the east side oil sands operators. The new road and bridge will also shorten the haul distance by several kilometres from Birch's quarry and planned quicklime plant to the oil sands operators on the west side of the Athabasca River and the City of Fort McMurray.

Reagent Product Business Plan

Since filing the 2006 Technical Report in August 2006, Birch has continued to refine and optimize its reagent products start-up plan for Hammerstone. The Corporation is currently evaluating a number of development cases that have the potential to lower the capital required to enter the reagent products business. To date, a total of $5.4 million has been spent on site preparation for the limestone-processing complex and purchasing, dismantling, and moving quicklime kiln components to the project site.

CONSOLIDATED CAPITALIZATION OF THE CORPORATION

The following table sets forth the consolidated capitalization of the Corporation as at December 31, 2005, as at September 30, 2006 and as at November 1, 2006, before and after giving effect to the Offering. The consolidated capitalization of the Corporation as at December 31, 2005 is derived from audited financial information, and the consolidated capitalization of the Corporation as at September 30, 2006 is derived from unaudited interim financial information. The consolidated capitalization of the Corporation as at November 1, 2006 is management prepared.

Designation	**Authorized**	**Outstanding as at December 31, 2005**[3] (Before giving effect to this Offering) (Audited)	**Outstanding as at September 30, 2006**[3] (Before giving effect to this Offering) (Unaudited)	**Outstanding as at November 1, 2006** (Before giving effect to this Offering) (Unaudited)	**Outstanding as at November 1, 2006**[1] (After giving effect to this Offering) (Unaudited)
Common Shares [2]	Unlimited	$46,950,953 (80,421,487 Common Shares)	$47,437,830 (81,078,487 Common Shares)	$47,489,830 (81,278,487 Common Shares)	$47,489,830 (81,278,487 Common Shares)
Preferred Shares	Unlimited	Nil	Nil	Nil	Nil
Non-Voting Shares	Unlimited	Nil	Nil	Nil	Nil
Credit Facilities[4]	$12,000,000	Nil	$12,000,000	$12,000,000	$2,000,000[6]
Debentures[5]	$ l	Nil	Nil	Nil	$ l

Notes:

(1) Based on the issuance of l Debentures for an aggregate of $ l less the Underwriter's fee of $ l and estimated expenses of the Offering of $300,000, but not including the Over-Allotment Option, the net proceeds from this Offering are estimated to be $ l. See "Plan of Distribution".

(2) As at November 10, 2006, 7,252,070 options to acquire Common Shares, granted pursuant to the Corporation's option plan were outstanding at various exercise prices ranging from $0.26 to $8.78 and expiring on various dates ranging from 2007 to 2011.

(3) As at December 31, 2005, the Corporation's deficit was $7,290,627 and contributed surplus was $1,774,873. As at September 30, 2006, the Corporation's deficit was $13,886,131 and contributed surplus was $4,508,048.

(4) The Corporation has a credit facility consisting of a $2 million cash collateralized demand operating facility with the Lender. Currently, the Corporation has drawn $2 million upon this credit facility for the posting of a letter of credit in favour of Alberta Environment in respect of future site reclamation for the MVQ. The Corporation also has a non-revolving bank loan with the Lender. This facility bears interest at prime rates plus 2% or Bankers' Acceptance rates plus 3% and is repayable in full by the net cash proceeds of any equity security or debt issuance and/or by December 31, 2006, whichever comes first. The Corporation provided a general security agreement against this loan. At

September 30, 2006, the Corporation had drawn the maximum of $10 million , as permitted by the loan. The loan had an effective interest rate of 7.29% during the quarter. See "Relationship of the Corporation and an Underwriter".

(5) The Debentures may be converted at the option of the holder of the Debentures into Common Shares. See "Details of the Debentures".

(6) Birch intends to use a portion of the net proceeds for this Offering for the repayment of the $10 million drawn on the non-revolving bank loan with the Lender, as per the terms of the facility. See "Use of Proceeds".

USE OF PROCEEDS

The estimated net proceeds to the Corporation from the Offering, after deducting fees payable to the Underwriter of $ l and the estimated expenses of the Offering of $300,000, will be approximately $ l. If the Over-Allotment Option is exercised in full, the estimated net proceeds from the sale of Debentures hereunder, after deducting fees payable to the Underwriter of $ l and the estimated expenses of the Offering of $300,000 will be approximately $ l (excluding accrued interest paid on the Debentures issued pursuant to the Over-Allotment Option). Birch intends to use the net proceeds of this Offering for the repayment of a non-revolving bank loan, to fund the application and construction of the South Haul Road, to fund the capital equipment costs of the MVQ and the Hammerstone Project, to fund the Hammerstone Project pre-production capital costs and for working capital and land management and maintenance purposes, estimated as follows:

Repayment of non-revolving bank loan[(1)] [(2)]	$ l
Application and construction of South Haul Road	l
Capital equipment costs for the MVQ and the Hammerstone Project	l
Hammerstone Project pre-production capital costs	l
Working capital and land management and maintenance [(3)]	l
Total	**$ l**

Notes:

(1) The Underwriter, RBC Dominion Securities Inc., is an indirect wholly-owned subsidiary of the Lender. See "Relationship of the Corporation and an Underwriter".

(2) The principal purposes for which the proceeds of the indebtedness were used were to fund ongoing development of the MVQ and for operating costs.

(3) The estimated amount for working capital and land management and maintenance purposes if the Over-Allotment Option is exercised in full will be approximately $ l.

INTEREST COVERAGE

The following interest coverage ratios have been calculated on a consolidated basis for the twelve month periods ended December 31, 2005 and September 30, 2006 and are derived from audited financial information, in the case of the period ended December 31, 2005, and unaudited interim financial information, in the case of the period ended September 30, 2006. Pursuant to Canadian generally accepted accounting principles ("GAAP") in effect as of the date hereof, the debentures are classified as long term debt.

The losses of the Corporation before interest and income tax expense for the year ended December 31, 2005 and the twelve month period ended September 30, 2006 were ($5.0) million and ($8.2) million, respectively. The Corporation did not have any interest expense for the year ended December 31, 2005 and for the twelve month period ended September 30, 2006, the interest expense was approximately $6,700, and accordingly the interest coverage ratio for the year ended December 31, 2005 is not applicable and for the twelve month period ended September 30, 2006 is -1.224 times.

After giving effect to the issuance of the Debentures and assuming the Debentures offered hereunder are included in long-term debt and their carrying charges are included in interest expense consistent with current GAAP, the pro forma losses of the Corporation before interest and income tax expense for the year ended December 31, 2005 and the twelve month period ended September 30, 2006 would be ($5.0) million and ($8.2) million, respectively. After giving effect to the issuance of the Debentures, the pro forma interest expense for the year ended December 31, 2005 and the twelve month period ended September 30, 2006 would be $ l million and $ l million (assuming the Over-Allotment Option is exercised in full), respectively, for a negative interest coverage ratio for each period of l and l times, respectively.

The Company would require earnings of $ l million and $ l million for the twelve month periods ended December 31, 2005 and September 30, 2006 respectively, to achieve a 1:1 interest coverage ratio.

These ratios do not purport to reflect actual interest coverage ratios that would have resulted if the issuance of the Debentures had actually occurred as at the beginning of each period, and are not indicative of interest coverage ratios for any future periods.

DETAILS OF THE DEBENTURES

The Debentures will be issued under an indenture (the "**Indenture**") to be entered into between the Corporation and Computershare Trust Company of Canada (the "**Trustee**"). The following statements are subject to the detailed provisions of the Indenture and are qualified in their entirety by reference to the Indenture. After execution, the Indenture will also be available for inspection at the offices of the Trustee and will be filed on SEDAR. Particular provisions of the Indenture, which are referred to in this Prospectus, are incorporated by reference as a part of the statements made, and the statements are qualified in their entirety by the reference.

General

The Debentures are limited to $ l aggregate principal amount. Unless previously converted, redeemed or purchased, as described below, the Debentures will mature on December 31, 2011. The Debentures will be issued in denominations of $1,000 or in integral multiples thereof. The principal amount of the Debentures is payable at maturity in cash or, at Birch's option and subject to satisfaction of certain conditions, by delivery of Common Shares or a combination of cash and Common Shares as further described below under "Method of Payment". The Debentures will be payable at the principal corporate trust office of the paying agent, which initially will be an office or agency of the Trustee.

The Debentures will bear cash interest at the rate of l% per year on the principal amount from the issue date, or from the most recent date to which interest has been paid or provided for. Interest will be payable semi-annually in arrears on June 30 and December 31 of each year, beginning on June 30, 2007, to holders of record at the close of business on the preceding June 15 or the preceding December 15, respectively. The first interest payment, payable on June 30, 2007, will be $ l per $1,000 principal amount of Debentures. Each payment of cash interest on the Debentures will include interest accrued for the period commencing on and including the immediately preceding interest payment date (or, if none, the initial issuance date of the Debentures) through the day before the applicable interest payment date (or redemption or purchase date, as the case may be). Any payment required to be made on any day that is not a business day will be made on the next succeeding business day. Interest for any period shorter than a full semi-annual period shall be computed on the basis of a 360 day year composed of twelve 30 day months.

Interest will cease to accrue on a Debenture upon its redemption, purchase or repayment on maturity. Birch may not reissue a Debenture that has matured or been converted, has been redeemed, purchased or otherwise cancelled, except for registration of transfer, exchange or replacement of such Debenture.

Debentures may be presented for conversion at the office of the conversion agent and for exchange or registration of transfer at the office of the registrar. The conversion agent and the registrar shall initially be the Trustee. No service charge will be made for any registration of transfer or exchange of Debentures. However, Birch may require the holder to pay any tax, assessment or other governmental charge payable as a result of such transfer or exchange.

No sinking fund is provided for the Debentures.

Subordination

The payment of the principal and premium, if any, of, and interest on, the Debentures will be subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness (as defined in the Indenture) including indebtedness to trade creditors of the Corporation. “Senior Indebtedness” of the Corporation will be defined in the Indenture to mean, in effect, the principal of and premium, if any, and interest on and other amounts in respect of all indebtedness, liabilities and obligations of the Corporation (whether outstanding as at the date of Indenture or thereafter created, incurred, assumed or guaranteed) and including, for greater certainty, claims of trade and other creditors, other than indebtedness evidenced by the Debentures, and all other existing and future debentures or other instruments of the Corporation which, by the terms of the instrument creating or evidencing the indebtedness, is expressed to be *pari passu* with, or subordinate in right of payment to, the Debentures. Specifically, the Debentures will be effectively subordinated in right of payment to the prior payment in full of all indebtedness under any of Birch’s present or future credit facilities. Subject to statutory or preferred exceptions or as may be specified by the terms of any particular securities, each Debenture issued under the Indenture will rank *pari passu* with each other Debenture.

The Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Corporation, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Corporation, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Corporation, those holders of Senior Indebtedness, including trade creditors of the Corporation, will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon. The Indenture will also provide that the Corporation will not make any payment, and the holders of the Debentures will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including without any limitation by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures (a) in a manner inconsistent with the terms (as they exist on the date of issue) of the Debentures or (b) at any time when an event of default has occurred under the Senior Indebtedness and is continuing and notice of such event of default has been given by or on behalf of the holders of Senior Indebtedness to the Corporation, unless the Senior Indebtedness has been repaid in full.

The Debentures will also be effectively subordinate to claims of creditors of Birch’s subsidiaries, if any, except to the extent that Birch is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors.

Conversion Privilege

Holders may convert their Debentures into Common Shares prior to maturity based on an initial conversion ratio of approximately l Common Shares per $1,000 principal amount of Debentures (equivalent to an initial conversion price of $l per Common Share). Upon conversion, Birch may offer and the converting holder of Debentures may agree to the delivery of cash for all or a portion of the Debentures surrendered in lieu of Common Shares. A Debenture for which a holder has delivered a

Change of Control purchase notice, as described below, requiring Birch to purchase the Debenture may be surrendered for conversion only if such notice is withdrawn in accordance with the Indenture. A holder may convert fewer than all of such holder's Debentures so long as the Debentures converted are an integral multiple of $1,000 principal amount of Debentures.

A holder of a Debenture otherwise entitled to a fractional Common Share will receive cash equal to the fraction of the Common Share multiplied by the Current Market Price as at the date of conversion.

The ability to convert Debentures will expire at the close of business on the business day immediately preceding the stated maturity date.

Conversion Procedures

To convert a Debenture, a holder must:

(i) complete and manually sign a conversion notice, and deliver the conversion notice to the Trustee;

(ii) if Definitive Debentures have been issued, surrender the Debenture to the conversion agent;

(iii) if required by the conversion agent, furnish appropriate endorsements and transfer documents; and

(iv) if required, pay all transfer or similar taxes.

On conversion of a Debenture, a holder will not receive, except as described below, any cash payment representing any accrued interest to the date of conversion. Instead, accrued interest will be deemed paid by the Common Shares received by the holder on conversion. Delivery to the holder of the full number of Common Shares into which the Debenture is convertible, together with any cash payment of such holder's fractional Common Shares, will thus be deemed:

(i) to satisfy Birch's obligation to pay the principal amount of a Debenture; and

(ii) to satisfy Birch's obligation to pay accrued and unpaid interest.

As a result, accrued interest is deemed paid in full rather than cancelled, extinguished or forfeited. Holders of Debentures surrendered for conversion during the period from the close of business on any regular record date to the opening of business on the next succeeding Interest Payment Date will receive the semi-annual interest payable on such Debentures on the corresponding Interest Payment Date notwithstanding the conversion, and such Debentures upon conversion must be accompanied by funds equal to the amount of such payment, unless such Debentures have been called for redemption, in which case no such payment will be required. In the event that a holder of Debentures exercises their conversion right following a notice of redemption by Birch (as further described under "Redemption for Tax Purposes"), such holder will be entitled to receive accrued and unpaid interest, in addition to the applicable number of Common Shares to be received on conversion, for the period from the last Interest Payment Date to the date of conversion.

The conversion rate will not be adjusted for accrued interest. For a discussion of the tax treatment of a holder receiving Common Shares upon converting Debentures see "Certain Canadian Federal Income Tax Considerations".

Conversion Rate Adjustments

Birch will adjust the conversion rate in accordance with the Indenture for certain events, including:

(i) the issuance of Common Shares as a dividend or distribution to holders of Common Shares;

(ii) subdivisions and combinations of Common Shares;

(iii) the issuance to all holders of Common Shares of some rights or warrants entitling them for a period expiring within 45 days of such issuance to purchase Common Shares, or securities convertible into Common Shares, at less than, or having a conversion price per Common Share less than, the Current Market Price of the Common Shares;

(iv) the distribution to all holders of Common Shares of shares in the capital of Birch, other than Common Shares, or evidences of Birch's indebtedness or Birch's assets, including securities, but excluding those rights and warrants referred to above, those rights issued pursuant to a shareholder rights plan and dividends and distributions paid exclusively in cash;

(v) the payment of a dividend or other distribution consisting exclusively of cash to all holders of Common Shares; and

(vi) the payment to all holders of Common Shares of cash or any other consideration in respect of a tender offer, take over bid or exchange offer for Common Shares by Birch or any of Birch's subsidiaries to the extent that the cash and fair market value of any other consideration included in the payment per Common Share exceeds the Current Market Price of the Common Shares on the date of expiry of such tender offer, take over bid or exchange offer.

In the event that Birch pays a dividend or makes a distribution to all holders of Common Shares consisting of capital stock of, or similar equity interests in, a subsidiary or other business unit of Birch, the conversion rate will be adjusted based on the market value of the securities so distributed relative to the market value of Common Shares, in each case based on the weighted average trading price of those securities for the 20 consecutive trading days commencing on and including the fifth trading day after the date on which "ex-dividend trading" commences for such dividend or distribution on the TSXV or such other national or regional exchange or market on which the securities are then listed or quoted. No conversion rate adjustment will be made to the extent that Birch makes an equivalent distribution to holders of Debentures.

Birch will not be required to adjust the conversion rate unless the adjustment would result in a change of at least 1% of the conversion rate. However, Birch will carry forward any adjustments that are less than 1% of the conversion rate and take them into account when determining subsequent adjustments. Birch will not make any adjustments if holders of Debentures are permitted to participate in the transactions described above in clauses (i) through (vi), on a basis that is similar to holders of Common Shares, that would otherwise require adjustment of the conversion rate. Except as stated above, the conversion rate will not be adjusted for the issuance of Common Shares or any securities convertible into or exchangeable for Common Shares or carrying the right to purchase Common Shares or any such security.

In addition, the Indenture provides that upon conversion of the Debentures, the holders of such Debentures will receive, as a result of becoming a holder of Common Shares and not as additional consideration for the conversion of the Debentures, the rights related to such Common Shares pursuant to any shareholder rights plan then in effect, whether or not such rights have separated from the Common

Shares at the time of such conversion. However, there will not be any adjustment to the conversion privilege or conversion rate as a result of:

(i) the issuance of such rights;

(ii) the distribution of separate certificates representing such rights;

(iii) the exercise or redemption of such rights in accordance with any rights agreement; or

(iv) the termination or invalidation of such rights.

Notwithstanding the foregoing, if a holder of Debentures exercising its right of conversion after the distribution of rights pursuant to any rights plan in effect at the time of such conversion is not entitled to receive the rights that would otherwise be attributable (but for the date of conversion) to the Common Shares to be received upon such conversion, if any, the conversion rate will be adjusted as though the rights were being distributed to holders of Common Shares on the date the rights become separable from such Common Shares. If such an adjustment is made and such rights are later redeemed, invalidated or terminated, then a corresponding reversing adjustment will be made to the conversion rate on an equitable basis.

The Indenture permits Birch to increase the conversion rate, to the extent permitted by law, for any period of at least 20 days. In that case, Birch will give at least 15 days notice of such increase.

If Birch is a party to a consolidation, amalgamation, statutory arrangement, merger, binding share exchange or other combination pursuant to which the Common Shares are converted into cash, securities or other property, at the effective time of the transaction the right to convert a Debenture into Common Shares will be changed into the right to convert it into the kind and amount of cash, securities or other property which the holder would have received if the holder had converted its Debenture immediately prior to the transaction; provided, however, that if, prior to the date that is five years plus one day from the last date of original issuance of any Debentures, holders of Debentures would otherwise be entitled to receive, upon conversion of the Debentures, any property (including cash) or securities that would not constitute "prescribed securities" for the purposes of clause 212(1)(b)(vii)(E) of the Tax Act (referred to herein as "ineligible consideration"), such holders shall not be entitled to receive such ineligible consideration but Birch or the successor or acquiror, as the case may be, shall have the right (at the sole option of Birch or the successor or acquiror, as the case may be) to deliver either such ineligible consideration or "prescribed securities" for the purposes of clause 2l2(l)(b)(vii)(E) of the Tax Act with a market value equal to the market value of such ineligible consideration. In general, prescribed securities would include the Common Shares and other shares which are not redeemable by the holder within five years of the date of issuance of the Debentures. Because of this, certain transactions may result in the Debentures being convertible into prescribed securities that are highly illiquid. This could have a material adverse effect on the value of the Debentures. Birch shall give notice to the holders of Debentures at least 30 days prior to the effective date of such transaction in writing and by release to a business newswire stating the consideration into which the Debentures will be convertible after the effective date of such transaction. After such notice, Birch or the successor or acquiror, as the case may be, may not change the consideration to be delivered upon conversion of the Debenture except in accordance with any other provision of the Indenture.

Determination of Make Whole Premium

If a Change of Control, as defined below under "Change of Control", occurs in which either:

(i) more than 10% of the consideration for the Common Shares in the transaction or transactions constituting a Change of Control consists of cash, other than cash payments for fractional Common Shares and cash payments made in respect of dissenter's appraisal rights, subject to Birch's rights described below under "Public Acquiror Change of Control", in some circumstances, Birch will pay a make whole premium to the holders of the Debentures who convert their Debentures during the period beginning ten trading days before the anticipated Effective Date of the Change of Control and ending on the Change of Control Purchase Date by increasing the conversion rate for such Debentures; or

(ii) the consideration for the Common Shares in the transaction or transactions constituting the Change of Control consists primarily of trust units, limited partnership units or other participating equity securities of a trust, limited partnership or similar entity, Birch will pay a make whole premium to holders of Debentures who provide, during the period beginning twenty trading days before the anticipated Effective Date of the Change of Control and ending on a date specified by Birch (not to be more than five trading days prior to the anticipated Effective Date of the Change of Control), a notice of intent to convert their Debentures immediately prior to the Effective Date of the Change of Control, by increasing the conversion rate for such Debentures,

provided that in a Change of Control meeting the requirements of both (i) and (ii), (ii) shall govern.

Birch may elect not to pay a make whole premium in connection with a Public Acquiror Change of Control in the circumstances described under "Public Acquiror Change of Control". In the circumstances described under (ii) above where Birch makes available a make whole premium to holders of Debentures who convert their Debentures, Birch shall not be required to make the Change of Control Purchase Offer described under "Change of Control".

The make whole premium will be determined by reference to the table below and is based on the date on which the Change of Control becomes effective (the "**Effective Date**") and the price (the "**Stock Price**") paid per Common Share in the transaction constituting the Change of Control. If holders of Common Shares receive only cash in the transaction, the Stock Price shall be the cash amount paid per Common Share. Otherwise, the Stock Price shall be equal to the Current Market Price of the Common Shares immediately preceding the Effective Date of such transaction.

The following table shows what the make whole premium would be for each hypothetical Stock Price and Effective Date set forth below, expressed as additional Common Shares per $1,000 principal amount of Debentures. For the avoidance of doubt, Birch shall not be obliged to pay the make whole premium otherwise than by issuance of Common Shares upon conversion.

Make Whole Premium Upon a Change of Control
(Number of Additional Common Shares per $1,000 Debenture)

<table>
<tr><th></th><th colspan="6">Effective Date</th></tr>
<tr><th>Stock Price on Effective Date</th><th>December 31, 2006</th><th>December 31, 2007</th><th>December 31, 2008</th><th>December 31, 2009</th><th>December 31, 2010</th><th>December 31, 2011</th></tr>
<tr><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
</table>

The actual Stock Price and Effective Date may not be set forth on the table, in which case:

(i) if the actual Stock Price on the Effective Date is between two Stock Prices on the table or the actual Effective Date is between two Effective Dates on the table, the make whole premium will be determined by a straight-line interpolation between the make whole premiums set forth for the two Stock Prices and the two Effective Dates on the table based on a 365-day year, as applicable;

(ii) if the Stock Price on the Effective Date exceeds $l per Common Share, subject to adjustment as described below, no make whole premium will be paid; or

(iii) if the Stock Price on the Effective Date is less than $l per Common Share, subject to adjustment as described below, no make whole premium will be paid.

The Stock Prices set forth in the first column of the table above will be adjusted as of any date on which the conversion rate of the Debentures is adjusted. The adjusted Stock Prices will equal the Stock Prices applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the conversion rate immediately prior to the adjustment giving rise to the Stock Price adjustment and the denominator of which is the conversion rate as so adjusted. The number of additional Common Shares set forth in the table above will be adjusted in the same manner as the conversion rate as set forth above under "Conversion Privilege - Conversion Procedures", other than by operation of an adjustment to the conversion rate by adding the make whole premium as described above.

Redemption For Tax Reasons

Birch may redeem all but not part of the Debentures if Birch has or would become obligated to pay to the holder of any Debenture Additional Amounts (which are more than a *de minimis* amount) as a result of any change from the date of this Prospectus in the laws or any regulations of Canada or any Canadian political subdivision or taxing authority, or any change from the date of this Prospectus in an interpretation or application of such laws or regulations by any legislative body, court, governmental agency, taxing authority or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory or administrative determination); provided Birch cannot avoid these obligations by taking reasonable measures available to it and that Birch delivers to the Trustee an opinion of legal counsel specializing in taxation and an officers' certificate attesting to such change and obligation to pay Additional Amounts. The term "**Additional Amounts**" is defined under "Canadian Withholding Taxes" below. This redemption would be at 100% of the principal amount plus accrued and unpaid interest to, but excluding, the redemption date but without reduction for applicable Canadian Taxes (as defined below) (except in respect of certain Excluded Holders (as defined below) and other than Excluded Taxes (as defined below)). Birch will give holders of Debentures not less than 40 days nor more than 60 days notice of this redemption, except that (i) Birch will not give notice of redemption earlier than 60 days prior to the earliest date on or from which Birch would be obligated to pay any such Additional Amounts, and (ii) at the time Birch gives the notice, the circumstances creating its obligation to pay such Additional Amounts remain in effect.

Subject to satisfaction of certain conditions, Birch may elect to satisfy its obligation to pay the redemption price, in whole or in part, by delivering Common Shares as further described under "Method of Payment".

Upon receiving such notice of redemption, each holder who does not wish to have Birch redeem its Debentures will have the right to elect to:

(i) convert its Debentures; or

(ii) not have its Debentures redeemed, provided that no Additional Amounts will be payable on any payment of interest or principal with respect to the Debentures after such redemption date. All future payments will be subject to the deduction or withholding of any Canadian Taxes required by law to be deducted or withheld.

Where no election is made, the holder will have its Debentures redeemed without any further action. The holder must deliver to the paying agent a written notice of election so as to be received by the paying agent no later than the close of business on a business day at least five business days prior to the redemption date.

A holder may withdraw any notice of election by delivering to the paying agent a written notice of withdrawal prior to the close of business on the business day prior to the redemption date.

Change of Control

In the event of a Change of Control, subject to Birch's rights described below under "Public Acquiror Change of Control", Birch shall be required to offer to purchase all of the outstanding Debentures (a "**Change of Control Purchase Offer**") on the date (the "**Change of Control Purchase Date**") that is 30 business days after the date of such offer, at a purchase price equal to 100% of the principal amount of the Debentures, plus accrued and unpaid interest, if any, to, but not including, the purchase date. If such purchase date is after a record date but on or prior to an interest payment date, however, then the interest payable on such date will be paid to the holder of record of the Debentures on the relevant record date. Birch may elect not to make a Change of Control Purchase Offer in connection with a Public Acquiror Change of Control in the circumstances described under "Public Acquiror Change of Control".

Within 30 days after Birch knows of the occurrence of a Change of Control, Birch shall be required to give notice to all holders of record of Debentures, as provided in the Indenture, stating among other things, the occurrence of a Change of Control and setting out the terms of the Change of Control Purchase Offer. Birch must also deliver a copy of the notice to the Trustee.

In order to accept such Change of Control Purchase Offer, a holder must deliver prior to the Change of Control Purchase Date a Change of Control purchase notice stating among other things:

(i) if Definitive Debentures have been issued, the certificate numbers of the Debentures to be delivered for purchase;

(ii) the portion of the principal amount of Debentures to be purchased, which must be $1,000 or an integral multiple thereof, and

(iii) that the Debentures are to be purchased by Birch pursuant to the Change of Control Purchase Offer.

If the Debentures are not in certificated form, a holder's Change of Control purchase notice must comply with appropriate CDS procedures.

A holder may withdraw any Change of Control purchase notice given pursuant to a Change of Control Purchase Offer by a written notice of withdrawal delivered to the paying agent prior to the close of business on the business day prior to the Change of Control Purchase Date. The notice of withdrawal must state:

(i) the principal amount of the Debentures being withdrawn;

(ii) if Definitive Debentures have been issued, the certificate numbers of the withdrawn Debentures; and

(iii) the principal amount, if any, of the Debentures which remains subject to the Change of Control purchase notice.

If the Debentures are not in definitive form, a holder's withdrawal notice must comply with appropriate CDS procedures.

Payment of the Change of Control purchase price for a Debenture for which a Change of Control purchase notice has been delivered and not validly withdrawn is conditional upon delivery of the Debenture, together with necessary endorsements, to the paying agent at any time after delivery of such Change of Control purchase notice. Payment of the Change of Control purchase price for the Debenture will be made promptly following the later of the Change of Control Purchase Date or the time of delivery of the Debenture.

If the paying agent or the Trustee holds money sufficient to pay the Change of Control purchase price of the Debenture on the business day following the Change of Control Purchase Date in accordance with the terms of the Indenture, then, immediately after the Change of Control Purchase Date, the Debenture will cease to be outstanding and interest on such Debenture will cease to accrue, whether or not the Debenture is delivered to the paying agent. Thereafter, all other rights of the holder will terminate, other than the right to receive the Change of Control purchase price upon delivery of the Debenture. This will be the case whether book-entry transfer of the Debentures is made or whether the Debentures are delivered to the paying agent.

Under the Indenture, a "**Change of Control**" of Birch will be deemed to have occurred at such time after the original issuance of the Debentures when the following has occurred:

(i) the acquisition by any person of beneficial ownership, directly or indirectly, through a purchase, merger (except a merger by Birch described in the following paragraph) or other acquisition transaction or series of transactions, of Common Shares entitling that person to exercise more than 50% of the total voting power of all Common Shares entitled to vote generally in elections of directors; or

(ii) Birch's amalgamation, consolidation or merger with or into any other person, any merger of another person into Birch, or any conveyance, transfer, sale, lease or other disposition of all or substantially all of Birch's and Birch's subsidiaries' properties and assets, taken as a whole, to another person, other than any transaction pursuant to which holders of Common Shares immediately prior to the transaction are entitled to exercise, directly or indirectly, more than 50% of the total voting power of all shares entitled to vote generally in the election of directors of the continuing or surviving person immediately after the transaction.

Notwithstanding the foregoing, it will not constitute a Change of Control if at least 90% of the consideration for the Common Shares (excluding cash payments for fractional Common Shares and cash payments made in respect of dissenters' appraisal rights) in the transaction or transactions constituting the Change of Control consists of common shares traded on the TSX, a U.S. national securities exchange or quoted on the Nasdaq Stock Market, or which will be so traded or quoted when issued or exchanged in connection with the Change of Control, and as a result of such transaction or transactions the Debentures become convertible solely into such shares; provided, however, that if, prior to the date that is five years plus one day from the last date of original issuance of the Debentures, holders of Debentures would otherwise be entitled to receive, upon conversion of the Debentures, any ineligible consideration, such holders shall not be entitled to receive such ineligible consideration but Birch or the successor or acquiror, as the case may be, shall have the right (at the sole option of Birch or the successor or acquiror, as the case may be) to deliver either such ineligible consideration or "prescribed securities" for the purposes of clause 212(1)(b)(vii)(E) of the Tax Act with a market value equal to the market value of such ineligible consideration.

Beneficial ownership will be determined in accordance with the *Securities Act* (Alberta). The term "person" includes any syndicate or group that would be deemed to be a "person" under the *Securities Act* (Alberta).

The phrase "all or substantially all" of Birch's and Birch's subsidiaries' properties and assets will likely be interpreted under applicable law and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in assessing whether a conveyance, transfer, sale, lease or other disposition of all or substantially all of Birch's and Birch's subsidiaries' properties and assets has occurred.

Birch could, in the future, enter into certain transactions, including certain recapitalizations, that would not constitute a Change of Control for purposes of the Indenture but that could increase the amount of Birch's or its subsidiaries' outstanding indebtedness.

Birch's ability to purchase Debentures upon a Change of Control may be limited by the terms of its then outstanding credit agreements.

Public Acquiror Change of Control

In the case of a Public Acquiror Change of Control, as defined below, Birch may, in lieu of making a Change of Control Purchase Offer as described above under "Change of Control", or paying a make whole premium as described above under "Determination of Make Whole Premium", elect to adjust the conversion rate and the related conversion obligation such that from and after the effective date of such Public Acquiror Change of Control, the Debentures are convertible into Public Acquiror Shares, as defined below; provided, however, that if, prior to the date that is five years plus one day from the last date of original issuance of the Debentures, holders of Debentures would otherwise be entitled to receive, upon conversion of the Debentures, any ineligible consideration, such holders shall not be entitled to receive such ineligible consideration but Birch or the successor or acquiror, as the case may be, shall have the right (at the sole option of Birch or the successor or acquiror, as the case may be) to deliver either such ineligible consideration or "prescribed securities" for the purposes of clause 212(l)(b)(vii)(E) of the Tax Act with a market value equal to the market value of such ineligible consideration. In the event Birch makes such election, Birch will not be required to make a Change of Control Purchase Offer and the conversion rate will be adjusted by multiplying the conversion rate in effect immediately before the Public Acquiror Change of Control by a fraction:

(i) the numerator of which will be (1) in the case of a merger, consolidation, amalgamation or arrangement or binding share exchange pursuant to which Common Shares are converted into cash, securities or other property, the value of all cash and any other consideration, as determined by Birch's Board of Directors, paid or payable per Common Share, or (2) in the case of any other Public Acquiror Change of Control, the average of the closing prices of the Common Shares for the five consecutive trading days immediately prior to, but excluding the effective date of such Public Acquiror Change of Control; and

(ii) the denominator of which will be the average of the closing prices of the Public Acquiror Shares for the five consecutive trading days prior to, or if the Public Acquiror Shares do not trade until after the effective date of the Public Acquiror Change of Control the five consecutive trading days subsequent to, but excluding the effective date of such Public Acquiror Change of Control.

Not later than 10 trading days prior to the expected effective date of a Change of Control that is also a Public Acquiror Change of Control, Birch will provide to all holders of the Debentures and to the Trustee and paying agent a notification stating whether Birch will:

(i) elect to adjust the conversion rate and related conversion obligation, in which case Birch will not be required to make a Change of Control Purchase Offer as described above under "Change of Control"; or

(ii) not elect to adjust the conversion rate and related conversion obligation, in which case Birch will be required to make a Change of Control Purchase Offer as described above under "Change of Control".

A "**Public Acquiror Change of Control**" means any event constituting a Change of Control that would otherwise require Birch to make a Change of Control Purchase Offer as described above under "Change of Control" if the acquiror has a class of common shares traded on the TSX, a U.S. national securities exchange or quoted on the Nasdaq Stock Market, or which will be so traded or quoted when issued or exchanged in connection with such Change of Control ("**Public Acquiror Shares**"). If an acquiror does not itself have a class of common stock satisfying the foregoing requirement, it will be deemed to have "**Public Acquiror Shares**" if either (1) a direct or indirect majority-owned subsidiary of the acquiror, or (2) a corporation that directly or indirectly owns at least a majority of the acquiror, has a class of common stock satisfying the foregoing requirement and the acquiror has designated such common stock to serve as the Public Acquiror Shares in the transaction. In such case, all references to Public Acquiror Shares shall refer to such class of common stock. "**Majority Owned**" for these purposes means having beneficial ownership of more than 50% of the total voting power of all common stock of the respective entity's capital stock that are entitled to vote generally in the election of directors.

Method of Payment

On redemption or repayment at maturity of the Debentures, Birch will repay the indebtedness represented by the Debentures by paying to the Trustee in cash the amount required to repay the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon. However, Birch may, at its option, subject to the satisfaction of certain conditions described below, elect to satisfy its obligation to repay all or any portion of the principal amount of the Debentures, together with accrued and unpaid interest thereon, that are to be redeemed or that are to be repaid at maturity, by issuing and delivering Common Shares to the holders of Debentures.

The number of Common Shares a holder will receive in respect of each Debenture will be determined by dividing the principal amount of the Debentures that are to be redeemed or repaid at maturity, as the case may be, and that are to be paid in Common Shares, together with accrued and unpaid interest, by 95% of the Current Market Price of the Common Shares, adjusted to take into account the occurrence, during the period for which the Current Market Price is calculated, of certain events described under "Conversion Privilege - Conversion Rate Adjustment" that would result in an adjustment of the conversion rate with respect to the Common Shares. No fractional Common Shares will be issued on redemption or repayment at maturity but in lieu thereof, Birch shall satisfy fractional interests by a cash payment equal to the fraction of the Common Share multiplied by the Current Market Price of the Common Shares.

Birch may not satisfy its obligation to pay the principal amount of a Debenture, together with accrued and unpaid interest thereon, by delivering Common Shares or a combination of cash and Common Shares unless Birch satisfies the requirements of applicable securities laws and certain other conditions, as provided in the Indenture, prior to the maturity date, the redemption date or the purchase date, as applicable, including the following conditions:

(i) no event of default shall have occurred and be continuing under the Indenture;

(ii) the Common Shares to be issued upon redemption or repayment at maturity of Debentures shall be qualified for distribution under the applicable securities laws of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario; and

(iii) the Common Shares to be issued upon redemption or repayment at maturity of Debentures shall be listed on the TSXV, the TSX or a national securities exchange or quoted in an inter-dealer quotation system of any registered national securities association.

If the conditions are not satisfied with respect to a holder prior to the close of business on the applicable payment date, Birch will make the required payment entirely in cash. If Birch elects to satisfy any amount payable on redemption of the Debentures by issuing Common Shares, Birch will advise the holders of Debentures of such election in the applicable redemption notice. If Birch elects to satisfy any amount payable on repayment at maturity of the Debentures by issuing Common Shares, Birch will provide notice of such election to the holders of Debentures not more than 60 days and not less than 40 days before the payment date. The notice shall state:

(i) whether Birch will make the payment in cash or Common Shares or any combination thereof;

(ii) if both cash and Common Shares are payable, the percentage of each applicable on a per Debenture basis; and

(iii) the method of calculating the Current Market Price of the Common Shares.

Birch may not change the form of components or percentages of consideration to be paid for the Debentures once it has given the notice that it is required to give holders of Debentures, except as described in the preceding paragraph. When Birch determines the actual number of Common Shares in accordance with the foregoing procedures, it will issue a press release on a national newswire and publish such information on its website.

As the Current Market Price of the Common Shares will be determined prior to the applicable payment date, holders of the Debentures will bear the market risk with respect to the value of the Common Shares to be received from the date such price is determined to such payment date.

Interest Payment Option

Birch may elect, from time to time, provided that Birch is not in default under the Indenture, to satisfy its obligation to pay interest on the Debentures (the "**Interest Obligation**"), on the date it is payable under the Indenture (an "**Interest Payment Date**"), by delivering sufficient Common Shares to the Trustee to satisfy all or any part of the Interest Obligation in accordance with the Indenture (the "**Share Interest Payment Election**"). The Indenture will provide that, upon such election, the Trustee shall (i) accept delivery of the Common Shares, (ii) deliver and receive bids with respect to, and facilitate sales of, such Common Shares by a registered broker or dealer, each as Birch shall direct in its absolute discretion, (iii) invest the proceeds of such sales in short-term Canadian Government Obligations (as defined in the Indenture), which mature prior to the applicable Interest Payment Date, (iv) deliver the proceeds received from such permitted Canadian Government Obligations, together with any proceeds from the sale of Common Shares not invested as aforesaid, to satisfy the Interest Obligation; and (v) perform any other action necessarily incidental thereto.

The Indenture will set forth the procedures to be followed by Birch and the Trustee in order to effect the Share Interest Payment Election. If a Share Interest Payment Election is made, the sole right of a holder of Debentures in respect of interest will be to receive cash from the Trustee out of the proceeds of the sale of Common Shares (plus any amount received by the Trustee from Birch attributable to any fractional Common Shares) in an amount equal to the applicable interest payment in full satisfaction of the Interest Obligation, and the holder of such Debentures will have no further recourse to Birch in respect of the Interest Obligation.

Neither Birch's making of the Share Interest Payment Election nor the consummation of sales of Common Shares will (i) result in the holders of the Debentures not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date, or (ii) entitle such holders to receive any Common Shares in satisfaction of the Interest Obligation.

Purchase for Cancellation

Birch may, to the extent permitted by applicable law, at any time purchase the Debentures in the open market or by tender at any price or by private agreement. Any Debenture purchased by Birch will be surrendered to the Trustee for cancellation. Any Debentures surrendered to the Trustee may not be reissued or resold and will be cancelled promptly.

Events of Default

The following will be events of default under the Indenture:

(i) default in the payment of any principal amount or any redemption price, purchase price, or Change of Control purchase price due with respect to the Debentures, when the same becomes due and payable;

(ii) default in payment of any interest under the Debentures, which default continues for 30 days;

(iii) default in the delivery, when due, of all cash and any Common Shares or other consideration, including any make whole premium, payable upon conversion with respect to the Debentures, which default continues for 15 days;

(iv) Birch's failure to comply with any of Birch's other agreements in the Debentures or the Indenture upon Birch's receipt of notice of such default from the Trustee or from holders of not less than 25% in aggregate principal amount of the Debentures, and the failure to cure (or obtain a waiver of) such default within 30 days after receipt of such notice;

(v) default in the payment of principal when due or resulting in acceleration of other indebtedness of Birch for borrowed money where the aggregate principal amount with respect to which the default or acceleration has occurred exceeds $5 million and such acceleration has not been rescinded or annulled or such indebtedness repaid within a period of 30 days after written notice to Birch by the Trustee or to Birch and the Trustee by the holders of at least 25% in aggregate principal amount of the Debentures, provided that if any such default is cured, waived, rescinded or annulled, then the event of default by reason thereof would be deemed not to have occurred; and

(vi) certain events of bankruptcy, insolvency or reorganization affecting Birch.

If an event of default shall have happened and be continuing, either the Trustee or the holders of not less than 25% in aggregate principal amount of the Debentures then outstanding may declare the principal of the Debentures and any accrued and unpaid interest through the date of such declaration immediately due and payable. In the case of certain events of bankruptcy or insolvency, the principal amount of the Debentures together with any accrued interest through the occurrence of such event shall automatically become and be immediately due and payable.

Consolidation, Mergers or Sales of Assets

The Indenture will provide that Birch may not without the consent of the holders of the Debentures consolidate with or merge into any person or sell, convey, transfer or lease all or substantially all of Birch's properties and assets to another person (other than a directly or indirectly wholly-owned corporate or partnership subsidiary of Birch) unless:

(i) the resulting, surviving, continuing or transferee person is a corporation organized and existing under the laws of the United States, any state thereof, Canada or any province or territory thereof, and such corporation (if other than Birch) assumes all the obligations of Birch under the Debentures and the Indenture;

(ii) after giving effect to the transaction, no event of default, and no event that, after notice or passage of time, would become an event of default, has occurred and is continuing; and

(iii) other conditions described in the Indenture are met;

provided, however, that the sale, conveyance, transfer or lease (in a single transaction or a series of transactions) of the properties or assets of one or more subsidiaries (other than to Birch or another directly or indirectly wholly-owned corporate or partnership subsidiary) which, if such properties or assets were directly owned by Birch, would constitute all or substantially all of the properties and assets of Birch on a consolidated basis, shall be deemed to be a sale, conveyance, transfer or lease of all or substantially all of the properties and assets of Birch.

Upon the assumption of Birch's obligations by such corporation in such circumstances, subject to certain exceptions, Birch shall be discharged from all obligations under the Debentures and the Indenture. Although such transactions are permitted under the Indenture, certain of the foregoing transactions occurring could constitute a Change of Control of Birch, which would require Birch to offer to purchase the Debentures as described above. An assumption of Birch's obligations under the Debentures and the Indenture by such corporation might be deemed for Canadian federal income tax purposes to be an exchange of the Debentures for new Debentures by the holders thereof, resulting in recognition of gain or loss for such purposes and possibly other adverse tax consequences to the holders. Holders should consult their own tax advisors regarding the tax consequences of such an assumption.

Canadian Withholding Taxes

Birch will make payments on account of the Debentures without withholding or deducting on account of any present or future duty, levy, impost, assessment or other governmental charge (including, without limitation, penalties, interest and other liabilities related thereto) imposed or levied by or on behalf of the Government of Canada or of any province or territory thereof or by any authority or agency therein or thereof having the power to tax ("**Canadian Taxes**"), unless Birch is required by law or the interpretation or administration thereof, to withhold or deduct Canadian Taxes. If Birch is required to withhold or deduct any amount on account of Canadian Taxes, Birch will make such withholding or deduction and pay as additional interest the additional amounts ("**Additional Amounts**") necessary so that the net amount received by each holder of Debentures, after all applicable withholdings or deductions have been made (including with respect to Additional Amounts), will not be less than the amount the holder would have received if the Canadian Taxes had not been withheld or deducted. Birch will make a similar payment of Additional Amounts to holders of Debentures (other than Excluded Holders) that are exempt from withholding but are required to pay tax directly on amounts otherwise subject to withholding. However, no Additional Amounts will be payable with respect to a payment made to a holder or former holder of Debentures (an "**Excluded Holder**") in respect of the beneficial owner thereof:

(i) with which Birch does not deal at arm's length (within the meaning of the Tax Act) at the time of making such payment;

(ii) that is subject to such Canadian Taxes by reason of its failure to comply with any certification, identification, information, documentation or other reporting requirement if compliance is required by law, regulation, administrative practice or an applicable treaty as a precondition to exemption from, or a reduction in the rate of deduction or withholding of, such Canadian Taxes (provided that in the case of any imposition or change in any such certification, identification, information, documentation or other reporting requirements which applies generally to holders of Debentures who are not residents of Canada, at least 60 days prior to the effective date of any such imposition or change, Birch shall give written notice, in the manner provided in the Indenture, to the Trustee and the holders of the Debentures then outstanding of such imposition or change, as the case may be, and provide the Trustee and such holders with such forms or documentation, if any, as may be required to comply with such certification, identification, information, documentation, or other reporting requirements); or

(iii) that is subject to such Canadian Taxes by reason of its carrying on business in or otherwise being connected with Canada or any province or territory thereof otherwise than by the mere holding of such Debentures or the receipt of payment, or exercise of any enforcement rights thereunder;

and no Additional Amounts will be payable with respect to any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or governmental charge (the "**Excluded Taxes**").

Birch will remit the amount it withholds or deducts to the relevant authority. Additional Amounts will be paid in cash semi-annually, at maturity, on any redemption date, on a Conversion Date or on any purchase date. With respect to references in this Prospectus to the payment of principal or interest on any Debenture, such references shall be deemed to include the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable.

Birch will furnish to the Trustee, within 30 days after the date the payment of any Canadian Taxes is due pursuant to applicable law, certified copies of tax receipts evidencing that such payment has been made. Birch will indemnify and hold harmless each holder of Debentures (other than an Excluded Holder or with respect to Excluded Taxes) and upon written request reimburse each such holder for the amount of (i) any Canadian Taxes so levied or imposed and paid by such holder as a result of payments made under or with respect to the Debentures, (ii) any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, and (iii) any Canadian Taxes levied or imposed and paid by such holder with respect to any reimbursement under (i) and (ii) above, but excluding any Excluded Taxes.

Modifications of the Indenture

The Trustee and Birch may amend the Indenture or the Debentures with the consent of the holders of not less than a majority in aggregate principal amount of the Debentures then outstanding. However, the consent of the holders of not less than 95% of the aggregate principal amount of the Debentures then outstanding is required to:

(i) alter the manner of calculation or rate of accrual of interest on the Debenture or change the time of payment;

(ii) make the Debenture payable in money or securities other than that stated in the Debenture;

(iii) change the stated maturity of the Debenture;

(iv) reduce the principal amount, redemption price, purchase price, Change of Control purchase price or make whole premium payable with respect to the Debenture;

(v) make any change that adversely affects the rights of a holder to convert the Debenture in any material respect;

(vi) make any change that adversely affects the right to require Birch to purchase the Debenture in any material respect;

(vii) impair the right to institute suit for the enforcement of any payment with respect to the Debenture or with respect to conversion of the Debenture; or

(viii) change the provisions in the Indenture that relate to modifying or amending the Indenture.

Without the consent of any holder of Debentures, the Trustee and Birch may amend the Indenture in certain circumstances, including:

(i) to evidence a successor to Birch and the assumption by that successor of Birch's obligations under the Indenture and the Debentures;

(ii) to add to Birch's covenants for the benefit of the holders of the Debentures or to surrender any right or power conferred upon Birch;

(iii) to secure Birch's obligations in respect of the Debentures or adding a guarantor for the Debentures;

(iv) to evidence and provide the acceptance of the appointment of a successor Trustee under the Indenture;

(v) to comply with the requirements of Canadian laws applicable to trust indentures;

(vi) to cure any ambiguity, omission, defect or inconsistency in the Indenture; or

(vii) to make any change that does not adversely affect the rights of the holders of the Debentures in any material respect.

The holders of a majority in aggregate principal amount of the outstanding Debentures may, on behalf of, and with the effect of binding, all the holders of all Debentures:

(i) waive compliance by Birch with restrictive provisions of the Indenture, as detailed in the Indenture; or

(ii) waive any past default under the Indenture and its consequences, except a default in the payment of any amount due, or in the obligation to deliver Common Shares, with respect to any Debenture or in respect of any provision which under the Indenture cannot be modified or amended without the consent of the holders of not less than 95% of the aggregate principal amount of the Debentures then outstanding.

Discharge of the Indenture

Birch may satisfy and discharge Birch's obligations under the Indenture in certain circumstances, including by delivering to the Trustee for cancellation all outstanding Debentures or by depositing with the Trustee, or the paying agent, if applicable, after the Debentures have become due and payable, whether at stated maturity or any redemption date, or any purchase date, or a Change of Control Purchase Date, or upon conversion or otherwise, cash or Common Shares (as applicable under the terms of the Indenture) sufficient to pay all of the outstanding Debentures and paying all other sums payable under the Indenture.

Calculations in Respect of Debentures

Birch is responsible for making all calculations called for under the Debentures. These calculations include, but are not limited to, determination of the average market prices of Common Shares. Birch will make all these calculations in good faith and, absent manifest error, Birch's calculations are final and binding on holders of Debentures. Birch will provide a schedule of Birch's calculations to the Trustee, and the Trustee is entitled to conclusively rely upon the accuracy of Birch's calculations without independent verification.

No Personal Liability of Directors, Officers, Employees, Subsidiaries, Incorporators and Shareholders

No director, officer, employee, subsidiaries, incorporator or shareholder of Birch, as such, shall have any liability for any of the obligations of Birch under the Debentures or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Debentures by accepting a Debenture waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Debentures.

Governing Law

The Indenture and the Debentures will be governed by and construed in accordance with the laws of the Province of Alberta. Birch will submit to the non-exclusive jurisdiction of any court of the Province of Alberta for purposes of all legal actions and proceedings instituted in connection with the Indenture and the Debentures.

Transfer and Exchange of Debentures

Registered holders of Definitive Debentures may transfer such Debentures upon payment of taxes or other charges incidental thereto, if any, by executing and delivering a form of transfer together with the Definitive Debentures to the Trustee for the Debentures at its principal offices in Toronto, Vancouver and Calgary, or such other city or cities as may from time to time be designated by Birch whereupon new Definitive Debentures will be issued in authorized denominations in the same aggregate principal amount as the Definitive Debentures so transferred, registered in the names of the transferees. No transfer or exchange of a Definitive Debenture will be registered during the period from the date of any selection by the Trustee of any Debentures to be redeemed or during the 15 preceding days or thereafter until the close of business on the date upon which notice of redemption of such Debentures is given. In addition, no transfer or exchange of any Debentures which have been selected or called for redemption will be registered.

Payments

Payments of interest on each Debenture will be made by Birch or by the Trustee as paying agent for Birch. Payment of principal at maturity will be made at the principal office of the Trustee in Toronto, Vancouver and Calgary (or in such other city or cities as may from time to time be designated by Birch) against surrender of the Debentures.

PLAN OF DISTRIBUTION

Under an agreement dated November l, 2006 (the "**Underwriting Agreement**") between the Corporation and the Underwriter, the Corporation has agreed to issue and sell an aggregate of l Debentures to the Underwriter, and the Underwriter has agreed to purchase such Debentures on l, 2006 or such other date as may be agreed by the Corporation and the Underwriter, but in any event, not later than 30 days following the issuance of a final receipt for this Prospectus. Delivery of the Debentures is conditional upon payment at closing of $1,000 per Debenture by the Underwriter to the Corporation. The Underwriting Agreement provides that the Corporation will pay the Underwriter's fee of $l per Debenture for Debentures issued and sold by the Corporation, for an aggregate fee payable by the Corporation of $l or $l in the event that the Over-Allotment Option is exercised in full, in consideration for their services in connection with the Offering. The Underwriter's fee in respect of the Debentures is payable upon closing of the Offering. The terms of the Offering were determined by negotiation between the Corporation and the Underwriter.

The Corporation has granted to the Underwriter the Over-Allotment Option to purchase up to an additional 15% of the principal amount of the Debentures, (or up to an additional $l principal amount of Debentures) at a price of $1,000 per Debenture (plus accrued interest from the initial closing of the Offering to the closing of the Over-Allotment Option) on the same terms and conditions as the Offering of the Debentures, to cover over-allotments, if any, and for market stabilization purposes. The Over-Allotment Option is exercisable in whole or in part until the close of business on December 27, 2006. The Over-Allotment Option and the Debentures issuable on exercise thereof are qualified for distribution under the Prospectus. The Underwriter will be entitled to a fee of l% of the aggregate principal amount so purchased pursuant to the exercise of the Over-Allotment Option.

The obligations of the Underwriter under the Underwriting Agreement may be terminated by the Underwriter, at its discretion on the basis of its assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriter is, however, obligated to take up and pay for all of the Debentures if any of the Debentures are purchased under the Underwriting Agreement, subject to the exceptions set forth therein. The offering price of the Debentures was determined by negotiation between the Corporation and the Underwriter. The Corporation has agreed to indemnify the Underwriter and its agents, directors, officers, shareholders and employees against certain liabilities or to contribute to payments that the Underwriter may be required to make in respect thereof.

The Underwriter proposes to offer the Debentures initially at the offering price specified on the cover page of this Prospectus. After the Underwriter has made a reasonable effort to sell all of the Debentures at the price specified on the cover page, the offering price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page, and the compensation realized by the Underwriter will be decreased by the amount that the aggregate price paid by purchasers for the Debentures is less than the proceeds paid by the Underwriter to the Corporation.

Pursuant to policy statements of the Ontario Securities Commission, the Underwriter may not, through the period of distribution, bid for or purchase Debentures. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Debentures. Such exceptions include a bid or purchase permitted under the Universal Market Integrity Rules of Market Regulation Services Inc. relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution, provided that the bid or purchase was not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of the Debentures. The Corporation has been advised by the Underwriter that, in connection with the Offering, subject to the foregoing and applicable laws, the Underwriter may effect transactions which stabilize or maintain the market price of the Debentures at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Corporation has applied to list the Debentures to be distributed under this Prospectus and the Common Shares issuable upon conversion of the Debentures on the TSXV and has applied to list the Common Shares issuable upon the conversion of the Debentures on the AMEX. The listings will be subject to the Corporation fulfilling all of the listing requirements of the TSXV and AMEX.

The Debentures offered hereby have not been and will not be registered under the 1933 Act or any securities or "Blue Sky" laws of any state of the United States. Accordingly, the Debentures may not be offered or sold within the United States or to U.S. persons except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. The Underwriting Agreement permits the Underwriter to offer and resell the Debentures it has acquired pursuant to the Underwriting Agreement to certain qualified institutional buyers in the United States, provided that such offers and sales are made in accordance with Rule 144A under the 1933 Act. In addition, the Underwriting Agreement provides that the Underwriter will offer and sell securities outside the United States only in accordance with Regulation S under the 1933 Act, which provides an exemption from registration under the 1933 Act in connection with the offer and sale of the Debentures outside the United States.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Debentures offered hereby in the United States. In addition, until 40 days after the announcement of the Offering, an offer or sale of the Debentures within the United States by any dealer, whether or not participating in the Offering, may violate the registration requirement of the 1933 Act if such offer is made otherwise than in accordance with an available exemption from registration under 1933 Act.

The Corporation has agreed that, subject to certain exceptions, it shall not, during the period ending 90 days following closing of the Offering, directly or indirectly authorize, issue offer, sell contract to sell or grant any options to purchase any Common Shares or securities convertible into or exchangeable for or giving the right to purchase any Common Shares or announce any intention to effect the foregoing, other than (a) stock options issuable under Birch's existing stock option plan, (b) to satisfy existing instruments already issued at as the date of the Underwriting Agreement, (c) common shares issuable upon exercise of stock options issued or to be issued under the Corporation's stock option plan, or (d) the Debentures, without the consent of the Underwriter, which consent will not be unreasonably withheld.

RELATIONSHIP BETWEEN THE CORPORATION AND AN UNDERWRITER

RBC Dominion Securities Inc. is an indirect wholly-owned subsidiary of the Lender. The Lender has extended a $2 million cash collateralized demand operating facility to the Corporation. Currently, the Corporation has drawn $2 million upon the credit facility for the posting of a letter of credit in favour of Alberta Environment in respect of future site reclamation for the MVQ.

Additionally, the Corporation has a non-revolving bank loan with the Lender, which facility bears interest at prime rate plus 2% or Banker's Acceptance rates plus 3% and is repayable in full by the net cash proceeds of any equity security or debt issuance and/or by December 31, 2006, whichever comes first. The Corporation has provided a general security agreement against this loan. At September 30, 2006, the Corporation had drawn the maximum of $10 million, as permitted by the loan. The loan had an effective interest rate of 7.29% during the third quarter of 2006.

Accordingly, the Corporation may be considered a connected issuer of RBC Dominion Securities Inc. for the purposes of the securities legislation in certain provinces. The Corporation is not in default of either of the credit facilities of the Lender and has not been required to waive any breach under such credit facilities. The financial condition of the Corporation has not changed materially as a result of the issuance of the letters of credit and the other facility. A portion of the proceeds from the Offering will be used to re-pay the $10 million loan to the Lender, pursuant to the terms of that credit facility.

The decision to distribute the Debentures offered hereby and the determination of the terms of such distribution were made through negotiations between the Corporation and RBC Dominion Securities Inc. The Lender did not have any involvement in such decision or determination, but has been advised of the issuance and the terms thereof. As a consequence of the Offering, RBC Dominion Securities Inc. will receive the Underwriter's Fee.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Counsel, the following summary fairly describes the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a subscriber who acquires Debentures pursuant to the offering and who, for purposes of the Tax Act and at all relevant times, holds the Debentures and the Common Shares issued on the conversion, redemption or repayment of the Debentures (collectively, the "**Securities**") as capital property and deals at arm's length with, and is not affiliated with, the Corporation. Generally speaking, the Securities will be considered to be capital property to a holder provided the holder does not hold the Securities in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. This summary is not applicable to: (i) a holder that is a "financial institution", as defined in the Tax Act for purposes of the mark-to-market rules; (ii) a holder an interest in which would be a "tax shelter investment", as defined in the Tax Act; (iii) a holder that is a "specified financial institution", as defined in the Tax Act; (iv) a holder that is a partnership; or (v) a holder who holds the Securities in, or in the course of, carrying on business. Any such holder should consult their own tax advisors with respect to an investment in the Securities.

This summary is based upon the provisions of the Tax Act including the regulations thereunder (the "**Regulations**") in force as of the date hereof and Counsels' understanding of the current published administrative and assessing practices and policies of the Canada Revenue Agency (the "**CRA**"). Except for specifically proposed amendments (the "**Proposed Amendments**") to the Tax Act and the Regulations that have been publicly announced by or on behalf of the federal Minister of Finance prior to the date hereof, this summary does not take into account or anticipate changes in the income tax law, whether by legislative, governmental or judicial action, nor any changes in the administrative practices and policies of the CRA. There can be no assurance that the Proposed Amendments will be enacted in their present form, or at all. This summary is not exhaustive of all Canadian federal income tax considerations nor does it take into account any provincial, territorial or foreign tax considerations arising from the acquisition, ownership or disposition of the Securities.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any prospective purchaser or holder of Securities, and no representations with respect to the income tax consequences to any prospective purchaser or holder are made. Consequently, prospective holders should consult their own tax advisors with respect to their particular circumstances.

Holders Resident in Canada

The following discussion applies to a holder of Debentures who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention, is resident in Canada (a "**Canadian holder**"). Certain Canadian holders whose Debentures might not otherwise qualify as capital property may, in certain circumstances, treat such Debentures as capital property by making an irrevocable election provided by subsection 39(4) of the Tax Act.

Taxation of Interest on Debentures

A Canadian holder that is a corporation, partnership, unit trust or trust of which a corporation or a partnership is a beneficiary will be required to include in its income for a taxation year any interest on the Debentures that accrued to it or was deemed to accrue to it to the end of the year or that became receivable or was received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding year. Any other Canadian holder, including an individual (other than a trust), will be required to include in income for a taxation year any interest on the Debentures received or receivable by such holder in the year (depending upon the method regularly followed by the holder in computing income), except to the extent that such amount was otherwise included in its income for the year or a preceding taxation year.

On a disposition or deemed disposition of a Debenture, including a payment on maturity, a redemption or a purchase for cancellation, a Canadian holder will generally also be required to include in income the amount of interest accrued on the Debenture from the date of the last interest payment to the date of disposition to the extent that such amount has not otherwise been included in the holder's income for the taxation year or a previous taxation year. For the tax treatment of any interest paid by the Corporation to a Canadian holder by the issuance of Common Shares upon the exercise of the conversion privilege, see "Exercise of Conversion Privilege" below.

In the event the Debentures are issued at a discount from their face value, a Canadian holder may be required to include an additional amount in computing income, either in accordance with the deemed interest accrual rules contained in the Tax Act and Regulations or in the taxation year in which the discount is received or receivable by the Canadian holder. Canadian holders should consult their own tax advisor in these circumstances, as the treatment of the discount may vary with the facts and circumstances giving rise to the discount.

Disposition of Debentures

In general, the disposition or deemed disposition of a Debenture, including a redemption, payment on maturity, purchase for cancellation or the exercise by a Canadian holder of its conversion privilege where the Corporation agrees to deliver cash in lieu of some or all the Common Shares to be delivered on conversion (other than cash not in excess of $200 delivered in lieu of a fraction of a Common Share), but not including the conversion of a Debenture into Common Shares (or Common Shares and cash not in excess of $200 in lieu of a fraction of a Common Share) pursuant to a Canadian Debenture holder's right of conversion, will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any accrued interest included in the holder's income, exceed (or are exceeded by) the adjusted cost base of the Debenture to the holder immediately before the disposition and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under "Taxation of Capital Gains and Capital Losses".

If the Corporation pays any amount upon the redemption, purchase or maturity of a Debenture by issuing Common Shares to the Canadian holder, the holder's proceeds of disposition of the Debenture will be equal to the fair market value, at the time of disposition of the Debenture, of the Common Shares and any other consideration so received, which may result in a capital gain (or a capital loss). The holder's cost of the Common Shares so received will be equal to the fair market value of such Common Shares. The adjusted cost base to a Canadian holder of Common Shares at any time will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the holder as capital property at that time.

Exercise of Conversion Privilege

Generally, a Canadian holder who converts a Debenture into Common Shares (or Common Shares and cash delivered in lieu of a fraction of a Common Share) pursuant to the conversion privilege will be deemed not to have disposed of the Debenture and, accordingly, will not be considered to realize a capital gain (or capital loss) on such conversion. Under the current administrative practice of the CRA, a holder who, upon conversion of a Debenture, receives cash not in excess of $200 in lieu of a fraction of a Common Share may either treat this amount as proceeds of disposition of a portion of the Debenture, thereby realizing a capital gain (or capital loss), or reduce the adjusted cost base of the Common Shares that the holder receives on the conversion by the amount of the cash received. If a holder receives greater than $200 in lieu of a fraction of a Common Share, the holder must treat such amount as proceeds of disposition and report any applicable capital gain (or capital loss).

Any interest paid by the Corporation to a Canadian holder by the issuance of Common Shares upon the exercise of the conversion privilege will be included in the holder's income for the taxation year of the conversion, except to the extent that such amount was included in the holder's income for a preceding taxation year.

The aggregate cost to a Canadian holder of the Common Shares acquired on the conversion of a Debenture will generally be equal to the aggregate of the holder's adjusted cost base of the Debenture immediately before the conversion and the amount of interest accrued on the Debenture to the date of conversion, if any, which is included in such holder's income. The adjusted cost base to a Canadian holder of Common Shares at any time will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the holder as capital property at the time.

Distribution Pursuant to Conversion Rate Adjustment Provisions

In the event that, pursuant to the conversion rate adjustment provisions of the Debentures, a Canadian holder receives a distribution equivalent to a distribution made to holders of Common Shares, such Canadian holder may be required to include the amount or value of such distribution in computing its income for tax purposes. Canadian holders are advised to consult their own tax advisors in this regard.

Taxation of Dividends on Common Shares

Dividends received or deemed to be received on the Common Shares will be included in a Canadian holder's income for purposes of the Tax Act. Such dividends received or deemed to be received by a Canadian individual holder (other than certain trusts) will be subject to the gross-up and dividend tax credit rules generally applicable under the Tax Act in respect of dividends received on shares of taxable Canadian corporations. On June 29, 2006, the Minister of Finance introduced draft amendments to the Tax Act that increase the gross-up and dividend tax credit for eligible dividends paid after 2005. An eligible dividend is any dividend designated as an eligible dividend by the Corporation, in writing, to the recipient. A Canadian holder that is a corporation will include such dividends in computing its income and will generally be entitled to deduct the amount of such dividends in computing its taxable income. A Canadian holder that is a "private corporation" or a "subject corporation" (as such terms are defined in the Tax Act), may be liable under Part IV of the Tax Act to pay a refundable tax of 33 1/3% on dividends received or deemed to be received on the Common Shares to the extent such dividends are deductible in computing the holder's taxable income.

Disposition of Common Shares

A disposition, or a deemed disposition, of a Common Share by a Canadian holder will generally give rise to a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the

Common Share, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base of the Common Share to the holder. Such capital gain (or capital loss) will be subject to the treatment described below under "Taxation of Capital Gains and Capital Losses".

Additional Refundable Tax

A Canadian holder that is a "Canadian-controlled private corporation" (as such term is defined in the Tax Act) may be liable to pay an additional refundable tax of 6 2/3% on certain investment income including amounts in respect of interest and Taxable Capital Gains, as defined below.

Taxation of Capital Gains and Capital Losses

In general, one half of any capital gain (a "**Taxable Capital Gain**") realized by a Canadian holder in a taxation year will be included in the holder's income in the year. Subject to and in accordance with the provisions of the Tax Act, one half of any capital loss (an "**Allowable Capital Loss**") realized by a Canadian holder in a taxation year must be deducted from Taxable Capital Gains realized by the holder in the year and Allowable Capital Losses in excess of Taxable Capital Gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years to the extent and under the circumstances provided in the Tax Act.

The amount of any capital loss realized by a Canadian holder that is a corporation on the disposition of a Common Share may be reduced by the amount of dividends received or deemed to be received by it on such Common Share (or on a share for which the Common Share has been substituted) to the extent and under the circumstances prescribed by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares, directly or indirectly, through a partnership or a trust. A Taxable Capital Gain realized by a Canadian holder who is an individual may give rise to liability for alternative minimum tax.

Holders Not Resident in Canada

The following discussion applies to a holder of Debentures who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention, is neither resident nor deemed to be resident in Canada and does not, and is not deemed to, use or hold Debentures, or Common Shares acquired upon the conversion of a Debenture, in carrying on a business in Canada (a "**Non-Resident holder**"). In addition, this discussion does not apply to an insurer who carries on an insurance business in Canada and elsewhere or an authorized foreign bank (as defined in the Tax Act).

Taxation of Interest on Debentures

A Non-Resident holder will not be subject to Canadian withholding tax in respect of amounts paid or credited or deemed to have been paid or credited by the Corporation as, on account or in lieu of payment of, or in satisfaction of, interest or principal on the Debentures.

Disposition of Debentures and Common Shares

A Non-Resident holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident holder on a disposition of Debentures or Common Shares, as the case may be, unless the Debentures or Common Shares constitute "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident holder at the time of disposition and the holder is not entitled to relief under an applicable income tax treaty or convention. As long as the Common Shares are then listed on a prescribed stock exchange (which currently includes the TSX and TSXV), the Debentures and the Common Shares generally will not constitute taxable Canadian property of a Non-Resident holder, unless at any time during the 60-month period immediately preceding the disposition, the Non-Resident holder, persons with whom the Non-Resident holder did not deal at arm's length, or the Non-Resident holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of the capital stock of the Corporation.

Exercise of Conversion Privilege

The conversion of a Debenture into Common Shares only on the exercise of a conversion privilege by a Non-Resident holder (including additional Common Shares representing the make whole premium) will generally be deemed not to constitute a disposition of the Debenture and, accordingly, a Non-Resident holder will not realize a gain or a loss on such conversion.

Distribution Pursuant to Conversion Rate Adjustment Provisions

As described more fully in "Details of the Debentures - Conversion Privilege - Conversion Rate Adjustments", to the extent that the Corporation elects to make an equivalent distribution to holders of Debentures or permits holders of Debentures to participate in certain events on a basis that is similar to holders of Common Shares, no conversion rate adjustment will be made under the Debentures. The Canadian federal income tax consequences to Non-Resident holders in such a situation are unclear, and Non-Resident holders should consult their own tax advisors regarding the consequence to them of the Corporation making such an election.

Taxation of Dividends on Common Shares

Dividends paid or credited or deemed to be paid or credited on the Common Shares to a Non-Resident holder will be subject to a Canadian withholding tax in the amount of 25%. Such withholding tax may be reduced by virtue of the provisions of an income tax treaty or convention between Canada and the country of which the Non-Resident holder is a resident. Under the Canada-United States Income Tax Convention, the rate of withholding tax in respect of dividends or deemed dividends beneficially owned by a resident of the United States is generally reduced to 15%.

RISK FACTORS

A prospective investor should consider carefully the risk factors set forth in the AIF as well as the additional risk factors set out below before making an investment in Debentures of the Corporation.

A prospective purchaser should consider carefully the factors set forth below and should consult his or her own expert advisors as to the suitability of an investment in the Debentures offered herein. An investment in the Debentures is suitable only for purchasers who understand the risk factors associated with this type of investment and who can afford a loss of their entire investment. The information set out below is presented as of the date hereof and is subject to change, completion or amendment without notice.

Market for Debentures

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this Prospectus. There can be no assurance that an active trading market will develop for the Debentures after the offering, or if developed, that such a market will be sustained at the price level of the offering.

Prior Ranking Indebtedness

The Debentures will be subordinate to all Senior Indebtedness including any indebtedness or liabilities to Birch's trade or other creditors. The Debentures will also be effectively subordinate to claims of creditors of any potential subsidiaries except to the extent Birch is a creditor of such subsidiaries ranking at least pari passu with such other creditors.

Absence of Covenant Protection

Other than as described herein, the Indenture will not limit Birch's ability to incur additional debt or liabilities (including Senior Indebtedness). The Indenture will not contain any provision specifically intended to protect holders of the Debentures in the event of a future leveraged transaction by Birch.

Limitation in Ability to Finance Purchase of Debentures

Birch is required to make an offer to holders of the Debentures to purchase all or a portion of their Debentures for cash in the event of certain Changes of Control. Birch cannot assure holders of Debentures that, if required, it would have sufficient cash or other financial resources at that time or would be able to arrange financing to pay the purchase price of the Debentures in cash. Birch's ability to purchase the Debentures in such an event may be limited by law, by the Indenture governing the Debentures, by the terms of other present or future agreements relating to Birch's credit facilities and other indebtedness and agreements that Birch may enter into in the future which may replace, supplement or amend Birch's future debt. Birch's future credit agreements or other agreements may contain provisions that could prohibit the purchase by Birch of the Debentures without the consent of the lenders or other parties thereunder. If Birch's obligation to offer to purchase the Debentures arises at a time when Birch is prohibited from purchasing or redeeming the Debentures, Birch could seek the consent of lenders to purchase the Debentures or could attempt to refinance the borrowings that contain this prohibition. If Birch does not obtain a consent or refinance these borrowings, Birch could remain prohibited from purchasing the Debentures under its offer. Birch's failure to purchase the Debentures would constitute an event of default under the Indenture governing the Debentures, which might constitute a default under the terms of Birch's other indebtedness at that time.

Make Whole Premium

If a holder of Debentures converts its Debentures in connection with a Change of Control that occurs, Birch may, in certain circumstances, be required to pay a make whole premium by increasing the conversion rate. The make whole premium is described under "Details of the Debentures - Determination of Make Whole Premium". While the make whole premium is designed to compensate a holder of Debentures for the lost option time value of its Debentures as a result of a Change of Control, the make whole amount is only an approximation of such lost value and may not adequately compensate the holder for such loss. In addition, in some cases described under "Details of the Debentures - Determination of Make Whole Premium", there will no such make whole premium paid.

Market Price of the Debentures

The market price of the Debentures will be based on a number of factors, including:

(i) the prevailing interest rates being paid by companies similar to Birch;

(ii) the overall condition of the financial and credit markets;

(iii) prevailing interest rates and interest rate volatility;

(iv) the markets for similar securities;

(v) the financial condition, results of operation and prospects of Birch;

(vi) the publication of earnings estimates or other research reports and speculation in the press or investment community;

(vii) the market price and volatility of the Common Shares;

(viii) changes in the industry and competition affecting Birch; and

(ix) general market and economic conditions.

The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the market price of the Debentures.

Volatility of Market Price of Common Shares

The market price of the Common Shares may be volatile. The volatility may affect the ability of holders of Debentures to sell the Debentures at an advantageous price. Additionally, this may result in greater volatility in the market price of the Debentures than would be expected for nonconvertible debt securities. Market price fluctuations in the Common Shares may be due to Birch's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by Birch or its competitors, along with a variety of additional factors, including, without limitation, those set forth under "Forward-Looking Statements". In addition, the market price for securities in the stock markets recently experienced significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the Debentures and the Common Shares.

The Muskeg Valley Quarry is in Operation and the Hammerstone Project is currently in the Development Stage

Birch opened the MVQ in December 2005, under the regulatory approvals and operating permits received in August 2005. The MVQ is fully operational, providing and selling a range of limestone aggregate products. First commercial sales occurred in the second quarter of 2006.

In May 2006, Birch filed an application with the provincial regulatory authorities for the Hammerstone Project, to integrate the existing MVQ with an expanded quarry and aggregate plant, as well as a limestone processing complex to produce limestone-based reagent products.

There are risks that the MVQ's ongoing operations may experience slowdowns and production interruptions and that operating costs may be higher than estimated.

Similarly, there are risks that the Hammerstone Project may be delayed or that the limestone processing complex may not commence operations.

These risks are due to many factors, including, without limitation:

- breakdown or failure of equipment or processes;
- production performance falling below expected levels of output or efficiency;
- design errors;
- contractor or operator errors;
- non-performance by third-party contractors;
- labour disputes, disruptions or declines in productivity;
- increases in materials or labour costs;
- inability to attract sufficient numbers of qualified workers;
- delays in obtaining, or conditions imposed by, regulatory approvals;
- changes in the scope of the development or operations;
- violation of permit requirements;
- disruption of energy supply; and
- catastrophic events such as fires, earthquakes, storms or explosions.

The current operation and construction schedules may not proceed as planned, there may be delays and the development of the Hammerstone Project may not be completed on budget. Any such delays will likely increase the costs and may require additional financing, which financing may not be available. Actual costs to construct and develop the Hammerstone Project will vary from estimates and such variances may be significant.

Given the stage of development of the Hammerstone Project, various changes may be made prior to completing construction. Based upon current scheduling, the Hammerstone Project is not expected to start commercial quicklime operations until 2009. The information contained herein, including, without limitation, reserve and economic evaluations, is conditional upon receipt of all regulatory approvals and no material changes being made to the planned MVQ operations and the Hammerstone Project.

Competitive Risk May Reduce the Corporation's Ability to Operate

Birch must develop the mineral deposits and there is no assurance the type or amount of the deposit will produce the economic results expected. Additionally, Birch must negotiate sales arrangements with its customers and prove its products are reliable and suitable for use in the oil sands industry. Although Birch believes that competing aggregates in the Fort McMurray region are limited in both size and quality and, as a result, high market share assumptions have been made, Birch may have to compete with larger companies that have greater assets and financial and human resources than Birch, and which may be able to sustain larger losses than Birch to develop business. Birch and the economic viability of the MVQ and the Hammerstone Project may be negatively impacted if a new source of aggregates is located and developed.

Personnel Risks May Impact the Corporation's Ability to Carry Out its Operational Plans

At September 1, 2006, Birch had 19 full time employees and 3 part time employees working for the Corporation. The Corporation relies on various other part time workers, contractors and consultants to assist in executing operations and providing technical guidance. From time to time, Birch also utilizes the services of independent consultants and contractors to perform various specific professional services, particularly in the areas of engineering, environmental assessment, drilling, blasting, crushing, processing, analysis and research. Although Birch believes that its relations with its employees, management, directors, consultants and contractors are satisfactory, there can be no assurance that they will remain with Birch for the immediate or foreseeable future.

Birch will be dependent on maintaining its key staff to explore and develop the mineral deposits on the Corporation's mineral properties. As the Corporation continues to grow and expand its operations. it will be necessary to rely on workers, contractors and consultants in the local area. In northern Alberta, skilled labour shortages are common. There is uncertainty regarding the ability to retain and attract personnel to the project and should the Corporation not have adequate personnel, the project may not become operational or may not be economically viable.

Finally, Birch is relying upon the good faith, expertise and judgment of the officers and directors of the Corporation to make appropriate decisions with respect to investments and operations.

Regulatory and Environmental Requirements May Impact the Corporation's Ability to Operate

The Corporation operates in areas that are subject to governmental provisions regulating exploration and development of mineral resources. Birch may be constrained or forbidden to develop a project in areas of economic mineral deposits or mandated operating guidelines may adversely affect the economic viability of Birch. Additionally, the Corporation holds metallic and industrial mineral permits, permit-to-lease conversions and leases issued by the Government of Alberta and there are no guarantees the Government will continue to extend land rights under its current practices. Regulatory agencies may impose operating limitations that may adversely affect Birch's revenues and/or the economic viability of a project.

Birch is required by regulation to operate under certain environmental guidelines that are mandated by federal and provincial governments in Canada. Additionally, public expectation of the industry's environmental performance remains high and this continues to translate into new and generally more rigorous environmental policies, legislation and regulations. The interventions of environmental groups or local persons in the application for the Hammerstone Project could impact the Corporation's ability to develop the project. The approval of new development in Canada has, for the past three decades, been the subject of detailed review through a clearly established public hearing process.

Abandonment and Reclamation Costs and Regulations May Change

Birch will be responsible for compliance with terms and conditions of environmental and regulatory approvals and all laws and regulations regarding the abandonment of the site and reclamation of its lands at the end of its economic life, which abandonment and reclamation costs may be substantial. A breach of such legislation and/or regulations may result in the imposition of fines and penalties, including an order for cessation of operations at the site until satisfactory remedies are made. Abandonment and reclamation costs are estimates and since they will be a function of regulatory requirements at the time, costs of goods and services at the time and the value of the salvaged equipment may be more or less than the abandonment and reclamation costs. In addition, in the future Birch may determine it prudent or be required by applicable laws or regulations to establish a reclamation fund to provide for payment of future abandonment and reclamations costs.

For additional risk factors, please refer to "Item 3 - Key Information - Risk Factors" contained in Birch's AIF.

LEGAL PROCEEDINGS

Subsequent to September 30, 2006, negotiations for compensation related to limestone extracted from one of the Corporation's mineral leases by a third party failed and a statement of claim against the third party was filed with the Court of Queen's Bench of Alberta. The outcome of the claim is not determinable at this time and will be reported in the financial statements when a decision is made by the courts or a negotiated settlement is reached.

INTERESTS OF EXPERTS

AMEC Americas Ltd., independent engineers to the Corporation, do not beneficially own any of the outstanding Common Shares. Phoenix Process Engineering Inc., independent engineers to the Corporation, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares. The partners and associates of Borden Ladner Gervais LLP, as a group, and the partners and associates of Blake, Cassels & Graydon LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares of the Corporation.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are Ernst & Young LLP, Chartered Accountants, Calgary, Alberta.

Birch's transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta.

PURCHASERS' STATUTORY RIGHTS

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

AUDITORS' CONSENT

Consent of Ernst & Young LLP

We have read the short form prospectus of Birch Mountain Resources Ltd. (the "Corporation") dated November 20, 2006 relating to the issue and sale of $l principal amount, l%, convertible, unsecured, subordinated debentures (the "Prospectus"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the Prospectus, of our report to the shareholders of the Corporation on the consolidated balance sheet of the Corporation as at December 31, 2005 and the consolidated statements of loss, deficit and cash flows for the year then ended. Our report is dated March 22, 2006 (except for note 22, which is as of November 10, 2006).

Calgary, Alberta
November l, 2006

Chartered Accountants

Consent of Meyer Norris Penny LLP

We have read the short form prospectus of Birch Mountain Resources Ltd. (the "Corporation") dated November 20, 2006 relating to the issue and sale of $l principal amount, l%, convertible, unsecured, subordinated debentures (the "Prospectus"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the Prospectus, of our report to the shareholders of the Corporation on the consolidated balance sheets of the Corporation as at December 31, 2004 and 2003, and the consolidated statements of loss and retained earnings (deficit) and cash flows for each of the years in the three-year period ended December 31, 2004. Our report is dated February 25, 2005 (except for notes 3 and 8 of the 2004 consolidated financial statements, which are as of July 25, 2005 and note 19, which is as of November 10, 2006).

Calgary, Alberta
November l, 2006

Chartered Accountants

CERTIFICATE OF THE CORPORATION

Date: November 20, 2006

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of Alberta, British Columbia, Saskatchewan, Manitoba and Ontario.

"Douglas J. Rowe"	*"Dan J. Rocheleau"*
DOUGLAS J. ROWE President, Chief Executive Officer and Director	DAN J. ROCHELEAU Acting Chief Financial Officer and Director of Financial Reporting

On behalf of the Board of Directors

"Donald L. Dabbs"	*"Larry W. Shelley"*
DONALD L. DABBS Director	LARRY W. SHELLEY Director

CERTIFICATE OF THE UNDERWRITER

Date: November 20, 2006

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of Alberta, British Columbia, Saskatchewan, Manitoba and Ontario.

RBC DOMINION SECURITIES INC.

By: *"Rob King"*
Rob King