Quarterly Report Q2/10

August 11, 2010

Fellow Shareholders

Birchcliff is pleased to report its second quarter financial and operating results for the three months ended June 30, 2010. In summary, Birchcliff had a very active quarter; drilling through break-up, constructing new facilities, completing new wells, adding new production and planning the execution of its remaining 2010 budget.

Birchcliff is now focused on the completion of the Phase II expansion of its 100% owned Pouce Coupe South Gas Plant (the "**PCS Gas Plant**") that is scheduled to commence operation in December, 2010. The expansion will increase processing capacity from 30 mmcf per day to 60 mmcf per day, which will allow Birchcliff to achieve a new 2010 exit production rate between 18,500 and 19,500 boe/day up from previous guidance of 17,000 to 19,000 boe/day.

As discussed in detail below, the Directors of Birchcliff have approved an increase in the 2010 net capital budget from $182 million to $227.2 million. This increased capital investment will allow Birchcliff to exploit and capture the following opportunities in the face of currently weak natural gas prices:

Production Growth

- increase production targets
- position Birchcliff to achieve stronger average production rates for the fourth quarter of 2010 and the first half of 2011
- bring significant proved non-producing reserves on production

Improve Netbacks

- achieve reduced operating costs by filling and keeping full Phases I and II of the PCS Gas Plant
- achieve reduced royalties by accessing Alberta's new incentive royalty programs

Increase Area Domination

- respond to significantly increased industry activity in the Pouce Coupe area by expanding Birchcliff's dominant land position on the highly competitive Montney/Doig natural gas resource play by actively competing in upcoming crown land sales
- complete the regulatory and commercial groundwork necessary to pursue the Phase III expansion of the PCS Gas Plant, which will increase Birchcliff's strategic and competitive infrastructure advantage over others in the Pouce Coupe area

Increase Oil Focus

- enhance Birchcliff's light oil cash flow engine at Worsley by increasing production, drilling activity and land position on its Worsley light oil resource play

2010 SECOND QUARTER RESULTS

Production

Based on estimates from field reports, current production is approximately 13,500 boe/day. Phase I of the PCS Gas Plant has recently been operating at full capacity and we have 5 (3.8 net) standing new Montney/Doig horizontal natural gas wells that are drilled and cased and have not yet been brought on production.

Average production is expected to increase quarter over quarter through to next spring break-up as we commission Phase II of our PCS Gas Plant and bring on additional production from our Worsley light oil resource play.

Second quarter production averaged 12,357 boe/day, (72% natural gas and 28% light oil and natural gas liquids) up 19% from 10,407 boe/day in the first quarter of 2010 and up 9% from 11,313 boe/day for the second quarter of 2009. This significant increase in production volumes over the past year was a result of Birchcliff's Montney/Doig horizontal natural gas drilling program in the Pouce Coupe area.

Our strong production growth in the second quarter was hampered by a number of planned and unplanned outages at the PCS Gas Plant and at third party plants and was affected by natural declines from the new Montney/Doig natural gas wells brought on production in the last number of months.

Cash Flow and Earnings

Cash flow was $23.8 million or $0.19 per share for the second quarter of 2010, as compared to $20 million or $0.18 per share in the second quarter of 2009. Net income during the second quarter was $0.2 million as compared to a $7.1 million loss during the second quarter of 2009. We are pleased that we have earnings, especially in light of weak natural gas prices. This is reflective of the low cost nature of our asset base.

Capital Expenditures and Drilling Results

During the second quarter of 2010, net capital spending aggregated $43.1 million. The specific breakdown of our capital expenditure program is contained in the Capital Expenditure section of our MD&A analysis contained herein.

During the second quarter of 2010, Birchcliff drilled 8 (6.5 net) wells, all of which were cased, for a success rate of 100%. These wells included 7 (5.5 net) Montney/Doig horizontal natural gas wells and 1 (1.0 net) Leduc new pool discovery well at Worsley.

The Leduc well will be brought on production in late Q3 and the remaining non-producing wells will be brought on production after they are completed and tied in and there is processing capacity available.

Operating Costs

The increased production volumes that Birchcliff achieved during the second quarter and the low operating costs of the PCS Gas Plant resulted in a significant reduction in operating costs to $7.81 per boe, notwithstanding that Phase I of the PCS Gas Plant operated at less than capacity for a significant portion of the quarter and that extra operating costs were incurred during start-up operations. We expect operating costs per boe to decline further in the 3rd quarter now that Phase I of the PCS Gas Plant is

operating at full capacity. In addition, we expect operating costs to decline further as each of Phases II and III of the PCS Gas Plant start-up and significantly increase our natural gas processing capacity.

Indebtedness

At June 30, 2010, the amount outstanding under Birchcliff's bank credit facilities was approximately $236 million. Birchcliff's working capital deficiency as at June 30, 2010 was $14.4 million, for total debt of $250.4 million. The working capital deficiency does not reduce the amount Birchcliff can draw under its credit facilities.

In May 2010, Birchcliff's bank syndicate increased Birchcliff's credit facilities to an aggregate limit of $350 million from $305 million.

The two year term out feature of Birchcliff's credit facilities remains intact so that if the credit facilities are not renewed at their annual renewal date, they convert to a two year term loan repayable at maturity.

Land

Birchcliff continues to have a substantial undeveloped land base in the Peace River Arch, which at June 30, 2010 was comprised of 434,614 (390,827 net) acres.

Birchcliff has a high average working interest in its undeveloped land base (90%), which reflects our long standing strategy of acquiring only high working interest undeveloped land proximate to our operated high working interest production base.

BUDGET EXPANSION DETAILS

Birchcliff has approved an increase to its 2010 capital budget from $182 million to $227.2 million. The majority of the expansion is focused on drilling additional Montney/Doig horizontal natural gas wells in Pouce Coupe, horizontal light oil wells in Worsley and expanding our land budget. Birchcliff now expects to drill 58 (49.7 net) wells in 2010 which is up from 51 (42.9 net) wells under the original budget. Highlights of the budget increase include:

2010 Capital Budget	Gross Wells		Net Wells		Net Capital ($ millions)	
	Old[1]	New[2]	Old[1]	New[2]	Old[1]	New[2]
Drilling & Development						
Basal Doig/Upper Montney	8.0	13.0	7.2	10.6	$30.0	$55.9
Mid/Lower Montney	10.0	11.0	6.9	9.2	$36.9	$51.5
Worsley Oil Wells [3]	18.0	18.0	17.7	17.7	$19.8	$27.9
Kakut Doig Oil Wells	4.0	2.0	4.0	2.0	$5.0	$0.9
Progress Doe Creek Oil Wells	9.0	10.0	5.9	6.7	$3.8	$4.4
Other Wells	2.0	4.0	1.2	3.5	$3.4	$7.2
Total Drilling & Development	**51.0**	**58.0**	**42.9**	**49.7**	**$98.9**	**$147.8**
Facilities						
PCS Gas Plant Phase I					$19.2	$16.7
PCS Gas Plant Phase II					$23.9	$26.0
PCS Gas Plant Phase III					$0.0	$1.3
Other					$7.0	$2.3
Total Facilities					**$50.1**	**$46.3**
Production Optimization					**$14.6**	**$20.2**
Acquisitions & Disposition:					**$0.0**	**$-15.4**
Land, Seismic & Other					**$18.4**	**$28.3**
Total Net Capital					**$182.0**	**$227.2**

(1) Original 2010 Budget

(2) Expanded 2010 Budget

(3) Includes 2 new horizontal wells and related pipelines and defers 2 vertical wells into 2011

This capital expenditure program will be funded out of cash flow and Birchcliff's debt facilities and is expected to result in a 2010 exit production rate between 18,500 and 19,500 boe/day up from previous guidance of 17,000 to 19,000 boe/day.

The high initial rates of production from the Montney/Doig horizontal wells provide very high short term production rates which quickly decline to a stable long life, low decline production profile. Accordingly, Birchcliff encourages its shareholders to focus on quarterly average production rates and not short term instantaneous production numbers that are very high but not sustainable. This budget expansion will position Birchcliff with growth in its average production from the fourth quarter of 2010 and into the first half of 2011.

ROYALTIES

The new Alberta Royalty programs: Natural Gas Deep Drilling Program ("**NGDDP**"), Shale Gas Program, Horizontal Gas Program and Horizontal Oil Program announced May, 2010 all have significant positive impact to Birchcliff.

The new Alberta NGDDP is particularly significant to Birchcliff. The NGDDP effectively reduces Birchcliff's royalty rates on approximately 80% of our future Montney/Doig horizontal natural gas wells to 5% during the time when the wells have their highest productivity and cash flow. Depending on total drilling depth and including the length of the horizontal portion of the well, the royalty credits could have a value of up to $2.8 million per well. It is obvious that this new royalty program together with the permanent 5% royalty on the first 0.5 bcf of natural gas produced, significantly improves the economics of our Montney/Doig natural gas resource play. Birchcliff expects to capitalize on these new royalty programs by investing its available capital as quickly and effectively as possible.

OPERATIONS UPDATE

Currently, Birchcliff has five rigs working of which three rigs are in the Pouce Coupe area with two rigs drilling horizontal Montney/Doig natural gas wells and the other rig is drilling a Montney/Doig vertical exploration well and one rig is in the Worsley area focused on our light oil resource play drilling both vertical and horizontal wells. The fifth rig is drilling a six well program at our Progress Doe Creek Oil pool, consisting of three vertical wells and three horizontal wells.

Montney/Doig Natural Gas Resource Play Update

In the second quarter of 2010, Birchcliff's activities on the Montney/Doig natural gas resource play included the drilling of 7 (5.5 net) horizontal wells utilizing multi-stage fracture stimulation techniques.

Birchcliff has 5 (3.8 net) new Montney/Doig horizontal natural gas wells that are drilled and cased and have not yet been brought on production.

Rapid advancements in horizontal drilling and multi-stage fracture stimulation technology have resulted in significant improvements in production and reserve capture for many different plays throughout North America. Birchcliff believes that the Montney/Doig natural gas resource play continues to experience some of the best results of the application of this technology due to its unique reservoir characteristics. Birchcliff classifies the Montney/Doig natural gas resource play as a hybrid resource play that significantly benefits from having approximately 300 meters (1,000 feet) of gas saturated rock that has both tight silt and sand reservoir rock inter layered with shale gas source rock. The horizontal wells are designed to maximize the contributions from this complex reservoir. As our knowledge grows with respect to both the reservoir characteristics and the operational technology of these resources, we expect our results to continue to improve.

Birchcliff's general drilling strategy for the Montney/Doig natural gas resource play to date has been focused on exploration and delineation wells. In 2010 Birchcliff's strategy has expanded to include detailed development, infill drilling, and reservoir management. This development strategy comes in

parallel with the commissioning of our PCS Gas Plant, allowing increased processing control and capacity in our area. Specifics of the strategy include pad drilling of multiple wells from a single surface location, infill drilling at 300 meter interwell distances and evaluation of further reductions in spacing to determine what the ultimate optimal interwell spacing should be to maximize reserve capture.

Pad drilling has many advantages, primarily capital cost reductions on a per well basis. It has also allowed us to cost effectively drill wells continuously through break up when road bans would usually prevent us from continuing operations.

During 2010, through drilling operations, Crown land sales and private land acquisitions Birchcliff continued its strategy to expand its footprint on this Montney/Doig natural gas resource play. At year end 2009, reserves had been attributed to 63.4 net sections of lands on the Montney/Doig resource play, of which 14.2 net sections had reserves attributed to both the Basal Doig/Upper Montney play and the Middle/Lower Montney play. As of August 9, 2010, Birchcliff's internal estimate of lands that it expects to have reserves attributed to at year end 2010 has grown based on operations completed to date by 8.1 net sections to 71.5 net sections.

As well, to date in 2010, Birchcliff has expanded its trend land holdings on the Montney/Doig natural gas resource play by 17.3 net sections to a total of 121.1 net sections. Trend land is land Birchcliff believes has a high likelihood of extending this play based on technical information including geological and geophysical data.

In total, Birchcliff has 206.8 net sections of prospective land to develop. Assuming 4 wells per section for each prospective stratigraphic interval, this totals 827.2 net potential Montney/Doig natural gas horizontal drilling locations on this resource play with only 37 (30.8 net) horizontal wells drilled to the end of June 30, 2010.

Drilling plans for 2010 for the Montney/Doig natural gas resource play includes 13 (10.6 net) Basal Doig/Upper Montney horizontal wells, 11 (9.2 net) Middle/Lower Montney horizontal wells and 1 (1.0 net) vertical exploration well. The budget increase includes the drilling of 6 (5.7 net) additional Montney/Doig Horizontal natural gas wells.

Pouce Coupe South Gas Plant Update

Phase I

Recently, Phase I of the 100% PCS Gas Plant has been operating at slightly above its maximum design processing capacity of 30 mmcf/day.

Commissioning and start-up of Phase I and the initiation of acid gas injection was done safely and smoothly subject to the handling of a few minor and typical start-up issues. The operating cost benefit that the PCS Gas Plant is expected to provide was not fully achieved during the second quarter because Phase I operated significantly below its design capacity during the quarter, while several Montney/Doig horizontal wells were being completed and stimulated and tie-in operations were done.

Phase II Expansion

Birchcliff is focused on the expansion and construction of Phase II of its 100% owned PCS Gas Plant designed to increase processing capacity from 30 mmcf/day to 60 mmcf/day. Phase II is budgeted at $26 million and scheduled for completion in December 2010. Essentially, this Phase II expansion is expected to add approximately 3,500 boe/day of processing capacity net to Birchcliff for about half the cost of Phase I, thereby substantially improving the economics of the PCS Gas Plant project.

Fabrication of the major pieces of equipment is substantially complete and field construction commenced in July 2010. Based on the project team's performance with Phase I, Birchcliff is confident that Phase II will be on time and on budget.

Phase III Expansion

Birchcliff has initiated the preliminary steps to license a Phase III expansion of the PCS Gas Plant to add an additional 60 mmcf per day of processing capacity for a total capacity of 120 mmcf per day. The final project approval and determination of sizing and timing of this expansion will be made in the coming months in view of prevailing economic conditions.

Worsley Light Oil Resource Play Update

The Worsley property continues its strong production performance. Our successful expansion of the waterflood, application of horizontal drilling and multi-stage fracture stimulation technology, multi-lateral horizontal wells, continued reserve growth as well as high netback production, all contribute to this high quality asset.

Drilling activities at Worsley in the second quarter of 2010 consisted of 1 (1.0 net) well. This well was an exploration prospect for a new Leduc pool that also had a secondary target for Charlie Lake oil development. Based on drilling results and well logs, both zones were successful and the Leduc has been completed and will be brought on production in late Q3 2010. To date in 2010, in addition to the Leduc new pool discovery, Birchcliff has drilled 4 (4.0 net) Charlie Lake wells consisting of 3 horizontal wells and 1 vertical well. In total, Birchcliff plans to drill 18 (17.7 net) wells at Worsley in 2010. As a result of our horizontal well drilling successes at Worsley we have increased the budget to include an additional 2 net horizontal wells and have deferred two vertical wells into 2011.

New Resource Play Update

The oil and gas industry throughout North America has seen a very rapid advancement in its technical understanding, operational optimization and production related to shale gas, tight gas, shale oil and tight oil resource plays. Specifically, in Birchcliff's core area of the Peace River Arch, numerous industry competitors have announced significant developments on a number of different resource plays. There have been significant lands posted and acquired in the Peace River Arch area as well as numerous new wells drilled, targeting these new plays. Birchcliff continues to spend significant time and capital analyzing and evaluating various new resource plays in the Peace River Arch. To date in 2010, Birchcliff has acquired 109,313 net acres of land (approximately 170 net sections) that we believe are prospective for one or more these new resource plays. As is consistent with our corporate strategy, Birchcliff has acquired several large contiguous blocks at 100% working interest. Some of these lands are also prospective for the Montney/Doig natural gas resource play. We are early in the development of these new resource plays, however, based on the high level of industry activity and our internal technical evaluation, we are optimistic about their potential value.

SHAREHOLDER SUPPORT

We are pleased to note that during the second quarter, Mr. Seymour Schulich purchased 2 million additional shares of Birchcliff, which brings his holdings to 32 million shares or 25.6% of Birchcliff's outstanding shares. As natural gas prices have fallen, Mr. Schulich's shareholder support for Birchcliff and his belief in long term natural gas prices has grown. His unwavering commitment to our management team allows us to focus on our strategy and on achieving our long term goals that we believe will create significant value for all Birchcliff shareholders.

OUTLOOK

Birchcliff remains very confident that its two highly focused, high working interest, low cost, repeatable, sustainable long term growth resource plays in the Peace River Arch area of Alberta offer tremendous upside value to our shareholders. The Montney/Doig natural gas resource play continues to be one of the most active geological plays in North Western Alberta and Birchcliff is in the heart of the play. The new Alberta Royalty Programs are very significant to Birchcliff increasing the net present value of our future oil and natural gas reserves.

We continue to exploit our Worsley light oil resource play. We expect that production and reserves will continue to grow each year providing significant cash flow to exploit our resource plays at a time when oil prices are strong and gas prices are weak.

Our strategy has not changed, notwithstanding the weakness in commodity prices. We believe that we can economically find, develop and produce natural gas from the Montney/Doig geological zone at low costs.

The key to our strategy of being a low cost producer is to own and operate our processing capacity and related infrastructure. We also believe that technology advances will continue to reduce our finding and development costs and increase our recovery factors.

We believe that the expansion of our 2010 capital budget is necessary to expand and protect our competitive position, to continue to reduce our operating costs and to make full use of our strategic competitive advantage over our competitors.

On behalf of our management team and directors I thank all of our shareholders for their continued support and our staff for their hard work and dedication.

(signed) “A. Jeffery Tonken”

A. Jeffery Tonken
President and Chief Executive Officer

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended June 30, 2010	Three months ended June 30, 2009	**Six months ended June 30, 2010**	Six months ended June 30, 2009
OPERATING				
Average daily production				
Light oil – barrels	3,096	2,844	3,039	2,998
Natural gas – thousands of cubic feet	53,074	48,808	47,840	51,479
NGLs – barrels	415	335	375	332
Total – barrels of oil equivalent (6:1)	**12,357**	**11,313**	**11,388**	**11,910**
Average sales price ($ Canadian)				
Light oil – per barrel	76.24	63.84	78.09	56.25
Natural gas – per thousand cubic feet	4.16	3.75	4.69	4.55
NGLs – per barrel	73.33	52.38	73.25	49.58
Total – barrels of oil equivalent (6:1)	**39.45**	**33.79**	**42.94**	**35.19**
Undeveloped land				
Gross (acres)	434,614	394,700	434,614	394,700
Net (acres)	390,827	346,038	390,827	346,038
NETBACK AND COST				
($ per barrel of oil equivalent at 6:1)				
Petroleum and natural gas revenue	39.61	33.92	43.07	35.40
Royalties	(3.22)	2.06	(4.36)	(3.03)
Operating expense	(7.81)	(8.94)	(8.36)	(9.51)
Transportation and marketing expense	(2.61)	(2.32)	(2.60)	(2.37)
Netback	**25.97**	**24.72**	**27.75**	**20.49**
General and administrative expense, net	(2.00)	(2.85)	(2.11)	(2.33)
Interest expense	(2.78)	(2.41)	(2.97)	(2.21)
Cash Flow Netback	**21.19**	**19.46**	**22.67**	**15.95**
Depletion and depreciation expense	(16.68)	(21.64)	(16.43)	(21.71)
Accretion expense	(0.40)	(0.38)	(0.42)	(0.36)
Stock-based compensation expense	(2.43)	(4.80)	(2.54)	(3.10)
Amortization of deferred financing fees	(0.57)	(0.21)	(0.55)	(0.10)
Future income tax recovery (expense)	(0.92)	0.65	(1.34)	1.51
Net Income (Loss)	**0.19**	**(6.92)**	**1.39**	**(7.81)**
FINANCIAL				
Petroleum and natural gas revenue ($000)	44,546	34,917	88,781	76,315
Cash flow from operations ($000)	23,825	20,026	46,737	34,380
Per share – basic ($)	0.19	0.18	0.38	0.31
Per share – diluted ($)	0.19	0.18	0.37	0.30
Net income (loss) ($000)	215	(7,128)	2,868	(16,829)
Per share – basic ($)	-	(0.06)	0.02	(0.15)
Per share – diluted ($)	-	(0.06)	0.02	(0.15)
Common shares outstanding				
End of period – basic	124,792,136	122,807,637	124,792,136	122,807,637
End of period – diluted	137,255,386	134,732,322	137,255,386	134,732,322
Weighted average shares for period – basic	124,548,932	112,887,812	124,320,253	112,673,756
Weighted average shares for period – diluted	126,816,143	113,817,095	127,321,453	113,383,175
Capital expenditures, net ($000)	43,083[(2)]	5,485	78,786[(1)(2)]	23,880
Working capital (deficit) ($000)	(14,377)	39,712	(14,377)	39,712
Revolving credit facilities ($000)	235,993	219,361	235,993	219,361
Total debt ($000)	250,370	179,649	250,370	179,649

(1) Included as a reduction of net capital expenditures in the six months ended June 30, 2010 are proceeds of $17.5 million relating to the sale of a minor asset.

(2) Included as a reduction of net capital expenditures in the three and six months ended June 30, 2010 is an expected recovery of $5.5 million and $11.9 million relating to the Alberta Drilling Royalty Credit Program.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") is an intermediate oil and gas exploration, development and production company based in Calgary, Alberta. Additional information relating to the Corporation, including its Annual Information Form, is available on the SEDAR website at www.sedar.com. Birchcliff's common shares are listed for trading on the Toronto Stock Exchange ("**TSX**") under the symbol "**BIR**" and included in the Standard and Poor's S&P/TSX Composite Index.

The following Management's Discussion and Analysis ("**MD&A**") is dated August 11, 2010. The unaudited interim financial statements in respect of the three and six months ended June 30, 2010 (the "**Reporting Periods**") as compared to the three and six months ended June 30, 2009 (the "**Comparable Prior Periods**") and this MD&A have been prepared by management and approved by the Corporation's Audit Committee and Board of Directors. This MD&A should be read in conjunction with the unaudited financial statements of the Corporation and related notes for the Reporting Periods and the audited financial statements and related notes as at and for the years ended December 31, 2009 and 2008. All financial information has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("**GAAP**") and all amounts are expressed in Canadian dollars unless otherwise stated.

SECOND QUARTER OVERALL PERFORMANCE

Production

Production in the second quarter of 2010 averaged 12,357 boe per day. This is a 19% increase from the 10,407 boe per day the Corporation averaged in the first quarter of 2010 and a 9% increase from the average of 11,313 boe per day in the second quarter of 2009. The increase in production was achieved through Birchcliff's capital drilling program and due to Phase I of Birchcliff's 100% owned Pouce Coupe South Natural Gas Plant ("**PCS Gas Plant**") being operational for the entire second quarter, notwithstanding planned and unplanned outages at Pouce Coupe and third party plants and the high initial natural declines from the new Montney/Doig natural gas horizontal wells brought on production in the first half of 2010.

Production consisted of approximately 72% natural gas and 28% crude oil and natural gas liquids in the second quarter of 2010.

Commodity Prices

Oil sales prices at the wellhead averaged $76.24 per barrel in the second quarter of 2010, which is a 5% decrease from $80.03 per barrel the Corporation averaged in the first quarter of 2010 and a 19% increase from $63.84 per barrel in the second quarter of 2009. Natural gas sales prices at the wellhead averaged $4.16 per mcf in the second quarter of 2010, which is a 22% decrease from $5.34 per mcf the Corporation averaged in the first quarter of 2010 and an 11% increase from $3.75 per mcf in the second quarter of 2009. The prices received for Birchcliff's petroleum and natural gas sales are impacted by world events that dictate the level of supply and demand for oil and natural gas**.** Birchcliff currently does not have any commodity hedges in place and therefore is subject to fluctuations in commodity prices.

Canadian Edmonton Par oil prices averaged $75.18 per barrel in the second quarter of 2010 as compared to $80.07 per barrel in the first quarter of 2010 and $65.90 per barrel in the second quarter of 2009. The AECO daily natural gas spot prices averaged $3.89 per mcf in the second quarter of 2010 as compared to $4.97 per mcf in the first quarter of 2010 and $3.46 per mcf in the second quarter of 2009.

Cash Flow and Earnings

Cash flow was $23.8 million ($0.19 per share) in the second quarter of 2010 as compared to $20.0 million ($0.18 per share) in the second quarter of 2009. Birchcliff recorded net income of $0.2 million ($NIL per share) for the second quarter of 2010 as compared to a net loss of $7.1 million ($0.06 loss per share) in the second quarter of 2009. The 19% increase in cash flow from the second quarter of 2009 was due to

a combination of higher average oil and natural gas prices realized at the wellhead, increased average daily production and lower operating costs per boe, notwithstanding a higher average effective royalty rate and increased average effective interest rates on Birchcliff's credit facilities in the second quarter of 2010.

The increase in net income from the second quarter of 2009 was mainly attributable to higher cash flow and lower depletion expense recorded in the second quarter of 2010. Depletion expense decreased mainly due to adding significant low cost proved reserves in the fourth quarter of 2009.

Capital Expenditures

Net capital expenditures in the second quarter of 2010 were $43.1 million as compared to $5.5 million in the second quarter of 2009. Birchcliff did not acquire or dispose of any assets during the second quarter of 2010 or 2009. Of the $43.1 million in capital spent during the second quarter of 2010, approximately $6.7 million was directed towards the Phase II expansion of the PCS Gas Plant and approximately $19.5 million on the drilling and completion of Montney/Doig horizontal wells that will be tied into Phase I and Phase II of the gas plant in the second half of 2010 in order to optimize the plant's total processing capacity of 60 mmcf per day.

Construction of Phase I was completed on schedule, on budget and was fully operational in the second quarter of 2010. Phase II expansion is designed to double the processing capacity of the gas plant from 30 to 60 mmcf per day. Major components for Phase II have been ordered, construction contracts have been awarded, and field construction has commenced.

Bank Debt

On May 21, 2010, the Corporation's bank syndicate approved an increase of the revolving credit facilities to an aggregate limit of $350 million from $255 million and extended the conversion date of those facilities from May 21, 2010 to May 20, 2011. In conjunction with these changes, the $50 million non-revolving term credit facility was repaid and cancelled.

OUTLOOK

Capital Expenditures

The Corporation has expanded its 2010 net capital expenditure program to $227.2 million up from its previously announced capital budget of $182 million. The majority of the expansion is focused on drilling additional Montney/Doig horizontal natural gas wells in Pouce Coupe, horizontal light oil wells in Worsley and expanding the land budget. The Corporation's operating cash flow and available revolving credit facilities will be used to fund the expanded capital spending program of $227.2 million. At June 30, 2010, the Corporation had approximately $108.2 million in total unused credit available to fund future capital expenditures.

Production

As a result of an expanded capital expenditure program, Birchcliff's 2010 exit production rate is expected to range between 18,500 and 19,500 boe per day up from 17,000 and 19,000 boe per day under the previously announced budget. This new range is a function of the exact timing of the commissioning of the Phase II expansion in December 2010 and the success of Birchcliff's drilling program in the second half of 2010. Birchcliff is confident that the Phase II expansion will be completed on time and on budget.

The expanded capital expenditure program is focused on using the full capacity of each of Phases I and II of the PCS Gas Plant and therefore will provide increasing and sustainable average daily production rates into the first quarter of 2011.

Cash Flow and Bank Debt

The new $350 million increased credit limit will provide Birchcliff with greater liquidity and financial flexibility to further develop its two major resource plays. In addition, another bank was added to the syndicate of banks, which will enable the Corporation to seek further expansion of its credit facilities in the future. The Corporation does not foresee any liquidity issues with respect to the operation of its petroleum and natural gas business in the second half of 2010 and expects to meet its future obligations as they become due.

The Corporation intends to finance its oil and natural gas business primarily through cash generated from operations, working capital, minor asset dispositions and available credit from its revolving facilities. Should commodity prices deteriorate materially in the second half of 2010, Birchcliff may adjust its capital spending accordingly to ensure that it does not exceed its credit capacity. Management expects that Birchcliff's working capital deficiency will be slightly higher in the second half of 2010 as compared to the first half of 2010 as a result of increased capital spending. Birchcliff is now at such a size that it anticipates it will not require additional equity except to fund a significant acquisition or to significantly increase its capital spending beyond its cash flow. Management expects to be able to obtain debt financing and should the need arise, raise additional equity, sufficient to meet both its short-term and long-term growth requirements in the current environment.

Royalties

On May 27, 2010, the Alberta Government introduced a number of new royalty incentive programs for unconventional resource exploration and the use of high-cost technologies. These new programs will encourage exploration, development and production from deeper, higher cost natural gas wells and horizontal oil and natural gas wells. The most significant change to the royalty framework which favorably impacts Birchcliff is the modification to the Natural Gas Deep Drilling Program which will become an ongoing feature of Alberta's royalty regime. This new program effectively reduces Birchcliff's royalty rates on approximately 80% of future Montney/Doig horizontal natural gas wells to 5% during the time when the wells have their highest productivity. Depending on the drilling depths, including the horizontal portion of the Montney/Doig well, the royalty credits are expected to result in incremental cash flow to Birchcliff.

The Corporation expects to capitalize on the new royalty incentive programs by reinvesting its cash flow as quickly and effectively as possible.

Resource Plays and Infrastructure

Birchcliff has a very strong asset base with its two main resource plays, the Montney/Doig natural gas resource play and the Worsley light oil resource play. These properties provide the Corporation with a long term and operationally reliable cash flow base, the level of which is primarily dependent on commodity prices. The 100% owned and operated PCS Gas Plant is expected to enhance the value of the Montney/Doig resource play by increasing production growth, reducing operating costs, and increasing Birchcliff's strategic control over the Pouce Coupe area. Phase I is currently operational and the Corporation anticipates that Phase II will be brought online in December 2010 for a total throughput capacity of 60 mmcf per day.

The Corporation is currently planning a Phase III expansion of the PCS Gas Plant, which could double the processing capacity by adding an additional 60 mmcf per day for a total processing capacity of 120 mmcf per day. Birchcliff has approved approximately $1.3 million to cover the costs for preliminary work on Phase III, which includes surface lease acquisitions, partner approvals, and site preparation so that construction can begin once project execution is approved. Birchcliff expects to submit its application for license to construct Phase III in the near future. The final project approval and determination of sizing and timing of this expansion will be made in the coming months in view of prevailing economic conditions.

The extensive portfolio of development opportunities in the Montney/Doig resource play and Worsley light oil resource play will not have any significant expiries in the near term and provide low risk, long life future production additions that are readily available with the investment of additional capital. Commodity prices will affect cash flow and thus will dictate the pace at which Birchcliff invests in its resource plays and the rate at which its production will grow. Birchcliff has a long term view to the development of its resource plays and therefore short term commodity prices will not affect the quality or the long term value of the Corporation's asset base.

MAJOR TRANSACTIONS AFFECTING FINANCIAL RESULTS

On May 21, 2010, the Corporation's bank syndicate approved an increase of the revolving credit facilities to an aggregate limit of $350 million from an aggregate limit of $255 million and extended the conversion date of those facilities from May 21, 2010 to May 20, 2011. In conjunction with these changes, the $50 million term credit facility was repaid and cancelled. The amended revolving credit facilities includes an increased credit limit for the extendible revolving term credit facility (the "**Syndicated Credit Facility**") of $320 million from $235 million and an increased credit limit for the extendible revolving working capital facility (the "**Working Capital Facility**") of $30 million from $20 million.

LIQUIDITY

Working Capital

The Corporation's working capital deficit (current assets minus current liabilities) decreased to $14.4 million at June 30, 2010 from $20.3 million at December 31, 2009. The deficit at the end of the Reporting Period is mainly comprised of costs incurred on the expansion of Phase II of the PCS Gas Plant and related infrastructure and the drilling and completion of new horizontal Montney/Doig wells during the period.

At June 30, 2010, the major components of Birchcliff's current assets are joint venture billings (54%) to be received from its partners and revenue (36%) to be received from its marketers in respect of June 2010 production which was subsequently received in July 2010. In contrast, current liabilities largely consisted of trade payables (54%) and accrued capital and operating costs (46%).

Birchcliff manages its working capital deficit using its cash flow and advances under its revolving credit facilities. The Corporation's working capital deficit does not reduce the amount available under the Corporation's revolving facilities, which have a combined limit of $350 million at June 30, 2010 (December 31, 2009 – $305 million). The Corporation did not have any liquidity issues with respect to the operation of its petroleum and natural gas business in the first half of 2010 and throughout 2009.

Bank Debt

The amount drawn under the Corporation's revolving credit facilities increased to $239.1 million at June 30, 2010, with an aggregate limit of $350 million as compared to $206.4 million drawn at December 31, 2009, when the aggregate limit was $305 million. The drawn amount excludes unamortized costs and letters of credit that have not been drawn upon. The amount outstanding on Birchcliff's revolving facilities at June 30, 2010 was $236.0 million (December 31, 2009 – $201.2 million), net of $3.1 million (December 31, 2009 – $5.2 million) in unamortized costs.

The increase in drawn facilities from December 31, 2009 was primarily a result of $49.6 million in total capital (before dispositions) expended during the first half of 2010 in excess of cash flow during that same period, offset by proceeds of $17.5 million from the sale of the Kakut assets in the first quarter of 2010. A significant portion of the funds drawn under the Corporation's credit facilities in the second quarter of 2010 was directed to the PCS Gas Plant project.

The following table shows the Corporation's total available credit at June 30, 2010 and December 31, 2009:

($000's)	**June 30, 2010**	December 31, 2009
Maximum borrowing base limit[(1)]:		
Revolving credit facilities	350,000	255,000
Non-revolving term credit facility	-	50,000
	350,000	305,000
Principal amount utilized:		
Drawn revolving credit facilities	(239,071)	(206,387)
Outstanding letters of credit[(2)]	(2,739)	(2,739)
	(241,810)	(209,126)
Total unused credit	**108,190**	**95,874**

(1) The Corporation's credit facilities are subject to a semi-annual review of the borrowing base limit, which is directly impacted by the value of its oil and natural gas reserves. Effective May 21, 2010, the Corporation repaid in full and cancelled the $50 million non - revolving term credit facility.
(2) Letters of credit are issued to various service providers. No amounts were drawn on the letters of credit at June 30, 2010 and December 31, 2009.

The financial covenants applicable to the Corporation's credit facilities include a quarterly interest coverage ratio test which is calculated as earnings before interest, taxes, stock-based compensation, depletion, depreciation and amortization ("**EBITDA**") over interest expense. The following table shows the interest coverage ratio at June 30, 2010 and December 31, 2009:

	June 30, 2010		December 31, 2009	
	Required	Actual	Required	Actual
Annualized EBITDA to interest coverage[(1)]	>3.5	**7.8**	>3.5	7.6

(1) Interest coverage ratio is calculated on a trailing four quarter basis.

The Corporation was compliant with all financial covenants applicable under its credit facilities as at and during the periods ended June 30, 2010 and December 31, 2009 and continues to be compliant with such covenants at the date hereof.

Contractual Obligations

The Corporation enters into contractual obligations in the course of conducting its day-to-day business. The following table lists Birchcliff's estimated contractual obligations at June 30, 2010:

($000's)	**< 1 Year**	**1 – 2 Years**	**3 – 5 Years**	**Thereafter**
Accounts payable and accrued liabilities	49,940	-	-	-
Drawn revolving credit facilities[(1)]	-	-	239,071	-
Office leases[(2)]	1,606	3,214	9,885	9,716
Transportation and processing	887	7,278	22,955	3,640
Total estimated contractual obligations[(3)]	**52,433**	**10,492**	**271,911**	**13,356**

(1) The revolving facilities consist of approximately $13.1 million drawn on the Working Capital Facility and $226.0 million drawn on the Syndicated Credit Facility at June 30, 2010.
(2) The Corporation is committed under an operating lease relating to its office premises, beginning December 1, 2007 and expiring on November 30, 2017. Birchcliff does not presently use all of the leased premises and has sublet approximately 40% of the excess space to an arms' length party on a basis that recovers all of the rental costs for the first five years. The Corporation is also committed to March 29, 2011 under an operating lease for another office premises that it does not use and has sublet to an arm's length party on a basis that recovers all of its rental costs.
(3) Contractual commitments that are routine in nature and form part of the normal course of operations for Birchcliff are not included in the above table.

OUTSTANDING SHARE DATA

The common shares of Birchcliff are the only class of shares outstanding. Birchcliff's common shares began trading on the TSX Exchange on July 21, 2005 under the symbol "**BIR**" and were at the same time de-listed from the TSX Venture Exchange where they were trading under the same symbol prior to such time. Birchcliff's common shares are included in the Standard and Poor's S&P/TSX Composite Index. The following table summarizes the common shares issued in the Reporting Periods:

	Common Shares
Balance at December 31, 2009	**123,815,002**
Issue of common shares upon exercise of options	543,733
Balance at March 31, 2010	**124,358,735**
Issue of common shares upon exercise of options	433,401
Balance at June 30, 2010	**124,792,136**

At August 6, 2010, there were outstanding 124,870,334 common shares, 9,490,320 stock options to purchase an equivalent number of common shares and 2,939,732 performance warrants to purchase an equivalent number of common shares.

RESULTS OF OPERATIONS

Petroleum and Natural Gas Revenues

Petroleum and Natural Gas ("**P&NG**") revenues totaled $44.6 million ($39.61 per boe) for the three month Reporting Period and $88.8 million ($43.07 per boe) for the six month Reporting Period as compared to $34.9 million ($33.92 per boe) and $76.3 million ($35.40 per boe) for the Comparable Prior Periods. The aggregate and per boe increase in P&NG revenues were primarily attributable to higher average commodity prices during the Reporting Periods. The following table details Birchcliff's P&NG revenues, production and sales prices by category for the Reporting Periods and Comparable Prior Periods:

	Three months ended June 30, 2010				Three months ended June 30, 2009			
	Total Revenue ($000's)	Average Daily Production	%	Average ($/unit)	Total Revenue ($000's)	Average Daily Production	%	Average ($/unit)
Light oil (bbls)	21,482	3,096	25	76.24	16,522	2,844	25	63.84
Natural gas (mcf)	20,109	53,074	72	4.16	16,672	48,808	72	3.75
Natural gas liquids (bbls)	2,772	415	3	73.33	1,595	335	3	52.38
Total P&NG sales	**44,363**	**12,357**	**100**	**39.45**	**34,789**	**11,313**	**100**	**33.79**
Royalty revenue	183			0.16	128			0.12
Total P&NG revenue	**44,546**			**39.61**	**34,917**			**33.92**

	Six months ended June 30, 2010				Six months ended June 30, 2009			
	Total Revenue ($000's)	Average Daily Production	%	Average ($/unit)	Total Revenue ($000's)	Average Daily Production	%	Average ($/unit)
Light oil (bbls)	42,958	3,039	27	78.09	30,525	2,998	25	56.25
Natural gas (mcf)	40,571	47,840	70	4.69	42,363	51,479	72	4.55
Natural gas liquids (bbls)	4,970	375	3	73.25	2,980	332	3	49.58
Total P&NG sales	**88,499**	**11,388**	**100**	**42.94**	**75,868**	**11,910**	**100**	**35.19**
Royalty revenue	282			0.13	447			0.21
Total P&NG revenue	**88,781**			**43.07**	**76,315**			**35.40**

Commodity Prices

Birchcliff sells all of its crude oil on a spot basis and virtually all of its natural gas production for prices based on the AECO daily spot price. Birchcliff receives premium pricing for its natural gas due to its high

heat content. The following table details the average sales price and differential received by Birchcliff for natural gas during the Reporting Periods and Comparable Prior Periods:

	Three months ended June 30, 2010	Three months ended June 30, 2009	**Six months ended June 30, 2010**	Six months ended June 30, 2009
Average natural gas sales price ($/mcf)	4.16	3.75	4.69	4.55
Average AECO daily spot price ($/mmbtu) [1]	3.89	3.46	4.43	4.21
Positive differential	**0.27**	**0.29**	**0.26**	**0.34**

(1) $1.00/mmbtu = $1.00/mcf based on a standard heat value mcf.

The price the Corporation receives for its production depends on a number of factors, including AECO Canadian dollar spot market prices for natural gas, Canadian dollar Edmonton Par oil prices, US dollar oil prices, the US - Canadian dollar exchange rate, and transportation and product quality differentials. Birchcliff had no financial derivatives such as commodity price risk management contracts, forward exchange rate contracts and interest rate swaps in place during the Reporting Periods and Comparable Prior Periods, but it actively monitors the market to determine if any are required. The Corporation has no current intention to enter into any such contracts at the date hereof.

Royalties

Birchcliff recorded a royalty expense of $3.6 million ($3.22 per boe) for the three month Reporting Period and $9.0 million ($4.36 per boe) for the six month Reporting Period as compared to a royalty recovery of $2.1 million ($2.06 per boe) in the three month Comparable Prior Period and a royalty expense of $6.5 million ($3.03 per boe) for the six month Comparable Prior Period. Royalties are paid to the Alberta Government and other land and mineral rights owners. The following table illustrates the Corporation's royalty expense (recovery) for the Reporting Periods and Comparable Prior Periods:

	Three months ended June 30, 2010	Three months ended June 30, 2009	**Six months ended June 30, 2010**	Six months ended June 30, 2009
Oil & natural gas royalties ($000's)	**3,621**	(2,118)	**8,984**	6,526
Oil & natural gas royalties ($/boe)	**3.22**	(2.06)	**4.36**	3.03
Effective royalty rate (%)[1]	**8%**	(6%)	**10%**	9%

(1) The effective royalty rate is calculated by dividing the total aggregate royalties into petroleum and natural gas revenues for the period.

During the three month Comparable Prior Period, the Corporation received a royalty credit against natural gas royalties payable totaling $4.8 million, relating to the 2008 and prior period annual reconciliation of capital expenditures eligible for Gas Cost Allowance credits and processing fees eligible for Custom Processing Deductions. After adjusting for the $4.8 million royalty credit, the effective royalty rate for the three month Comparable Prior Period was approximately 7% as compared to 8% in the three month Reporting Period.

During the six month Comparable Prior Period, the Corporation received a royalty credit of $3.7 million, relating to 2008 and prior periods as described above. After adjusting for the $3.7 million royalty credit, the effective royalty rate for the six month Comparable Prior Period was 12% as compared to 10% in the Reporting Period. The decrease in the effective royalty rate from the six month Comparable Prior Period was largely due to production royalty incentives for a number of horizontal wells receiving a 5% royalty rate during the six month Reporting Period.

New Royalty and Drilling Incentives

On July 9, 2009, the Government of Alberta approved an incentive royalty rate of 5% for the first year of production from each new conventional oil or gas well brought on production after April 1, 2009 and before June 30, 2011 up to a maximum of 50,000 barrels of oil or 500 million cubic feet of natural gas per well.

On September 15, 2009, the Government of Alberta approved a Drilling Royalty Credit ("**DRC**") incentive for new conventional oil and natural gas wells spud on or after April 1, 2009 and rig released before April 1, 2011. Birchcliff is entitled to a DRC of $200 per meter drilled, up to a maximum of 50% of the aggregate Crown royalties paid by the Corporation during the incentive period. Included as a reduction of total capital at June 30, 2010 is an expected recovery of $18.2 million in DRC's related to this incentive program. At the date hereof, Birchcliff has received payment of approximately $9.4 million in drilling credits from the Crown with respect to the 2009/2010 drilling program. The recovery of DRC's is dependent on future commodity prices and the effect these prices have on the aggregate royalties paid by Birchcliff during the incentive period. Due to the low natural gas price environment, the Corporation may not be able to recover in full all the DRC's earned during the incentive period.

On March 11, 2010, the Alberta Government announced certain changes to the existing royalty framework based on the recommendations from the Investment Competiveness Review. As a result of the competiveness review, the existing Alberta Royalty Framework ("**ARF**") will be adjusted to better reflect current industry conditions. The adjusted ARF will be effective for the January 2011 production month. Some of the highlights include:

- The current 5% front-end royalty rate on natural gas and conventional oil will become a permanent feature of the royalty system with the current time and volume limits as described above;
- The $200 per meter drilling royalty credit program will continue to remain in place as legislated until March 31, 2011. Credits not used prior to January 1, 2011 and credits established by drilling on or after that date until March 31, 2011 will be offset from net royalties calculated using adjusted ARF rates;
- The maximum royalty rate for conventional and unconventional natural gas will be reduced from 50% to 36%. For conventional oil, the maximum royalty will be reduced from 50% to 40%; and
- Continuation of the transitional royalty framework for oil and gas introduced in November, 2008 until December 31, 2013. Effective January 1, 2011, the government will not allow any new wells to elect the transitional royalty rates. But it will allow an operator of wells for which transitional royalty rates have already been elected, an option to switch to the new rates effective January 1, 2011.

On May 27, 2010, the Alberta Government finalized the new royalty curves for oil and natural gas wells. A number of new incentive programs were also introduced for unconventional resource exploration and the use of high-cost technologies. Some of the highlights include:

- Wells defined as a "horizontal gas well" will receive a lower upfront maximum royalty rate of 5% to account for the high cost of horizontal drilling. This horizontal gas new well royalty rate will apply for 18 producing months up to a maximum of 500 million cubic feet of gas equivalent production per well, and is retroactive for wells that were spud on or after May 1, 2010;
- Wells defined as a "horizontal oil well" will receive a lower upfront maximum royalty rate of 5% at the start of production to facilitate the recovery of investment costs prior to imposing a higher royalty rate. This horizontal oil new well royalty rate will apply to all products, with varying volume

and production month limits set according to depth of the well, and is retroactive to wells that were spud on or after May 1, 2010; and

- The Natural Gas Deep Drilling Program ("**NGDDP**") will become an ongoing feature of Alberta's royalty regime. Vertical depth requirements under this program were adjusted from 2,500 meters to 2,000 meters and will be applied retroactively for wells that were spud on or after May 1, 2010. Wells that have producing intervals that exceed 2,000 meters of true vertical depth are eligible for a royalty credit adjustment. The royalty credit ranges from $625 per meter to $3,750 per meter drilled and depends on the type of well drilled and the depth ranges specified under the program.

Details of these new incentive programs are expected to be finalized by the Alberta Government before the end of 2010. Birchcliff is currently assessing the impact of the new royalty curves and the new incentives programs, anticipating these changes to have a positive effect on Birchcliff's reserve values.

The royalty incentive programs will create a lower operating cost structure for Birchcliff. Projects will have better economics under the new royalty framework as compared to the prior framework and therefore, are more likely to be approved for capital spending during this current low natural gas commodity cycle. Birchcliff intends to focus its capital spending program in large part on its Montney/Doig natural gas resource play and Worsley light oil resource play to maximize the return available from these new Alberta incentive programs.

Operating Costs

Operating costs were $8.8 million ($7.81 per boe) for the three month Reporting Period and $17.2 million ($8.36 per boe) for the six month Reporting Period as compared to $9.2 million ($8.94 per boe) and $20.5 million ($9.51 per boe) for the Comparable Prior Periods. The following table compares operating costs for the Reporting Periods and Comparable Prior Periods:

	Three months ended June 30, 2010		Three months ended June 30, 2009	
	($000's)	$/boe	($000's)	$/boe
Field operating costs	9,893	8.80	10,493	10.19
Recoveries	(1,361)	(1.21)	(1,084)	(1.05)
Field operating costs, net of recoveries	8,532	7.59	9,409	9.14
Expensed workovers and other	250	0.22	(203)	(0.20)
Total operating costs	**8,782**	**7.81**	**9,206**	**8.94**

	Six months ended June 30, 2010		Six months ended June 30, 2009	
	($000's)	$/boe	($000's)	$/boe
Field operating costs	19,221	9.33	22,373	10.38
Recoveries	(2,433)	(1.19)	(2,104)	(0.97)
Field operating costs, net of recoveries	16,788	8.14	20,269	9.41
Expensed workovers and other	447	0.22	222	0.10
Total operating costs	**17,235**	**8.36**	**20,491**	**9.51**

The $1.13 per boe decrease in total operating costs in the three month Reporting Period as compared to the three month Comparable Prior Period was due to higher third party recoveries ($0.16 per boe) and reduced field operating costs ($1.39 per boe), offset by higher cost of expensed workovers ($0.42 per boe). The $1.15 per boe decrease in total operating costs in the six month Reporting Period as compared to the three month Comparable Prior Period was due to higher third party recoveries ($0.22 per boe) and reduced field operating costs ($1.05 per boe), offset by higher cost of expensed workovers ($0.12 per boe).

Recoveries increased on a per boe basis from the Comparable Prior Periods mainly due to processing of third party gas at the PCS Gas Plant which came on-line in March 2010 and was fully operational throughout the current quarter. Field operating costs decreased on a per boe basis from the Comparable

Prior Periods largely due to lower per unit processing costs at Birchcliff's 100% owned and operated PCS Gas Plant and the reduced cost of supplies and services in the current quarter.

Birchcliff continues to focus on controlling and reducing operating costs on a per boe basis. Birchcliff's goal is to become a low cost producer.

Transportation and Marketing Expenses

Transportation and marketing expenses were $2.9 million ($2.61 per boe) for the three month Reporting Period and $5.4 million ($2.60 per boe) for the six month Reporting Period as compared to $2.4 million ($2.32 per boe) and $5.1 million ($2.37 per boe) for the Comparable Prior Periods. These costs consist primarily of transportation costs.

General and Administrative Expenses

Net General and Administrative ("**G&A**") expenses were $2.2 million ($2.00 per boe) for the three month Reporting Period and $4.4 million ($2.11 per boe) for the six month Reporting Period as compared to $2.9 million ($2.85 per boe) and $5.0 million ($2.33 per boe) for the Comparable Prior Periods. The components of G&A for the Reporting Periods and Comparable Prior Periods are as follows:

	Three months ended June 30, 2010		Three months ended June 30, 2009	
	($000's)	%	($000's)	%
Salaries, benefits and consultants	2,652	63	2,290	59
Other	1,576	37	1,617	41
G & A expense, gross	4,228	100	3,907	100
Overhead recoveries	(1,581)	(37)	(589)	(15)
Capitalized overhead	(398)	(9)	(382)	(10)
G & A expense, net	**2,249**	**54**	**2,936**	**75**
G & A expense, net per boe	**$2.00**		**$2.85**	

	Six months ended June 30, 2010		Six months ended June 30, 2009	
	($000's)	%	($000's)	%
Salaries, benefits and consultants	5,166	57	4,399	59
Other	3,856	43	3,059	41
G & A expense, gross	9,022	100	7,458	100
Overhead recoveries	(3,852)	(43)	(1,639)	(22)
Capitalized overhead	(819)	(9)	(792)	(11)
G & A expense, net	**4,351**	**48**	**5,027**	**67**
G & A expense, net per boe	**$2.11**		**$2.33**	

The increased overhead recoveries were a result of increased capital spending in the Reporting Periods as compared to the Comparable Prior Periods. The capitalization of costs in the "overhead recoveries" category reflects an industry standard charge per Authorization For Expenditure to capitalize engineering, land, accounting and operations time related to overhead costs spent on capital projects, whereas the "capitalized overhead" category reflects a portion of costs relating to Birchcliff's exploration and geology department.

Interest Expenses

Interest expense was 3.1 million ($2.78 per boe) for the three month Reporting Period and $6.1 million ($2.97 per boe) for the six month Reporting Period as compared to $2.5 million ($2.41 per boe) and $4.8 million ($2.21 per boe) for the Comparable Prior Periods. The aggregate interest expense from the Comparable Prior Periods increased mainly due to higher pricing margins (that are used to determine Birchcliff's average effective interest rate) that became applicable when the Corporation increased its total

credit facilities limit on May 21, 2009 to $305 million. Also, during the six month Reporting Period, the Corporation drew the full $50 million term credit facility, which had higher pricing margins than the revolving credit facilities. A new lower pricing margin became applicable when the Corporation increased its revolving credit facilities limit to $350 million on May 21, 2010.

The Corporation's average outstanding credit facilities balance was approximately $223.2 million in the three month Reporting Period and approximately $215.1 million in the six month Reporting Period as compared to approximately $228.4 million and $224.6 million in the Comparable Prior Periods, calculated as the simple average of the month end amounts.

At the end of the Reporting Period, the effective rate applicable to the Working Capital Facility was 5.8% as compared to 4.8% at the end of the Comparable Prior Period. The effective interest rate applicable to the bankers' acceptances issued under the Syndicated Credit Facility was 4.9% and 5.1% in the three and six month Reporting Periods as compared to 2.0% and 2.5% in the Comparable Prior Periods. The effective interest rate applicable to the bankers' acceptances issued under the term credit facility was 5.7% and 5.9% in the three and six month Reporting Periods. No amounts were drawn on the term credit facility during the Comparable Prior Periods.

Depletion, Depreciation and Accretion Expenses

Depletion, Depreciation and Accretion ("**DD&A**") expense was 19.2 million ($17.08 per boe) for the three month Reporting Period and $34.7 million ($16.85 per boe) for the six month Reporting Period as compared to $22.7 million ($22.02 per boe) and $47.6 million ($22.07 per boe) for the Comparable Prior Periods. DD&A expense decreased on an aggregate and per boe basis mainly due to the reduced cost of adding significant proved reserves in the fourth quarter of 2009. The components of DD&A for the Reporting Periods and Comparable Prior Periods are as follows:

	Three months ended June 30, 2010		Three months ended June 30, 2009	
	($000's)	$/boe	($000's)	$/boe
Depletion & depreciation	18,756	16.68	22,275	21.64
Accretion on asset retirement obligations	451	0.40	392	0.38
Total DD&A	**19,207**	**17.08**	**22,667**	**22.02**

	Six months ended June 30, 2010		Six months ended June 30, 2009	
	($000's)	$/boe	($000's)	$/boe
Depletion & depreciation	33,859	16.43	46,803	21.71
Accretion on asset retirement obligations	865	0.42	776	0.36
Total DD&A	**34,724**	**16.85**	**47,579**	**22.07**

DD&A is a function of the estimated proved reserve additions, the associated future development capital required to recover those proved reserves, the cost of petroleum and natural gas properties in the full cost pool attributable to those proved reserves and production in the period. At June 30, 2010, the Corporation excluded from its full cost pool $53.7 million (June 30, 2009 - $41.5 million) of costs for undeveloped land acquired by Birchcliff.

Petroleum and Natural Gas Properties Impairment Test

The Corporation follows the full cost method of accounting which requires periodic review of capitalized costs to ensure that they do not exceed the recoverable value of the petroleum and natural gas properties and the fair value of the Corporation's assets.

Birchcliff performed an impairment test at June 30, 2010 on its petroleum and natural gas assets. Birchcliff determined its petroleum and natural gas assets were not impaired at June 30, 2010.

Stock-Based Compensation Expenses

Birchcliff accounts for its stock-based compensation awards, which include stock options and performance warrants, using the fair value method and records the related expense in the income statement over the vesting period.

The Corporation recorded a total non-cash stock-based compensation expense of $2.7 million ($2.43 per boe) for the three month Reporting Period and $5.2 million ($2.54 per boe) for the six month Reporting Period as compared to $4.9 million ($4.80 per boe) and $6.7 million ($3.10 per boe) for the Comparable Prior Periods. Included in the total non cash stock-based compensation expense in the Comparable Prior Periods was $3.1 million relating to the extension of the performance warrants on May 28, 2009. Excluding the impact of the extension of the performance warrants, the non-cash stock-based compensation expense related to stock options was $1.9 million and $3.6 million in the three and six month Comparable Prior Periods.

The increase in stock option expense from the Comparable Prior Periods was mainly due to the issuance of 2,311,300 options to directors, officers, and employees of Birchcliff at an exercise price of $9.72 per common share in January 2010 as a result of Birchcliff's annual compensation review.

A summary of the Corporation's outstanding stock options at June 30, 2010 is presented below:

	Number	Weighted Average Exercise Price ($)
Outstanding, December 31, 2009	**7,710,253**	**5.81**
Granted	2,852,300	9.62
Exercised	(543,733)	(4.25)
Forfeited	(126,401)	(6.31)
Outstanding March 31, 2010	**9,892,419**	**6.99**
Granted	207,500	9.70
Exercised	(433,401)	(4.56)
Forfeited	(143,000)	(8.54)
Outstanding, June 30, 2010	**9,523,518**	**7.13**

On January 14, 2005, the Corporation issued 4,049,665 performance warrants with an exercise price of $3.00 and an expiration date of January 31, 2010 to members of its executive team. On May 28, 2009, the outstanding performance warrants were amended to extend the expiration date from January 31, 2010 to January 31, 2015. At June 30, 2010, there remained outstanding and exercisable 2,939,732 performance warrants. Each stock option and performance warrant entitles the holder to purchase one common share at the exercise price.

Deferred Financing Fees

In May 2009, the Corporation paid $625,000 in financing fees to establish the one year non-revolving $50 million term credit facility and $1.35 million to increase the aggregate limit of the revolving credit facilities to $255 million and extend the conversion date of the revolving facilities from May 22, 2009 to May 21, 2010. In January 2010, the Corporation paid an additional $250,000 in financing fees to extend the maturity date of the term credit facility from May 21, 2010 to May 21, 2011. In May 2010, the Corporation paid approximately $1.0 million in financing fees to increase the aggregate limit of the revolving credit facilities to $350 million and extend the conversion date of the revolving facilities from May 21, 2010 to May 20, 2011.

The Corporation amortized to income approximately $0.6 million ($0.57 per boe) in deferred financing fees during the three month Reporting Period and $1.1 million ($0.55 per boe) for the six month Reporting

Period as compared to $0.2 million ($0.21 per boe) and $0.2 million ($0.10 per boe) for the Comparable Prior Periods.

Income Taxes

Birchcliff recorded a future income tax expense of approximately $1.0 million ($0.92 per boe) for the three month Reporting Period and $2.8 million ($1.34 per boe) for the six month Reporting Period as compared to a future income tax recovery of $0.7 million ($0.65 per boe) and $3.3 million ($1.51 per boe) for the Comparable Prior Periods. A future income tax expense was recorded in the Reporting Periods mainly due to higher average petroleum prices, increased production and a significant reduction of DD&A expense which resulted in net income in that period. A future income tax recovery was recorded in the Comparable Prior Periods mainly due to low oil and natural gas prices in the first half of 2009, which attributed to net losses in that period.

CAPITAL EXPENDITURES AND CAPITAL RESOURCES

Capital Expenditures

The following table sets forth a summary of the Corporation's capital expenditures incurred for the Reporting Periods and Comparable Prior Periods:

Three months ended June 30, ($000's)	**2010**	2009
Land	8,786	252
Seismic	184	193
Workovers and other	2,760	555
Drilling and completions(1)	17,502	1,684
Well equipment and facilities	13,157	2,316
Capitalized general and administrative expenses	398	382
Total finding and development costs (F&D)	**42,787**	**5,382**
Acquisitions and Dispositions, net	-	-
Total finding, development and acquisition costs (FD&A)	**42,787**	**5,382**
Administrative assets	296	103
Total capital expenditures	**43,083**	**5,485**

(1) Included in drilling and completions for the three months ended June 30, 2010 is an expected recovery of $5.5 million related to the Alberta Drilling Royalty Credit Program.

Six months ended June 30, ($000's)	**2010**	2009
Land	11,727	577
Seismic	765	344
Workovers and other	4,147	611
Drilling and completions(1)	40,356	12,356
Well equipment and facilities	38,107	8,823
Capitalized general and administrative expenses	819	793
Total finding and development costs (F&D)	**95,921**	**23,504**
Acquisitions and Dispositions, net(2)	(17,511)	30
Total finding, development and acquisition costs (FD&A)	**78,410**	**23,534**
Administrative assets	376	346
Total capital expenditures	**78,786**	**23,880**

(1) Included in drilling and completions for the six months ended June 30, 2010 is an expected recovery of $11.9 million related to the Alberta Drilling Royalty Credit Program.
(2) On March 3, 2010, the Corporation sold a minor non-producing asset in the Kakut area of Alberta for $17.5 million.

Capital Resources

The following table sets forth a summary of the Corporation's capital resources for the Reporting Periods and Comparable Prior Periods:

Three months ended June 30, ($000's)	**2010**	2009
Cash generated by operations	23,825	20,026
Changes in non-cash working capital from operations	(4,671)	(11,518)
Asset retirement expenditures	(160)	(22)
Equity issues, net of issue costs	1,978	60,147
Decrease in non-revolving term credit facility	(50,000)	-
Increase (decrease) in revolving credit facilities	78,092	(8,302)
Deferred financing fees paid	(1,018)	(1,975)
Changes in non-cash working capital from investing	(4,969)	(15,757)
Total capital resources	**43,077**	**42,599**

Six months ended June 30, ($000's)	**2010**	2009
Cash generated by operations	46,737	34,380
Changes in non-cash working capital from operations	(7,594)	(5,768)
Asset retirement expenditures	(195)	(273)
Equity issues, net of issue costs	4,287	60,755
Increase in revolving credit facilities	35,139	8,980
Deferred financing fees paid	(1,268)	(1,975)
Changes in non-cash working capital from investing	1,680	(35,105)
Total capital resources	**78,786**	**60,994**

SUMMARY OF QUARTERLY RESULTS

The following is a summary of quarterly results of the Corporation for the eight most recently completed quarters:

Quarters Ended ($000's, except for production, share and per share amounts)	**June 30, 2010**	March 31, 2010	December 31, 2009	September 30, 2009
Petroleum and natural gas production (boe per day)	**12,357**	10,407	10,515	10,552
Petroleum and natural gas commodity price at wellhead ($ per boe)	**39.45**	47.12	43.23	33.32
Natural gas commodity price at wellhead ($ per mcf)	**4.16**	5.34	4.81	3.20
Petroleum commodity price at wellhead ($ per bbl)	**76.24**	80.03	75.01	70.00
Total petroleum and natural gas revenue	**44,546**	44,235	41,908	32,446
Total royalties	**(3,621)**	(5,363)	(5,172)	(3,644)
Total revenues, net	**40,925**	38,872	36,736	28,802
Total capital expenditures, net	**43,083**	35,703	44,368	33,442
Net income (loss)	**215**	2,653	1,616	(9,039)
Per share basic	**-**	$0.02	$0.01	($0.07)
Per share diluted	**-**	$0.02	$0.01	($0.07)
Cash generated by operations	**23,825**	22,912	20,900	12,196
Per share basic	**$0.19**	$0.18	$0.17	$0.10
Per share diluted	**$0.19**	$0.18	$0.17	$0.10
Book value of total assets	**883,279**	860,180	837,108	796,338
Non-revolving term credit facility	**-**	49,661	-	-
Revolving credit facilities	**235,993**	158,614	201,230	182,589
Total debt	**250,370**	232,287	221,521	199,346
Shareholders' equity	**566,943**	562,019	554,561	549,239
Common shares outstanding – end of period				
Basic	**124,792,136**	124,358,735	123,815,002	123,267,436
Diluted	**137,255,386**	137,190,886	134,464,987	134,049,987
Weighted average common shares outstanding				
Basic	**124,548,932**	124,095,074	123,538,213	122,914,069
Diluted	**126,816,143**	127,094,837	126,358,921	124,523,458

Quarters Ended ($000's, except for production, share and per share amounts)	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008
Petroleum and natural gas production (boe per day)	11,313	12,513	11,524	10,000
Petroleum and natural gas commodity price at wellhead ($ per boe)	33.79	36.48	47.88	73.44
Natural gas commodity price at wellhead ($ per mcf)	3.75	5.27	7.14	8.47
Petroleum commodity price at wellhead ($ per bbl)	63.84	49.33	59.10	115.95
Total petroleum and natural gas revenue	34,917	41,398	51,034	67,942
Total royalties	2,118	(8,644)	(8,888)	(12,502)
Total revenues, net	37,035	32,754	42,146	55,440
Total capital expenditures, net	5,485	18,395	58,916	89,158
Net income (loss)	(7,128)	(9,701)	(355)	16,649
Per share basic	($0.06)	($0.09)	-	$0.15
Per share diluted	($0.06)	($0.09)	-	$0.14
Cash generated by operations	20,026	14,354	24,627	37,886
Per share basic	$0.18	$0.13	$0.22	$0.34
Per share diluted	$0.18	$0.13	$0.22	$0.33
Book value of total assets	819,142	800,959	814,823	774,794
Revolving credit facilities	219,361	228,867	211,586	180,995
Total debt	179,649	253,544	249,862	214,642
Shareholders' equity	535,917	496,276	507,371	506,742
Common shares outstanding – end of period				
basic	122,807,637	112,542,635	112,395,970	112,395,970
diluted	134,732,322	124,618,156	121,659,923	121,451,823
Weighted average common shares outstanding				
basic	112,887,812	112,457,321	112,395,970	112,386,829
Diluted	113,817,095	112,801,866	116,859,500	117,074,630

Discussion of Quarterly Results

Birchcliff's average production in the second quarter of 2010 was 12,357 boe per day, which is a 19% increase from 10,407 boe per day in the first quarter of 2010 and a 9% increase from 11,313 boe per day in the second quarter of 2009. These production gains were achieved through Birchcliff's capital drilling program and due to Phase I of the PCS Gas Plant being operational for the entire second quarter, notwithstanding planned and unplanned outages at Pouce Coupe and third party plants and the high initial natural declines from the new Montney/Doig horizontal natural gas wells brought on production in the first half of 2010.

Total capital expenditures in the second quarter of 2010 were $43.1 million as compared to $53.2 million in the first quarter of 2010 and $5.5 million in the second quarter of 2009. On March 3, 2010, the Corporation sold a minor non-producing asset in the Kakut area of Alberta for $17.5 million. Net capital expenditures in the first quarter of 2010 were $35.7 million. Of the $43.1 million in capital expended in the current quarter, approximately $6.7 million (16%) was spent on the expansion of Phase II of the PCS Gas Plant and approximately $19.5 million (45%) on the drilling and completion of new Montney/Doig horizontal natural gas wells that will be tied into Phase I and II of the PCS Gas Plant in the second half of 2010 in order to optimize the plant's total processing capacity of 60 mmcf per day.

Cash flow generated by the Corporation in the second quarter of 2010 was $23.8 million as compared to $22.9 million in the first quarter of 2010 and $20.0 million in the second quarter of 2009. Cash flow was slightly higher than in the previous quarter mainly due to increased average daily production, decreased operating costs per boe and a lower effective royalty rate, notwithstanding decreased average petroleum and natural gas prices realized at the wellhead in the second quarter of 2010. The increase in cash flow as compared to the second quarter of 2009 was mainly attributed to higher average petroleum and natural gas prices realized at the wellhead, increased average daily production and lower operating costs per boe, offset by a higher average effective royalty rate and increased average effective interest rates on Birchcliff's credit facilities in the second quarter of 2010.

Birchcliff recorded net income of $0.2 million in the second quarter of 2010 as compared to net income of $2.7 million in the first quarter of 2010 and net loss of $7.1 million in the second quarter of 2009. The decrease in net income from the first quarter of 2010 was mainly a result of adding significant production in the current quarter which resulted in higher DD&A expense recorded to income. The increase in net income as compared to the second quarter of 2009 was mainly a result of higher cash flow and lower DD&A expense recorded in the second quarter of 2010. DD&A expense decreased mainly due to the reduced cost of adding significant proved reserves in the latter part of 2009.

In May 2010, the Corporation's bank syndicate approved an increase of the revolving credit facilities to an aggregate limit of $350 million from an aggregate limit of $255 million. In conjunction with this change, the $50 million non-revolving term credit facility was repaid and cancelled using the increased funds available from the revolving facilities.

The weighted average basic common shares outstanding increased at the end of the Reporting Period as compared to the Comparable Prior Period mainly due to the issuance of 10 million common shares on June 30, 2009 when the Corporation completed an equity financing to raise net proceeds of $59.3 million.

MERGERS & ACQUISITIONS

The Corporation continues to review potential property acquisitions and dispositions, joint venture opportunities, and corporate mergers and acquisitions with the intention of completing such a transaction if acceptable terms can be negotiated. As a result, Birchcliff may at any time be involved in negotiations with other parties in respect of property acquisitions and dispositions, joint venture opportunities, and corporate mergers and acquisition opportunities.

CONTROLS AND PROCEDURES

Disclosure Controls

The Corporation has established and maintains disclosure controls and procedures that have been designed by, or under the supervision of, the Corporation's Chief Executive Officer and the Chief Financial Officer ("**Certifying Officers**") to provide reasonable assurance that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Corporation's management, including its Certifying Officers, as appropriate to allow timely decisions regarding required disclosure. Such disclosure controls and procedures are referred to as the "**Disclosure Controls and Procedures**".

The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Corporation's Disclosure Controls and Procedures as at June 30, 2010 and have concluded that such Disclosure Controls and Procedures were effective as at that date to provide reasonable assurance that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized, and reported within the time periods specified in the securities legislation and that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Corporation's management, including the Certifying Officers, as appropriate to allow timely decisions regarding required disclosure.

While the Certifying Officers believe that the Corporation's Disclosure Controls and Procedures are effective to provide a reasonable level of assurance, they do not expect that the Disclosure Controls and Procedures will provide an absolute level of assurance or prevent all errors and fraud. A control system, no matter how well conceived, maintained and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are achieved.

Internal Controls over Financial Reporting

The Corporation has established and maintains internal controls over financial reporting that have been designed by, or under the supervision of, the Corporation's Certifying Officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP applicable to the Corporation and reasonable assurance that all assets are safeguarded and transactions are appropriately authorized and recorded to facilitate the preparation of relevant, reliable and timely information. Such internal controls over financial reporting are herein referred to as "**ICFR".** The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Corporation's ICFR as required by National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*. Based on that evaluation, the Certifying Officers concluded that the Corporation's ICFR was effective at June 30, 2010 for the purposes described above. It should be noted that a control system, including the Corporation's, no matter how well conceived, maintained and operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the ICFR will prevent all errors and fraud.

CHANGE IN ACCOUNTING POLICIES

Transition to International Financial Reporting Standards ("IFRS")

In February 2008, the CICA's Accounting Standards Board confirmed that IFRS will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. Birchcliff will be required to report its results in accordance with IFRS beginning in 2011. The Corporation has developed a transition plan to complete the transition to IFRS by January 1, 2011, including the preparation of 2010 required comparative information.

Birchcliff's transition plan includes training and development throughout the organization, and three key phases:

- *Phase 1 - Scoping and diagnostics*

  Phase 1 involves performing a high level diagnostic analysis to identify areas that may be affected by the transition to IFRS. The results of this analysis are priority ranked according to complexity and the amount of time required to assess the impact of changes in transitioning to IFRS.

- *Phase 2 - Impact analysis and evaluation*

  During Phase 2, items identified in Phase 1 are addressed according to the priority levels assigned to them. This phase involves analysis of policy choices allowed under IFRS and their impact on the financial statements. In addition, certain potential differences are further investigated to assess whether there may be a broader impact to Birchcliff's debt agreements, business processes or management reporting systems. The conclusion of the impact analysis and evaluation phase will require the Audit Committee of the Board of Directors to review and approve all accounting policy choices as proposed by management.

- *Phase 3 - Implementation*

  Phase 3 involves implementation of all changes approved in Phase 2 and will include changes to information systems, business processes, modification of agreements and training of all staff who are impacted by the conversion.

During 2009, Birchcliff made significant progress on its transition plan, completing Phase 1 and moving into Phase 2, and conducting preliminary impact analysis of accounting policy alternatives. As anticipated in Birchcliff's transition plan, progress on the IFRS transition project was minimal in the first quarter of 2010 as Birchcliff's accounting resources were focused on year end reporting requirements.

During the second quarter of 2010, Birchcliff focused its efforts primarily on Phase 2 and 3 of the transition plan. Management has not yet finalized its chosen IFRS accounting policies and as such is unable to quantify the impact of these polices on the January 1, 2010 opening balance sheet. In accordance with its transition plan, Birchcliff is continuing the process of evaluating its IFRS accounting policy choices and quantifying their expected effects. Management expects to make recommendations of the chosen accounting policies to the Audit Committee of the Board of Directors for their review and final approval in the fourth quarter of 2010. Birchcliff continues to review the impact of IFRS on business processes and information systems for significant areas of impact, with internal control requirements taken into account.

IFRS Accounting Policies with Significant Impact

Birchcliff has determined the areas that will be most significantly affected by the adoption of IFRS. The areas identified as being significant have the greatest potential impact to the Corporation's financial

statements or the greatest risk in terms of complexity to implement. The most significant areas continue to include:

- Property, Plant and Equipment ("**PP&E**"), including;
  - Transition on date of adoption of IFRS
  - Pre-exploration costs
  - Exploration and Evaluation ("**E&E**") costs
  - Depletion, depreciation and amortization
- Impairment testing
- Decommissioning liabilities (known as "asset retirement obligations" under GAAP)
- Stock-based compensation
- Income taxes

Each of these significant impact areas is discussed in more detail below.

Property, Plant & Equipment

PP&E will be one of the most significant areas impacted by the adoption of IFRS. Under Canadian GAAP, Birchcliff follows the CICA's guideline on full cost accounting, while IFRS has no equivalent guideline. In order to facilitate the transition to IFRS by full cost accounting companies, the IASB released additional exemptions for first-time adopters of IFRS in July 2009. Included in the amendments is an exemption which permits full cost accounting companies to allocate their existing PP&E net book value (full cost pool) using either reserve volumes or reserve values to the unit of account level upon transition to IFRS. Birchcliff expects to adopt this exemption on transition and is currently evaluating whether to allocate based on reserve volumes or values using either proved or proved plus probable reserves. Without this exemption, the Corporation would have been required to retrospectively determine the carrying amount of oil and gas assets at the date of transition, or use the fair value or revaluation amount as the new deemed cost under IFRS. By using the exemption, the net book value of Birchcliff's PP&E at the date of transition to IFRS will be the same as it was under Canadian GAAP, subject to any potential IFRS impairments that are recognized at the date of transition.

In moving to IFRS, Birchcliff will be required to adopt different accounting policies for pre-exploration activities, exploration and evaluation costs, DD&A and the accounting for gains and losses on property dispositions, significant components of PP&E and other material non-monetary transactions.

Pre-exploration costs are costs incurred before the Corporation obtains the legal right to explore an area. Under Canadian GAAP, these costs are capitalized, while under IFRS, these costs must be expensed. At this time, Birchcliff does not anticipate that this accounting policy difference will have a significant impact on the IFRS financial statements.

During the exploration and evaluation phase, Birchcliff capitalizes costs incurred for these projects under Canadian GAAP. Under IFRS, the Corporation has the alternative to either continue capitalizing these E&E costs until technical feasibility and commercial viability of the project is determined or to expense these costs as incurred. Once technical feasibility and commercial viability of an E&E project is determined, the related costs are transferred to the Developing and Producing ("**D&P**") phase. If Birchcliff's policy choice is to continue capitalizing E&E project costs under IFRS, the Corporation has the alternative to either begin depleting the related costs when in the E&E phase or to deplete the costs once the project is in the D&P phase. Analysis performed to date suggests that Birchcliff did not have any E&E assets at the date of transition, Jan 1, 2010.

Under Canadian GAAP, Birchcliff calculates its depletion, depreciation and amortization rate at the country cost centre level. Under IFRS, this rate will be calculated at a lower unit of account level. At this time, the Corporation has not finalized its policy in this regard, and therefore the impact of this difference in accounting policy is not reasonably determinable.

Full cost accounting under Canadian GAAP requires that gains or losses on divestitures of properties are only recognized when the disposal would affect the DD&A rate by 20 percent or more. Under IFRS, there is no such exemption, and therefore Birchcliff will be required to recognize all gains and losses on property divestitures and derecognition of significant components of PP&E. At this time, the impact of this difference in accounting policy is not reasonably determinable.

As a result of the additional exemption released by the IASB in July 2009, the Corporation anticipates that all changes to its PP&E accounting policies will be adopted prospectively.

Impairment Testing

For the first step of the impairment test under Canadian GAAP, future cash flows are not discounted. Under IFRS, the future cash flows are discounted. In addition, for PP&E, impairment testing is currently performed at the country cost centre level, while under IFRS, it will be performed at a lower level, referred to as a cash-generating unit. The impairment calculations will be performed using either total proved or proved plus probable reserves. Canadian GAAP prohibits reversal of impairment losses. Under IFRS if the conditions giving rise to impairment have reversed, impairment losses previously recorded would be partially or fully reversed to eliminate write-downs recorded. Birchcliff expects to adopt these changes in accounting policy prospectively. At this time, the impact of accounting policy differences related to impairment testing is not reasonably determinable, however Birchcliff anticipates it will not have any impairment under IFRS on transition.

Decommissioning Liabilities

Under Canadian GAAP, the Corporation recognizes a liability for the estimated fair value of the future retirement obligations associated with PP&E. The fair value is capitalized and amortized over the same period as the underlying asset. Birchcliff estimates the liability based on the estimated costs to abandon and reclaim its net ownership interest in wells and facilities, including an estimate for the timing of the costs to be incurred in future periods. These cash outflows are discounted using a credit-adjusted rate. Changes in the net present value of the future retirement obligation are expensed through accretion as part of DD&A. Under IFRS, these liabilities are known as “decommissioning liabilities” and are included in the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent* Assets. Decommissioning liabilities are calculated at each reporting period by estimating the risk-adjusted future cash outflows which are discounted using a risk-free rate. Changes in the net present value of the future retirement obligation are expensed through accretion as part of DD&A. Due to the change in the discount rate from a credit-adjusted rate to a risk-free rate, Birchcliff expects there will be a significant increase in the value of the decommissioning liability under IFRS as compared to Canadian GAAP. At this time, the impact of this difference in accounting policy is not reasonably determinable.

Stock-based Compensation

IFRS 2 *Share-Based Payments* requires the expense related to share-based payments to be recognized as the options vest. For options with different vesting periods, each vesting tranche must be treated as a separate option grant which accelerates the expense recognition (“Graded Vesting Amortization”) in comparison to Canadian GAAP which allows the expense to be recognized on a straight-line basis over the period the options vests. Birchcliff must also apply an estimated forfeiture rate at the initial grant date for each option tranche. The forfeiture rate is taken into account by adjusting the number of stock options expected to vest under each tranche and subsequently revising this estimate throughout the vesting period, as necessary. Birchcliff expects to adopt this change in accounting policy prospectively.

Birchcliff expects to record an increase to contributed surplus due to revaluing (under IFRS standards) the options not vested at January 1, 2010. Going forward under IFRS, Birchcliff anticipates stock-based compensation expense to be higher than under Canadian GAAP because of the graded vesting requirements of IFRS result in accelerated expense recognition.

Income Tax

In transitioning to IFRS, the carrying amount of Birchcliff's deferred tax balances will be directly impacted by the tax effects resulting from changes required by the above IFRS accounting policy differences. Birchcliff is still determining the impact of the revised standard on its IFRS transition. Therefore, at this time the income tax impacts of the differences are not reasonably determinable.

Changes to IFRS Accounting Standards

Birchcliff's analysis of accounting policy differences specifically considers the current IFRS standards that are in effect. The Corporation will continue to monitor any new or amended accounting standards that are issued by the IASB.

Internal Controls over Financial Reporting

Birchcliff does not anticipate that the transition to IFRS will have a significant impact on its internal controls over financial reporting. The review of internal controls over financial reporting will be an ongoing process throughout 2010 to ensure that all changes in accounting policies include the appropriate additional controls and procedures for future IFRS reporting requirements.

Disclosure Controls and Procedures

Birchcliff does not anticipate that the transition to IFRS will have a significant impact on its disclosure controls and procedures. Throughout the transition, Birchcliff will assess stakeholders' information requirements and will ensure that adequate and timely information is provided so that all stakeholders remain apprised.

Education and Training

All of the key individuals that are involved in financial reporting under Canadian GAAP have received IFRS training and are actively involved in the IFRS transition project. Birchcliff will continue to involve senior financial reporting personnel in the IFRS transition throughout 2010 and 2011. Other individuals affected by the change from Canadian GAAP to IFRS will be educated and trained during 2010 as Birchcliff identifies and calculates the specific dollar value of differences arising from the changes to our accounting policies.

Information Systems

Birchcliff has evaluated its information systems required to support IFRS reporting on adoption. Birchcliff anticipates system updates to be minimal, however, they are critical in order to allow for reporting of both Canadian GAAP and IFRS statements in 2010 as well as the updates required to track E&E and PP&E expenditures at a more granular level of detail for IFRS reporting in 2011 and thereafter. Birchcliff expects to complete most of the accounting systems updates, including budgeting and forecasting, during the second half of 2010.

Impacts to our Business

Birchcliff does not expect that the adoption of IFRS in 2011 will have a significant impact or influence on its business activities, operations or strategies going forward. Management will continue to closely monitor the impact of IFRS on its business activities as final policy choices are made in the second half of 2010.

ADVISORIES

BOE Conversions

Barrels of oil equivalent ("boe") amounts may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet (6 mcf) of natural gas to one barrel of oil (1 bbl) is based on an energy equivalent conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Non-GAAP Measures

This MD&A and the Corporation's Quarterly and Annual Reports uses the terms "cash flow", "netback", "cash flow netback", "operating netback", "cash flow per share", and "EBITDA", which do not have standardized meanings prescribed by GAAP and therefore may not be comparable to measures by other companies where similar terminology is used. Cash flow appears as a separate line on the Corporation's Statements of Cash Flows above "changes in non-cash working capital" and is reconciled to net income (loss) and comprehensive income (loss). Netback denotes petroleum and natural gas revenue less royalties, less operating expenses and less transportation and marketing expenses. Cash flow netback denotes net earnings plus non-cash items including future income tax expense (less any recovery), depletion, depreciation and accretion expense, unrealized losses from risk management contracts and foreign exchange (less unrealized gains), non-cash stock-based compensation expense and amortization of deferred financing fees. EBITDA denotes earnings before interest, taxes, stock-based compensation, depletion, depreciation and amortization.

Forward Looking Information

This MD&A contains certain forward-looking statements and forward-looking information (hereinafter collectively referred to as "forward-looking information") within the meaning of applicable Canadian securities laws. These statements relate to future events or future performance and are based upon the Corporation's current internal expectations, estimates, projections, assumptions and beliefs. All statements other than statements of historical fact are forward-looking statements. In some cases, words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur, are intended to identify forward-looking statements.

In particular, this MD&A contains forward-looking information, including among other places, under the headings "Outlook" and "International Financial Reporting Standards". This forward-looking information includes but is not limited to statements regarding: expected processing capacity of the PCS Gas Plant and its future expansion; overall production; planned drilling, exploration and development; planned 2010 capital spending and sources of funding; expected results from the Corporation's portfolio of oil and gas assets; the quantity and development of oil and gas reserves; future net cash flows and discounted cash flows; expected operating, general administrative, services, environmental compliance costs and expenses; royalty rates and incentives; treatment under tax laws; expected ability to transition to new accounting standards and other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results of operations or performance. The Corporation cannot guarantee future results, levels of activity, performance or achievements. Consequently, there is no representation by the Corporation that actual results achieved will be the same in whole or in part as those set out in the forward-looking information.

With respect to such forward-looking information the key assumptions on which the Corporation relies are: that future prices for crude oil and natural gas, future currency exchange rates and interest rates, and future availability of debt and equity financing will be at levels and costs that allow the Corporation to manage, operate and finance its business and develop its properties and meet its future obligations; that the regulatory framework in respect of royalties, taxes and environmental matters applicable to the Corporation will not become so onerous as to preclude the Corporation from viably managing, operating and financing its business and the development of its properties; that the Corporation will continue to be

able to identify, attract and employ qualified staff and obtain the outside expertise and specialized and other equipment it requires to manage, operate and finance its business and develop its properties; and various assumptions as to future prices for crude oil and natural gas, currency exchange rates, inflation rates, future well production rates, well drainage areas, success rates of future well drilling and future costs and availability of labour and services. With respect to estimates of reserves volumes and associated future net revenues and numbers of future wells to be drilled a key assumption is the validity of the commodity prices, currency exchange rates, future capital and operating costs and well production rates forecast by the Corporation's independent reserves evaluator. With respect to the number of future wells to be drilled a key assumption is the validity of the geological and other technical interpretations that have been performed by Birchcliff's technical staff and that indicate that commercially economic reserves can be recovered from Birchcliff's lands as a result of drilling such future wells.

Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. Forward-looking information involves numerous assumptions, uncertainties and both known and unknown risks. There is a risk that such predictions, forecasts, and projections may not occur. Although the Corporation believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Some of those risks include: risks inherent of the oil and gas industry, such as operational risks in exploring for, developing and producing crude oil and nature gas, market demand and unpredictable facilities outages; risks and uncertainties involving geology of oil and gas deposits; uncertainty of reserves and resources estimates, reserves life and underlying reservoir risk; general economic conditions in Canada, the United States and globally; changes in governmental regulation of the oil and gas industry, including environmental regulation; fluctuations in foreign exchange rates or interest rates; adverse conditions in the debt and equity markets; and competition from others for scarce resources.

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

BIRCHCLIFF ENERGY LTD.
BALANCE SHEETS
(Unaudited) *($000's)*

	June 30, 2010	December 31, 2009
ASSETS		
CURRENT		
Cash	**140**	140
Accounts receivable (Note 7)	**32,489**	29,665
Prepaid and other	**2,934**	4,635
	35,563	34,440
Deferred financing fees (Note 4)	**-**	245
Petroleum and natural gas properties and equipment (Note 3)	**847,716**	802,423
	883,279	837,108
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**49,940**	54,731
	49,940	54,731
Revolving credit facilities (Note 5)	**235,993**	201,230
Asset retirement obligations (Note 8)	**25,748**	24,713
Future income taxes	**4,655**	1,873
Commitments (Note 11)		
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	**547,782**	541,593
Contributed surplus (Note 10)	**23,640**	20,315
Deficit	**(4,479)**	(7,347)
	566,943	554,561
	883,279	837,108

See accompanying notes to the financial statements.

APPROVED BY THE BOARD

(signed) *"Larry A. Shaw"*
Larry A. Shaw, Director

(signed) *"A. Jeffery Tonken"*
A. Jeffery Tonken, Director

BIRCHCLIFF ENERGY LTD.
STATEMENTS OF NET INCOME (LOSS), COMPREHENSIVE INCOME (LOSS) AND RETAINED EARNINGS (DEFICIT)
(Unaudited) ***($000's)***

	Three months ended June 30		Six months ended June 30	
	2010	2009	**2010**	2009
REVENUE				
Petroleum and natural gas	**44,546**	34,917	**88,781**	76,315
Royalties	**(3,621)**	2,118	**(8,984)**	(6,526)
	40,925	37,035	**79,797**	69,789
EXPENSES				
Production	**8,782**	9,206	**17,235**	20,491
Transportation and marketing	**2,943**	2,381	**5,369**	5,129
General and administrative, net (Note 3)	**2,249**	2,936	**4,351**	5,027
Stock-based compensation (Note 10)	**2,731**	4,946	**5,226**	6,693
Depletion, depreciation and accretion (Notes 3 and 8)	**19,207**	22,667	**34,724**	47,579
Amortization of deferred financing fees (Notes 4 and 5)	**643**	212	**1,137**	212
Interest (Notes 4 and 5)	**3,126**	2,486	**6,105**	4,762
	39,681	44,834	**74,147**	89,893
INCOME (LOSS) BEFORE TAXES	**1,244**	(7,799)	**5,650**	(20,104)
TAXES				
Future income tax expense (recovery)	**1,029**	(671)	**2,782**	(3,275)
	1,029	(671)	**2,782**	(3,275)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**215**	(7,128)	**2,868**	(16,829)
RETAINED EARNINGS (DEFICIT), BEGINNING OF PERIOD	**(4,694)**	7,204	**(7,347)**	16,905
RETAINED EARNINGS (DEFICIT), END OF PERIOD	**(4,479)**	76	**(4,479)**	76
Net income (loss) per common share				
basic	**-**	$(0.06)	**$0.02**	$(0.15)
diluted	**-**	$(0.06)	**$0.02**	$(0.15)
Weighted average common shares				
basic	**124,548,932**	112,887,812	**124,320,253**	112,673,756
diluted	**126,816,143**	112,887,812	**127,321,453**	112,673,756

BIRCHCLIFF ENERGY LTD.
STATEMENTS OF CASH FLOWS
(Unaudited) ***($000's)***

	Three months ended June 30		Six months ended June 30	
	2010	2009	**2010**	2009
OPERATING				
Net income (loss)	**215**	(7,128)	**2,868**	(16,829)
Adjustments for items not affecting cash:				
Depletion, depreciation and accretion	**19,207**	22,667	**34,724**	47,579
Stock-based compensation	**2,731**	4,946	**5,226**	6,693
Amortization of deferred financing fees	**643**	212	**1,137**	212
Future income taxes expense (recovery)	**1,029**	(671)	**2,782**	(3,275)
	23,825	20,026	**46,737**	34,380
Changes in non-cash working capital	**(4,671)**	(11,518)	**(7,594)**	(5,768)
Asset retirement expenditures incurred	**(160)**	(22)	**(195)**	(273)
	18,994	8,486	**38,948**	28,339
FINANCING				
Decrease in non-revolving term credit facility (Note 4)	**(50,000)**	-	**-**	-
Increase (decrease) in revolving credit facilities	**78,092**	(8,302)	**35,139**	8,980
Deferred financing fees paid	**(1,018)**	(1,975)	**(1,268)**	(1,975)
Issuance of share capital (Note 9)	**1,978**	62,842	**4,287**	63,450
Share issue costs (Note 9)	**-**	(2,695)	**-**	(2,695)
	29,052	49,870	**38,158**	67,760
INVESTING				
Purchase of petroleum and natural gas properties and equipment	**-**	-	**-**	(30)
Sale of petroleum and natural gas properties and equipment (Note 3)	**-**	-	**17,511**	-
Development of petroleum and natural gas properties and equipment	**(43,083)**	(5,485)	**(96,297)**	(23,850)
Changes in non-cash investing working capital (Note 12)	**(4,969)**	(15,757)	**1,680**	(35,105)
	(48,052)	(21,242)	**(77,106)**	(58,985)
NET INCREASE (DECREASE) IN CASH	**(6)**	37,114	**-**	37,114
CASH, BEGINNING OF PERIOD	**146**	65	**140**	65
CASH, END OF PERIOD	**140**	37,179	**140**	37,179
Cash interest paid	**3,126**	2,486	**6,105**	4,762
Cash taxes paid	**-**	**-**	**-**	**-**

See accompanying notes to the financial statements

1. BASIS OF PRESENTATION

Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") was a private company, incorporated under the *Business Corporations Act* (Alberta) on July 6, 2004 as 1116463 Alberta Ltd. The name was changed from 1116463 Alberta Ltd. to Birchcliff Energy Ltd. on September 10, 2004. The address of the Corporation's registered office is 500, 630 - 4th Avenue, S.W., Calgary, Alberta, Canada T2P 0J9.

The Corporation is engaged in the exploration for and the development, production and acquisition of, petroleum and natural gas reserves in Western Canada. Birchcliff trades on the Toronto Stock Exchange under the symbol "BIR". Birchcliff's financial year end is December 31.

The interim financial statements of Birchcliff Energy Ltd. have been prepared by management in accordance with accounting principles generally accepted in Canada and are unaudited. The interim financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the period ended December 31, 2009. The disclosures which follow do not include all disclosures required for the annual financial statements. These unaudited interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2009.

2. CHANGES IN ACCOUNTING POLICIES

Future Accounting Policy Changes

Section 1582 Business Combinations

In January 2009, the CICA issued Handbook Section 1582 *Business Combinations* that replaces the Section 1581 of the same name. Under the new standard, the purchase price used in a business combination is based on the fair value of shares exchanged at the market price at acquisition date. Under the current standard, the purchase price used is based on the market price of shares for a reasonable period before and after the date the acquisition is agreed upon and announced. In addition, the new standard generally requires all acquisition costs to be expensed while current standards allow for the capitalization of these costs as part of the purchase price. This new standard also addresses contingent liabilities, which will be required to be recognized at fair value on acquisition, and subsequently remeasured at each reporting period until settled. The current standard requires only contingent liabilities that are due to be recognized. The new standard requires any negative goodwill to be recognized as a charge to earnings rather than the current standard which reduces the fair value of non-current assets in the purchase price allocation. The new standard applies prospectively to business combinations on or after January 1, 2011 with earlier application permitted. The Corporation does not intend to early adopt the new standard.

Convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS")

In 2006, the Accounting Standards Board ("**AcSB**") ratified a strategic plan to converge Canadian Generally Accepted Accounting Principles ("**GAAP**") with IFRS by 2011 for public reporting entities. On February 13, 2008 the AcSB confirmed that IFRS will replace Canadian GAAP for public companies beginning January 1, 2011. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by Birchcliff for the year ended December 31, 2010, including the opening balance sheet as at January 1, 2010.

3. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

($000's)			**June 30, 2010**
	Cost	**Accumulated Depletion and Depreciation**	**Net Book Value**
Petroleum and natural gas assets	1,178,196	(332,104)	846,092
Office furniture, equipment & other	3,792	(2,168)	1,624
	1,181,988	**(334,272)**	**847,716**

($000's)			December 31, 2009
	Cost	**Accumulated Depletion and Depreciation**	**Net Book Value**
Petroleum and natural gas assets	1,099,420	(298,560)	800,860
Office furniture, equipment & other	3,415	(1,852)	1,563
	1,102,835	**(300,412)**	**802,423**

At June 30, 2010, the cost of petroleum and natural gas assets includes $53.7 million (December 31, 2009 – $44.9 million) relating to unproved properties which have been excluded from costs subject to depletion and depreciation. Birchcliff capitalized general and administrative costs directly related to exploration and development activities of approximately $0.4 million and $0.8 million in the three and six months ended June 30, 2010, respectively (June 30, 2009 – $0.4 million and $0.8 million).

On March 3, 2010, the Corporation completed and closed the sale of a minor non-producing asset in the Kakut area of Alberta for $17.5 million. The proceeds from the sale were used to reduce the cost of petroleum and natural gas assets at June 30, 2010. No gain or loss was recorded on the sale.

On September 15, 2009, the Government of Alberta approved a drilling royalty incentive for new conventional oil and natural gas wells drilled on or after April 1, 2009, but before April 1, 2011. Included as a reduction of petroleum and natural gas assets at June 30, 2010 is an expected recovery of $18.3 million (December 31, 2009 – $6.3 million) related to the Alberta Drilling Royalty Credit Program.

4. NON-REVOLVING TERM CREDIT FACILITY

On May 21, 2009, the Corporation entered into a $50 million non-revolving one year term credit facility (the "**Term Facility**"). The Term Facility is provided by a syndicate of banks (the "**Syndicate**"). The Corporation paid approximately $625,000 in financing fees to the Syndicate to establish the one year Term Facility. In January 2010, the Corporation paid an additional $250,000 in financing fees to extend the maturity date of this facility from May 21, 2010 to May 21, 2011. As no amounts were drawn on the Term Facility at December 31, 2009, approximately $245,000 in unamortized fees was shown as a non-current asset on the balance sheet.

Effective May 21, 2010, the Corporation cancelled and terminated the non-revolving Term Facility. The increased funds available from the revolving credit facilities as described in Note 5 were used to repay the full $50 million outstanding under the Term Facility. During the three and six months ended June 30, 2010, the Corporation fully amortized to income approximately $0.3 million and $0.5 million in deferred financing fees applicable to this facility. The overall effective interest rates applicable to the bankers' acceptances issued under the Term Facility was 5.7% and 5.9% in the three and six months ended June 30, 2010.

5. REVOLVING CREDIT FACILITIES

($000's)	**June 30, 2010**	December 31, 2009
Syndicated credit facility	226,000	192,000
Working capital facility	13,071	14,387
Drawn revolving credit facilities	**239,071**	**206,387**
Unamortized prepaid interest on bankers' acceptances	(2,173)	(4,627)
Unamortized deferred financing fees	(905)	(530)
Revolving credit facilities, net	**235,993**	**201,230**

Effective May 21, 2010, Birchcliff amended its agreement with its bank syndicate which increased the Corporation's existing revolving credit facilities limit from $255 million to an aggregate limit of $350 million. The revolving credit facilities consist of an extendible revolving term credit facility with an authorized limit of $320 million (the "**Syndicated Credit Facility**") and an extendible revolving working capital facility with an authorized limit of $30 million (the "**Working Capital Facility**"). The Corporation paid approximately $1.0 million in financing fees to the Syndicate to extend the conversion date of the revolving credit facilities from May 21, 2010 to May 20, 2011. These fees have been deferred and netted against the amounts drawn under this facility and are being amortized to income over the one year extension period. During the three and six months ended June 30, 2010, the Corporation amortized to income approximately $0.3 million and $0.6 million (June 30, 2009 – $0.1 million and $0.1 million) in deferred financing fees applicable to this facility.

At June 30, 2010, the effective interest rate applicable to the Working Capital Facility was 5.8% (June 30, 2009 – 4.8%). The overall effective interest rates applicable to the bankers' acceptances issued under the Syndicated Credit Facility was 4.9% and 5.1% in the three and six months ended June 30, 2010 (June 30, 2009 – 2.0% and 2.5%).

The revolving credit facilities allow for prime rate loans, US base rate loans, bankers' acceptances, letters of credit and LIBOR loans. The interest rates applicable to the drawn loans are based on a pricing grid and will increase as a result of the increased ratio of outstanding indebtedness to earnings before interest, taxes, depreciation and amortization. The revolving credit facilities are subject to the Syndicate's redetermination of the borrowing base twice each year as of November 15 and the conversion date. Upon any change in or redetermination of the borrowing base limit which results in a borrowing base shortfall, Birchcliff must eliminate the borrowing base shortfall amount. The revolving credit facilities are secured by a fixed and floating charge debenture, an instrument of pledge, and a general security agreement encompassing all of the Corporation's assets.

Syndicated Credit Facility

The Syndicated Credit Facility has a conversion date of May 20, 2011 and a maturity date which is two years after the conversion date. Birchcliff may request an extension of the conversion date with such an extension not exceeding 364 days, in order to maintain the revolving Syndicated Credit Facility. If the conversion date of the Syndicated Credit Facility is not extended, then on the conversion date, the revolving Syndicated Credit Facility will convert to a term loan whereby all principal and interest will be required to be repaid at the maturity date.

Working Capital Facility

The Working Capital Facility has a conversion date of May 20, 2011 and a maturity date which is two years after the conversion date. Birchcliff may request an extension of the conversion date with such an extension not exceeding 364 days, in order to maintain the revolving Working Capital Facility. If the Syndicate does not grant an extension of the conversion date, then upon four months after the expiry of the conversion date, the revolving Working Capital Facility will

convert to a term loan whereby all principal and interest will be required to be repaid at the maturity date.

6. CAPITAL MANAGEMENT

The Corporation's general policy is to maintain a sufficient capital base in order to manage its business in the most effective manner with the goal of increasing the value of its assets and thus its underlying share value. The Corporation's objectives when managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations, including potential obligations arising from additional acquisitions; to maintain a capital structure that allows Birchcliff to favour the financing of its growth strategy using primarily internally-generated cash flow and its available debt capacity; and to optimize the use of its capital to provide an appropriate investment return to its shareholders.

There were no changes in the Corporation's approach to capital management throughout 2009 and during the six months ended June 30, 2010. The following table shows the Corporation's total available credit at June 30, 2010 and December 31, 2009:

($000's)	**June 30, 2010**	December 31, 2009
Maximum borrowing base limit[1]:		
Revolving credit facilities	350,000	255,000
Non-revolving term credit facility	-	50,000
	350,000	305,000
Principal amount utilized:		
Drawn revolving credit facilities	(239,071)	(206,387)
Outstanding letters of credit[2]	(2,739)	(2,739)
	(241,810)	(209,126)
Total unused credit	**108,190**	**95,874**

(1) The Corporation's credit facilities are subject to a semi-annual review of the borrowing base limit which is directly impacted by the value of the oil and natural gas reserves. Effective May 21, 2010, the Corporation repaid in full and cancelled the $50 million non - revolving term credit facility.

(2) Letters of credit are issued to various service providers. No amounts were drawn on the letters of credit at June 30, 2010 and December 31, 2009.

The financial covenants applicable to the Corporation's credit facilities include a quarterly interest coverage ratio test which is calculated as earnings before interest, taxes, stock-based compensation, depletion, depreciation and amortization ("**EBITDA**") over interest expense. The following table shows the interest coverage ratio at June 30, 2010 and December 31, 2009:

	June 30, 2010		December 31, 2009	
	Required	Actual	Required	Actual
Annualized EBITDA to interest coverage[1]	>3.5	**7.8**	>3.5	7.6

(1) Interest coverage ratio is calculated on a trailing four quarter basis.

The Corporation was compliant with all financial covenants under its credit facilities as at and during the periods ended June 30, 2010 and December 31, 2009.

The capital structure of the Corporation is as follows:

($000's)	June 30, 2010	December 31, 2009	Change %
Total shareholders' equity[1]	566,943	554,561	2%
Total shareholders' equity as a % of total capital	69%	71%	
Working capital deficit [2]	14,377	20,291	
Drawn revolving credit facilities	239,071	206,387	
Total debt	253,448	226,678	12%
Total debt as a % of total capital	31%	29%	
Total capital	**820,391**	**781,239**	**5%**

(1) Shareholders' equity is defined as share capital plus contributed surplus plus retained earnings, less any deficit.
(2) Working capital deficit is defined as current assets less current liabilities.

During the six months ended June 30, 2010, total shareholders' equity increased mainly due to the exercise of options (Note 10) and an increase in reported net income for the period.

Total debt increased during the six months ended June 30, 2010 largely due to $49.6 million of total capital spent in excess of cash flow during that period, offset by proceeds of $17.5 million from the sale of minor non-producing assets as described in Note 3 which were used to reduce total debt.

7. FINANCIAL INSTRUMENTS & RISK MANAGEMENT CONTRACTS

Birchcliff is exposed to credit risk, liquidity risk and market risk as part of its normal course of business. The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's financial risk management framework and periodically reviews the results of all risk management activities and all outstanding positions. Management has implemented and monitors compliance with risk management guidelines as outlined by the Board of Directors. The Corporation's risk management guidelines are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Corporation's activities.

Credit Risk

Cash is comprised of bank balances. Historically, the Corporation has not carried short term investments. Should this change in the future, counterparties will be selected based on credit ratings and management will monitor all investments to ensure a stable return, and complex investment vehicles with higher risk will be avoided. The Corporation's exposure to cash credit risk at the balance sheet date is very low.

A substantial portion of the Corporation's accounts receivable are with customers in the oil and natural gas industry and are subject to normal industry credit risks. The carrying amount of accounts receivable reflects management's assessment of the credit risk associated with these customers.

The following table illustrates the Corporation's maximum exposure for receivables:

($000's)	June 30, 2010	December 31, 2009
Marketers	12,751	16,607
Joint venture partners	19,014	12,984
Other	724	74
Total receivables	**32,489**	**29,665**

At June 30, 2010, approximately 17% of the Corporation's significant individual accounts receivable was due from one marketer (December 31, 2009 – 17%, one marketer). For the six

months ended June 30, 2010, the Corporation received 12%, 43%, 13%, 14% and 11% of its revenue, respectively, from five core customers. The Corporation received the majority of its revenue for the six months ended June 30, 2009 from four customers, who individually accounted for 33%, 10%, 11% and 29%, respectively. Typically, Birchcliff's maximum credit exposure to customers is revenue from two months of commodity sales. Receivables from marketers are normally collected on the 25th day of the month following production. Birchcliff mitigates the credit risk associated with these by establishing marketing relationships with credit worthy purchasers, obtaining guarantees from their ultimate parent companies and obtaining letters of credit as appropriate. The Corporation historically has not experienced any material collection issues with its marketers.

At June 30, 2010, approximately $0.6 million or 2% of Birchcliff's total accounts receivable are aged over 120 days and considered past due. The majority of these accounts are due from various joint venture partners. Birchcliff attempts to mitigate the risk from joint venture receivables by obtaining pre-approval of significant capital expenditures. However, the receivables are from participants in the oil and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risk exists with joint venturers' as disagreements occasionally arise that increase the potential for non-collection. The Corporation does not typically obtain collateral from oil and natural gas marketers or joint venturers', however, the Corporation does have the ability to withhold production from joint venturers' in the event of non-payment.

Should Birchcliff determine that the ultimate collection of a receivable is in doubt, it will provide the necessary provision in its allowance for doubtful accounts with a corresponding charge to income. If the Corporation subsequently determines an account is uncollectible, the account is written off with a corresponding charge to the allowance for doubtful accounts. Birchcliff did not have an allowance for doubtful accounts balance at June 30, 2010 and December 31, 2009.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations associated with financial liabilities that are settled by cash as they become due. Birchcliff's approach to managing liquidity is to ensure, as much as possible, that it will have sufficient liquidity to meet its short term and long term financial obligations when due, under both normal and unusual conditions without incurring unacceptable losses or risking harm to the Corporation's reputation.

All of the Corporation's contractual financial liabilities are to be settled in cash. Typically, the Corporation ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. To achieve this objective, the Corporation prepares annual capital expenditure budgets, which are approved by the Board of Directors and are regularly reviewed and updated as considered necessary. Petroleum and natural gas production is monitored weekly and is used to provide monthly current cash flow estimates. Further, the Corporation utilizes authorizations for expenditures on both operated and non operated projects to further manage capital expenditure. The Corporation also attempts to match its payment cycle with collection of oil and natural gas revenue on the 25th of each month.

To facilitate the capital expenditure program, the Corporation has reserve-based credit facilities which are reviewed semi-annually by the lender. The principal amount utilized under the Corporation's credit facilities at June 30, 2010 was $241.8 million (December 31, 2009 – $209.1 million) and $108.2 million (December 31, 2009 – $95.9 million) in unused credit was available at the end of the period to fund future obligations.

The following table lists the contractual obligations of the Corporation's financial liabilities at June 30, 2010:

($000's)	< 1 Year	1 – 2 Years	3 – 5 Years	Thereafter
Accounts payable and accrued liabilities	49,940	-	-	-
Drawn revolving credit facilities	-	-	239,071	-
Total financial liabilities	**49,940**	**-**	**239,071**	**-**

Market Risk

Market risk is the risk that changes in market conditions; such as commodity prices, exchange rates and interest rates; will affect the Corporation's net income or the value of its financial instruments. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. These risks are consistent with prior years. All risk management transactions are conducted within risk management tolerances that are reviewed by the Board of Directors.

Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Significant changes in commodity prices can materially impact the Corporation's borrowing base limit. Lower commodity prices can also reduce the Corporation's ability to raise capital. Commodity prices for crude oil and natural gas are not only influenced by Canadian ("CDN") and United States ("US") demand, but also by world events that dictate the levels of supply and demand.

The Corporation may attempt to mitigate commodity price risk through the use of financial derivatives such as commodity price risk management contracts. Birchcliff had no risk management contracts in place as at or during the periods ended June 30, 2010 and December 31, 2009. The Corporation actively monitors the market to determine whether any additional commodity price risk management contracts are warranted.

Foreign Currency Risk

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The exchange rate effect cannot be quantified but generally an increase in the value of the CDN dollar as compared to the US dollar will reduce the prices received by Birchcliff for its petroleum and natural gas sales. The Corporation had no forward exchange rate contracts in place as at or during the periods ended June 30, 2010 and December 31, 2009.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation's credit facilities are exposed to interest rate cash flow risk on a floating interest rate due to fluctuations in market interest rates. The remainder of Birchcliff's financial assets and liabilities are not exposed directly to interest rate risk.

A 1% change in the CDN prime interest rate during the three and six months ended June 30, 2010 would have increased (decreased) net income (loss) and comprehensive income (loss) by approximately $0.6 million and $1.1 million (June 30, 2009 – $0.6 million and $1.1 million), assuming that all other variables remain constant. A sensitivity of 1% is considered reasonable given the current level of the bank prime rate and market expectations for future movements. The Corporation considers this risk to be limited and thus does not hedge its interest rate risk.

The Corporation had no interest rate swap contracts in place as at or during the periods ended June 30, 2010 and December 31, 2009.

Fair Value of Financial Instruments

Birchcliff's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, and credit facilities. All of Birchcliff's financial instruments are transacted in active markets. Financial instruments carried at fair value are assessed using the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level. The carrying value and fair value of financial instruments at June 30, 2010 is disclosed below by financial instrument category, as well as any related loss or interest expense for the period:

($000's)	Carrying Value	Fair Value	Loss	Interest Expense
Assets Held for Trading				
Cash[(1)]	140	140	-	-
Loans and Receivables				
Trade and other receivables[(2)]	32,489	32,489	-	-
Other Liabilities				
Accounts payable and accrued liabilities[(2)]	49,940	49,940	-	-
Drawn revolving credit facilities[(3)]	239,071	239,071	-	6,105

(1) Cash is reported at fair value, based on a Level 1 designation.
(2) Trade and other receivables and accounts payable and accrued liabilities are reported at amortized cost. Due to the short term nature of trade and other receivables and accounts payable and accrued liabilities, their carrying values approximate their fair values.
(3) The Corporation's revolving facilities bear interest at a floating rate and accordingly the fair market value approximates the carrying value before the carrying value is reduced for any remaining unamortized costs as described in Notes 4 and 5.

8. ASSET RETIREMENT OBLIGATIONS

The Corporation's asset retirement obligations result from net ownership interests in petroleum and natural gas properties and equipment including well sites, gathering systems and processing facilities. Birchcliff estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations at June 30, 2010 to be approximately $73.5 million (December 31, 2009 – $70.1 million) which will be incurred between 2010 and 2061. A credit-adjusted risk-free interest rate of 8% and an inflation rate of 2% were used to calculate the fair value of the asset retirement obligation.

A reconciliation of the asset retirement obligations is provided below:

($000's)	**June 30, 2010**	December 31, 2009
Balance, January 1	24,713	21,223
Obligations incurred	437	475
Obligations acquired, net	(72)	17
Changes in estimate	-	1,846
Accretion expense	865	1,758
Actual expenditures incurred	(195)	(606)
Ending balance	**25,748**	**24,713**

9. SHARE CAPITAL

(a) Authorized:

Unlimited number of voting common shares
Unlimited number of non-voting preferred shares

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

(b) Issued:

	Number of Common Shares	**Amount $**
Balance, December 31, 2009	**123,815,002**	**541,593**
Issued upon exercise of stock options	543,733	3,337
Balance, March 31, 2010	**124,358,735**	**544,930**
Issued upon exercise of stock options	433,401	2,852
Balance, June 30, 2010	**124,792,136**	**547,782**

10. STOCK-BASED COMPENSATION

Stock Options

The Corporation has established a stock-based compensation plan whereby officers, directors, employees, and consultants may be granted options to purchase common shares at a fixed price not less than the fair market value of the stock at the time of grant, subject to certain conditions being met. Stock options granted under this plan vest over a three year period at the rate of one-third on each anniversary date of the stock option grant. All stock options granted are for a five year term. The Corporation is authorized to issue stock options for a maximum of 10% of the issued and outstanding common shares pursuant to the Amended and Restated Stock Option Plan.

In order to calculate the compensation expense, the fair value of the stock options is estimated using the Black-Scholes option-pricing model that takes into account, as of the grant date: exercise price, expected life, current price, expected volatility, expected dividends, and risk-free interest rates.

During the three and six months ended June 30, 2010, the Corporation recorded $2.7 million and $5.2 million (June 30, 2009 - $1.9 million and $3.6 million) of non-cash stock-based compensation expense and a corresponding increase to contributed surplus related stock options issued and outstanding during the period.

At June 30, 2010, the Corporation's Amended and Restated Stock Option Plan permitted the grant of options in respect of a maximum 12,479,214 (June 30, 2009 – 12,280,764) common

shares. At June 30, 2010, there remained available for issuance options in respect of 2,955,696 (June 30, 2009 – 3,295,811) common shares. A summary of the Corporation's outstanding stock options during the six months ended June 30, 2010 is presented below:

	Number	Weighted Average Exercise Price ($)
Outstanding, December 31, 2009	**7,710,253**	**5.81**
Granted	2,852,300	9.62
Exercised	(543,733)	(4.25)
Forfeited	(126,401)	(6.31)
Outstanding March 31, 2010	**9,892,419**	**6.99**
Granted	207,500	9.70
Exercised	(433,401)	(4.56)
Forfeited	(143,000)	(8.54)
Outstanding, June 30, 2010	**9,523,518**	**7.13**

The weighted average assumptions used in calculating the fair values are set forth below:

	June 30, 2010	December 31, 2009
Risk-free interest rate	2.5%	2.0%
Expected maturity (years)	5.0	5.0
Expected volatility	60.7%	63.5%
Dividend yield	-	-
Fair value per option	$5.14	$3.02

A summary of the stock options outstanding and exercisable under the plan at June 30, 2010 is presented below:

Exercise Price		Awards Outstanding			Awards Exercisable		
Low	High	Quantity	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Quantity	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$3.00	$6.00	4,147,818	2.93	$4.76	2,139,119	2.42	$4.48
$6.01	$9.00	2,195,000	3.15	$7.58	983,999	2.54	$7.33
$9.01	$12.00	2,992,900	4.51	$9.72	61,732	3.04	$10.52
$12.01	$14.25	187,800	3.03	$13.07	85,600	3.00	$12.93
		9,523,518	**3.48**	**$7.13**	**3,270,450**	**2.49**	**$5.67**

Performance Warrants

On January 14, 2005, as part of the Corporation's initial restructuring to become a public entity, the Corporation issued 4,049,665 performance warrants with an exercise price of $3.00 and an expiration date of January 31, 2010 to members of its executive team. Each performance warrant entitles the holder to purchase one common share at the exercise price. Because the performance conditions were fulfilled in 2005, resulting in the performance warrants vesting, the full amount of the related compensation expense was recorded in net income in that year. The fair value of each performance warrant was determined on the date of the grant using the Black-Scholes option-pricing model. On May 28, 2009, the Corporation's outstanding performance warrants were amended to extend the expiration date from January 31, 2010 to January 31, 2015. The Corporation recorded a non-cash stock-based compensation expense of $3.1 million relating to the extension of the performance warrants during the three and six months ended June 30, 2009.

No performance warrants were issued or exercised during the six months ended June 30, 2010 and twelve months ended December 31, 2009. At June 30, 2010, there remained outstanding and exercisable 2,939,732 performance warrants.

Contributed Surplus Continuity

	$000's
Balance, December 31, 2009	**20,315**
Stock-based compensation expense – stock options [(1)]	2,495
Exercise of stock options	(1,027)
Balance, March 31, 2010	**21,783**
Stock-based compensation expense – stock options [(1)]	2,731
Exercise of stock options	(874)
Balance, June 30, 2010	**23,640**

(1) Included in the stock-based compensation expense is the non-cash impact of forfeitures during the period.

11. COMMITMENTS

The Corporation is committed under an operating lease relating to its office premises beginning December 1, 2007 which expires on November 30, 2017. Birchcliff does not use all of the leased space and has sublet approximately 40% of the excess space to an arms' length party on a basis that recovers all of the rental costs for the first five years. The Corporation is committed to the following aggregate minimum lease payments (not reduced by rents receivable by the Corporation)**:**

Year	*$000's*
2010	1,606
2011	3,214
2012	3,223
2013	3,331
2014	3,331
Thereafter	9,716

The Corporation is also committed to March 29, 2011 under an operating lease for another office premises that it does not use and has sublet to an arm's length party on a basis that recovers all of its rental costs.

12. SUPPLEMENTARY CASH FLOW INFORMATION

The following table details the components of non-cash working capital:

	Three months ended June 30		**Six months ended June 30**	
($000's)	**2010**	**2009**	**2010**	**2009**
Provided by (used in)				
Accounts receivable	(332)	4,591	(2,824)	13,106
Prepaid and other	1,745	(1,891)	1,701	(2,611)
Accounts payable and accrued liabilities	(11,053)	(29,975)	(4,791)	(51,368)
	(9,640)	**(27,275)**	**(5,914)**	**(40,873)**
Provided by (used in)				
Operating	(4,671)	(11,518)	(7,594)	(5,768)
Investing	(4,969)	(15,757)	1,680	(35,105)
	(9,640)	**(27,275)**	**(5,914)**	**(40,873)**

OFFICERS

A. Jeffery Tonken, B. Com., LLB
President & Chief Executive Officer

Myles R. Bosman, P. Geol.
Vice President, Exploration & Chief Operating Officer

Bruno P. Geremia, C.A.
Vice President & Chief Financial Officer

David M. Humphreys, R.E.T
Vice President, Operations

Karen A. Pagano, P. Eng.
Vice President, Engineering

James W. Surbey, B. Eng., LLB
Vice President, Corporate Development

DIRECTORS

Larry A. Shaw
Chairman of the Board
Calgary, Alberta

Gordon W. Cameron
Independent Businessman
Calgary, Alberta

Werner A. Siemens
Independent Businessman
Calgary, Alberta

A. Jeffery Tonken
President & Chief Executive Officer
Birchcliff Energy Ltd.
Calgary, Alberta

SOLICITORS

Borden Ladner Gervais LLP
Calgary, Alberta

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Calgary, Alberta

RESERVES EVALUATOR

AJM Petroleum Consultants
Calgary, Alberta

BANKERS

Scotia Bank
HSBC Bank Canada
Alberta Treasury Branch
Union Bank
The Toronto Dominion Bank

TRANSFER AGENT

Olympia Trust Company
Calgary, Alberta

STOCK EXCHANGE LISTING

TSX Exchange
Symbol: BIR

WEBSITE

www.birchcliffenergy.com

EMAIL

info@birchcliffenergy.com

HEAD OFFICE

500, 630 – 4TH Avenue S.W.
Calgary, Alberta T2P 0J9
Phone: 403-261-6401
Fax: 403-261-6424

SPIRIT RIVER OFFICE

Box 580
Spirit River, Alberta T0H 0G0
Phone: 780-864-4624
Fax: 780-864-4628