Birchcliff Energy Ltd.

BIR:Q1

THREE MONTHS ENDED MARCH 31, 2011

May 18, 2011

Fellow Shareholders,

Birchcliff is pleased to report its first quarter financial and operating results for the three months ended March 31, 2011. Our drilling results in 2011 continue to be very strong, we continue to have success controlling our operating costs per boe and we have been successful in acquiring more undeveloped land on our two key resource plays.

On May 18, 2011, the Directors of Birchcliff authorized the Phase III expansion of its Pouce Coupe South Gas Plant ("**PCS Gas Plant**"), which will increase processing capacity from 60 mmcf per day to 120 mmcf per day. The Phase III expansion is fully permitted and is expected to commence processing natural gas by November 1, 2012. The decision to proceed with the Phase III expansion was primarily based on:

- The successful drilling and completion results and production rates that we have been achieving from the horizontal wells on our Montney/Doig Natural Gas Resource Play;
- The substantial increase in reserves independently attributed to our Montney/Doig Natural Gas Resource Play lands at December 31, 2010 in the **Reserves Evaluation** prepared by AJM Petroleum Consultants, the details of which were released on February 16, 2011;
- The large volumes of Contingent Resources and Prospective Resources that were independently attributed to our Montney/Doig Natural Gas Resource Play lands at December 31, 2010 in the Montney/Doig Natural Gas **Resource Assessment** prepared by AJM Petroleum Consultants, the details of which were released on April 26, 2011; and
- The recent increase in our revolving credit facilities from $375 Million to $450 Million as described below and the establishment of a new non-revolving $70 million term credit facility with a five (5) year term, the proceeds of which will be used to finance the construction of the Phase III expansion.

Once the Phase III expansion has been completed, Birchcliff's exit production in 2012 is expected to range between 27,000 and 28,000 boe/day. This range is a function of how much third party gas will be processed in the PCS Plant, the extent of production growth from Worsley in 2012, the performance of our base production and the total capital program for 2012, which is yet to be determined.

Birchcliff is turning its focus to the execution of the construction of Phase III and the drilling and completion of 38 additional Montney/Doig horizontal natural gas wells in 2011 and 2012 required to fill Phase III of the PCS Gas Plant and to keep Phases I and II full. The 2011 Montney/Doig horizontal natural gas drilling program will include up to 6 (4.8 net) Montney/Doig horizontal natural gas wells in addition to the 17 (13.6 net) horizontal wells previously announced in our initial budget on February 16, 2011.

The planned start-up of the Phase III expansion on November 1, 2012 provides sufficient lead time to properly plan and concurrently execute both the construction of the Phase III expansion of the PCS Gas Plant and our planned Montney/Doig horizontal natural gas drilling program. We intend to keep a keen eye on both scheduling and costs as we did with the construction and drilling programs associated with Phases I and II of the PCS Gas Plant, each of which were completed on time and under budget.

2011 FIRST QUARTER RESULTS

Production

Current production is 17,800 boe per day. First quarter production averaged 17,742 boe per day, (75.7% natural gas and 24.3% light oil and natural gas liquids). Birchcliff continues to expect to average approximately 17,500 boe per day in the first half of 2011 and approximately 18,500 boe per day for 2011.

Cash Flow and Earnings

Cash flow was $32.3 million or $0.26 per share for the first quarter of 2011, as compared to $21.6 million or $0.17 per share in the first quarter of 2010.

Earnings before asset dispositions were $9.6 million or $0.08 per share for the first quarter of 2011 as compared to $4.5 million or $0.04 per share in the first quarter of 2010. The earnings continue to be a very positive measure of our business notwithstanding the very weak natural gas prices in the first quarter of 2011.

Capital Expenditures and Drilling Results

During the first quarter of 2011, net capital spending aggregated $52.2 million.

Drilling activities during the first quarter of 2011 resulted in 11 (9.8 net) wells, of which all were cased. Birchcliff drilled and cased 5 (3.8 net) Montney/Doig horizontal natural gas wells, and 6 (6.0 net) Worsley horizontal light oil wells. In addition, Birchcliff focused significant time and effort on evaluating and developing new resource plays in the Peace River Arch area of Alberta with a focus on oil plays.

Birchcliff expects total capital expenditures for the first half of 2011 to be approximately $87 million.

Operating Costs

Operating costs during the first quarter of 2011 were $6.97 per boe. This is 23% lower than the $9.03 per boe recorded for the corresponding quarter in 2010 and slightly higher than the $6.84 per boe recorded for the fourth quarter of 2010. Operating costs were affected by prior period costs, extreme cold and related adverse weather conditions that impacted aggregate production volumes during the quarter. Operating costs per boe are expected to trend downwards for the rest of 2011 as volumes increase.

Land

Birchcliff continues to grow its undeveloped land base in the Peace River Arch. As at March 31, 2011, Birchcliff has increased its undeveloped land position to 538,791 gross acres (497,236 net) resulting in a 92% average working interest. Birchcliff's very high average working interest in its undeveloped land base reflects our longstanding strategy of acquiring high working interest undeveloped land proximate to our operated high working interest production base.

Indebtedness

At March 31, 2011, the amount outstanding under Birchcliff's bank credit facilities was approximately $335.2 million. Birchcliff's working capital deficiency as at March 31, 2011 was $17.6 million, for total debt of $352.8 million. The working capital deficiency does not reduce the amount Birchcliff can draw under its credit facilities.

2011 UPDATE

Montney/Doig Natural Gas Resource Play Update

In the first quarter of 2011, Birchcliff's activities on the Montney/Doig Natural Gas Resource Play included the drilling of 5 (3.8 net) horizontal wells utilizing multi-stage fracture stimulation techniques. To date in 2011, Birchcliff has drilled and cased 8 (5.9 net) wells, of which 5 (3.8 net) have been completed and are on production. Currently, Birchcliff has one rig working in the Pouce Coupe area of Alberta, focused on drilling horizontal Montney/Doig natural gas wells.

The rapid advancements in horizontal drilling and multi-stage fracture stimulation of these horizontal wells 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 which 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 the different elements of this complex reservoir. As our knowledge grows with respect to both operational technology and characteristics of these reservoirs, we expect our results to continue to improve.

In a reserve evaluation dated February 9, 2011, prepared by AJM Petroleum Consultants ("**AJM**") as at December 31, 2010 (the "**AJM Reserves Evaluation**"), AJM attributed Montney/Doig reserves to 76.1 net sections of land. In 2011, Birchcliff increased its land on the Montney/Doig Natural Gas Resource Play by 17 net sections and Birchcliff estimates it now has in excess of 300 net play sections of land in this play. The AJM Reserves Evaluation also attributed reserves to 219 net future horizontal well drilling locations. Birchcliff believes that it has in excess of 1,000 future Montney/Doig horizontal natural gas drilling locations on its lands.

On April 26, 2011, Birchcliff announced details of a Resource Assessment relating to Birchcliff's lands on the Montney/Doig Natural Gas Resource Play, which was prepared by AJM Petroleum Consultants (the "**AJM Resource Assessment**"). The contents of that Press Release can be accessed on Birchcliff's website at www.birchcliffenergy.com. The AJM Resource Assessment is an important data point that independently confirms Birchcliff's lands hold significant resources to execute a large scale development program. Birchcliff is in the favorable position of having a very high working interest in a large land position on a world class natural gas resource.

Worsley Light Oil Resource Play Update

The Worsley property continues its strong production performance. Our successful expansion of the water flood, application of horizontal drilling and multi-stage fracture stimulation technology, continued reserve growth as well as high netback production all contributes to this high quality asset. To date in 2011, Birchcliff has drilled 6 (6.0 net) horizontal light oil wells, five of which are on production.

During the first quarter, Birchcliff shot a 40 km^2 3D seismic program on lands in the North West end of the Worsley light oil pool that will be used to delineate the pool and optimally place future horizontal wells, thereby increasing our chance of success.

Syndicated Bank Credit Facilities

As a result of our significant year end reserve additions, Birchcliff's bank syndicate recently approved the increase of Birchcliff's revolving credit facilities to an aggregate limit of $450 million from $375 million. The two year term out feature of Birchcliff's revolving 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.

In addition, Birchcliff has entered into a $70 million non-revolving 5 year term credit facility, with its existing Bank Syndicate which matures on May 25, 2016. This facility requires principal payments of $350,000 per quarter commencing on July 1, 2013. This facility will be used to fund the construction of Phase III of the PCS Gas Plant.

The maximum aggregate amount available under these credit facilities is $520 million. These credit facilities will provide Birchcliff with the financial flexibility it requires to prudently manage its business.

Budget Expansion

Birchcliff is pleased to announce an increase to its 2011 Budget from $159 million to $227 million. The capital budget will be funded out of cash flow and debt.

The following table sets forth a comparison of the expanded 2011 capital budget to the original 2011 capital budget.

	2011 Expanded Capital Budget					
	Gross Wells		Net Wells		Net Capital (millions)	
	New	Old	New	Old	New	Old
Drilling & Development						
Basal Doig/Upper Montney HZ Gas Wells	**13.0**	9.0	**9.9**	7.1	**$50.8**	$37.0
Middle/Lower Montney HZ Gas Wells	**10.0**	8.0	**8.5**	6.5	**$51.3**	$36.3
Vertical Exploratory Gas Well	**1.0**	0.0	**1.0**	0.0	**$3.1**	$0.0
Worsley Charlie Lake HZ Oil Wells	**13.0**	11.0	**13.0**	11.0	**$35.2**	$28.0
Worsley Charlie Lake Vertical Oil Wells	**5.0**	4.0	**5.0**	4.0	**$6.5**	$5.5
Progress Doe Creek Oil Wells	**7.0**	8.0	**3.5**	4.2	**$3.2**	$3.0
Other Oil Wells	**3.0**	3.0	**2.0**	2.5	**$6.5**	$6.2
Disposal Well	**1.0**	1.0	**1.0**	1.0	**$3.1**	$2.8
Total Drilling & Development	**53.0**	**44.0**	**43.9**	**36.3**	**$159.7**	**$118.8**
Facilities					**$28.8**	**$9.7**
Production Optimization					**$19.7**	**$15.9**
Land, Seismic & Other					**$19.1**	**$14.6**
Total Net Capital					**$227.3**	**$159.0**

Capital Associated with PCS Gas Plant Phase III Expansion and Horizontal Montney/Doig Wells

Forecast 2011 and 2012 Montney/Doig Capital Program

	Phase III Costs ($ millions)	Montney/Doig Horizontal Wells		
		Gross Wells	Net Wells	Net Capital ($ millions)
2011	$18	6	4.8	$25.5
2012	$48[(1)]	32	24.0	$126.0
Totals	**$66**	**38**[(2)]	**28.8**	**$151.5**

(1) This includes approximately $6 million for other related infrastructure.
(2) This is comprised of 10 wells to keep Phases I and II of the PCS Plant full, 22 wells to fill Phase III and 6 additional inventory wells.

SHAREHOLDER SUPPORT

I am pleased to note that during the first quarter, Mr. Seymour Schulich increased his share position to 33 million shares representing 26.3% of the outstanding shares of Birchcliff. Mr. Schulich's unwavering commitment to Birchcliff allows us to continue to focus on our business strategy and on achieving our long term goals that we believe will create significant value for all Birchcliff shareholders.

Thank you Mr. Schulich.

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 right in the heart of the play.

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. We also believe that technology advances will continue to reduce our finding costs and increase our recovery factors. We note that our 2010 finding costs were in the top decile as compared to others in the industry and 2011 results to date continue to be very positive.

Our excellent results, the AJM Reserves Evaluation and the AJM Resource Assessment have set the stage for Birchcliff to confidently move forward with the Phase III expansion of the PCS Gas Plant. We will continue to proceed cautiously and prudently with the execution and development of our Montney/Doig Natural Gas Resource Play. Our goal to be producing between 27,000 and 28,000 boe/day at year-end 2012 is firmly in our sights. We look forward to reporting our progress to you in the coming months.

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 March 31, 2011	Three months ended March 31, 2010
OPERATING		
Average daily production		
Light oil – barrels	3,744	2,982
Natural gas – thousands of cubic feet	80,566	42,548
NGLs – barrels	570	334
Total – barrels of oil equivalent (6:1)	**17,742**	**10,407**
Average sales price ($ Canadian)		
Light oil – per barrel	87.03	80.03
Natural gas – per thousand cubic feet	4.02	5.34
NGLs – per barrel	82.61	73.15
Total – barrels of oil equivalent (6:1)	**39.28**	**47.12**
Undeveloped land		
Gross (acres)	538,791	435,588
Net (acres)	497,236	391,512
NETBACK AND COST		
($ per barrel of oil equivalent at 6:1)		
Petroleum and natural gas revenue	39.32	47.23
Royalty expense	(3.88)	(5.73)
Operating expense	(6.97)	(9.03)
Transportation and marketing expense	(2.52)	(2.58)
Netback	**25.95**	**29.89**
General & administrative expense, net(1)	(2.70)	(3.63)
Interest expense	(3.01)	(3.19)
Cash Flow Netback(1)	**20.24**	**23.07**
Stock-based compensation expense, net(1)	(1.28)	(3.73)
Depletion and depreciation expense(1)	(10.06)	(10.55)
Accretion expense(1)	(0.27)	(0.35)
Amortization of deferred financing fees	(0.16)	(0.53)
Gain on sale of assets(1)(2)	-	16.58
Deferred income tax expense(1)	(2.46)	(7.29)
Net Income(1)	**6.01**	**17.20**
FINANCIAL		
Petroleum and natural gas revenue ($000)	62,793	44,235
Cash flow ($000)(1)(3)	32,313	21,613
Per share – basic ($)(1)(3)	0.26	0.17
Per share – diluted ($)(1)(3)	0.25	0.17
Net income ($000)(1)	9,593	16,112
Per share – basic ($)(1)	0.08	0.13
Per share – diluted ($)(1)	0.07	0.13
Common shares outstanding		
End of period – basic	126,127,244	124,358,735
End of period – diluted	139,963,084	137,190,886
Weighted average shares for period – basic	125,424,658	124,095,074
Weighted average shares for period – diluted(1)	129,715,133	128,048,514
Capital expenditures, net ($000)(1)(2)	52,179	34,404
Working capital deficiency ($000)	17,584	24,012
Non-revolving term credit facility ($000)	-	49,661
Revolving credit facilities ($000)	335,220	158,614
Total debt ($000)	352,804	232,287

(1) Prior period amounts restated to comply with the requirements of International Financial Reporting Standards.
(2) Included as a reduction of net capital expenditures in the three months ended March 31, 2010 are proceeds of $17.5 million from the sale of a minor non-producing asset. The Corporation recognized a gain of $15.5 million ($16.58 per boe) on the sale of these assets during that period.
(3) Cash flow and cash flow per share amounts represent cash provided by operating activities as per the Condensed Statements of Cash flows before the effects of changes in non-cash working capital and decommissioning obligations related to operating activities.

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 are included in the Standard and Poor's S&P/TSX Composite Index.

The following Management's Discussion and Analysis ("**MD&A**") is dated May 18, 2011. The unaudited interim condensed financial statements with respect to the three months ended March 31, 2011 (the "**Reporting Period**") as compared to the three months ended March 31, 2010 (the "**Comparable Prior Period**") 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 interim condensed financial statements of the Corporation and related notes for the Reporting Period. All financial information is expressed in thousands of Canadian dollars, unless otherwise stated.

Adoption of International Financial Reporting Standards ("IFRS")

Birchcliff's financial statements and the financial data included in the interim MD&A have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the International Financial Reporting Interpretations Committee that are expected to be effective as at December 31, 2011, the date of the Corporation's first annual reporting under IFRS. The adoption of IFRS does not impact the underlying economics of Birchcliff's operations.

The IFRS accounting polices set forth in Note 3 of the unaudited interim condensed financial statements have been applied in preparing the financial statements for the three months ended March 31, 2011 and comparative information as at and for the three months ended March 31, 2010, as at and for the year ended December 31, 2010 and an opening Statement of Financial Position at January 1, 2010. Note 18 to the interim condensed financial statements contains a detailed description of the Corporation's adoption of IFRS, including a reconciliation of the financial statements previously prepared under Canadian Generally Accepted Accounting Principles ("**Canadian GAAP**") to those under IFRS. The most significant impacts of the adoption of IFRS, together with details of IFRS 1 *First-time Adoption of IFRS* exemptions taken, are described in the "Transition to International Financial Reporting Standards" section of this interim MD&A.

Comparative information in this interim MD&A has been restated to comply with IFRS requirements, unless otherwise indicated.

FIRST QUARTER OVERALL PERFORMANCE

Production

Production in the first quarter of 2011 averaged 17,742 boe per day. This is a 70% increase from the 10,407 boe per day the Corporation averaged in the first quarter of 2010. This increase was largely achieved through the success of Birchcliff's 2010 capital drilling program and the ability to process new or incremental natural gas resulting from its drilling program, through Phases I and II of Birchcliff's 100% owned and operated Pouce Coupe South Natural Gas Plant ("**PCS Gas Plant**"), which commenced operation in March and November of 2010, respectively.

Production consisted of approximately 76% natural gas and 24% crude oil and natural gas liquids in the first quarter of 2011.

Commodity Prices

Oil sales prices at the wellhead averaged $87.03 per barrel in the current quarter, a 9% increase from $80.03 per barrel in the first quarter of 2010. Natural gas sales prices at the wellhead averaged $4.02 per mcf in the first quarter of 2011, a 25% decrease from $5.34 per mcf in the first quarter of 2010. 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 petroleum 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 $87.97 per barrel in the first quarter of 2011 as compared to $80.07 per barrel in the first quarter of 2010. The AECO daily natural gas spot price averaged $3.79 per mcf in the first quarter of 2011 as compared to $4.97 per mcf in the first quarter of 2010.

Capital Expenditures

Total capital expenditures (excluding dispositions) in the first quarter of 2011 were $52.2 million as compared to $51.9 million in the first quarter of 2010. Of the $52.2 million in total capital spent during the current quarter, approximately $20.0 million (38%) was allocated to the drilling and completion of Montney/Doig horizontal natural gas wells that will be tied into Phases I and II of the PCS Gas Plant. The remaining $32.2 million in capital was spent acquiring land; expanding the Montney/Doig Natural Gas Resource Play and the Worsley Light Oil Resource Play and related infrastructure; on minor acquisitions; and on other oil and gas exploration and development projects in the Peace River Arch. Further details of the Corporation's capital expenditures in the first quarter of 2011 are set forth in the table entitled "Capital Expenditures" in this interim MD&A.

Cash Flow and Earnings

The following schedule sets out the reconciliation of cash provided by operating activities to cash flow:

For the three months ended,	**March 31, 2011**	March 31, 2010
Cash provided by operating activities	22,041	18,655
Adjustments:		
Decommissioning expenditures	466	35
Changes in non-cash working capital	9,806	2,923
Cash flow(1)	**32,313**	21,613
Per share – basic ($)	0.26	0.17
Per share – diluted ($)	0.25	0.17

(1) Management uses cash flow to analyze operating performance. Cash flow as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculations of similar measures for other issuers. Cash flow as presented is not intended to represent cash flow from operating activities, net income or other measures of financial performance calculated in accordance with IFRS. All references to cash flow throughout this report are based on cash flow from operating activities as per the Condensed Statements of Cash Flows before changes in non-cash working capital and decommissioning obligations. Cash flow per share is calculated based on the weighted average number of shares outstanding consistent with the calculation of net income per share.

The 50% increase in aggregate cash flow from the first quarter of 2010 was largely due to increased average daily production and higher average oil prices realized at the wellhead, offset by increased general and administrative expenses, higher interest expense and a proportionate increase in royalty, operating and transportation and marketing costs due to higher average production in the current quarter as compared to the first quarter of 2010.

Birchcliff recorded net income of $9.6 million ($0.08 per share) in the first quarter of 2011 as compared to net income of $16.1 million ($0.13 per share) in the first quarter of 2010. The Corporation recognized an accounting gain of $15.5 million ($11.6 million, net of tax) on the disposition of the Kakut assets in the first quarter of 2010. Excluding the impact of this disposition, the Corporation's net income in the first quarter of 2010 was $4.5 million. The increase in net income from the first quarter of 2010 was mainly attributable to higher cash flow and lower stock-based compensation expense, offset by an increase in depletion expense due to higher production in the first quarter of 2011.

OUTLOOK

Capital Expenditures

The Corporation has expanded the 2011 capital spending program to $227 million up from its previously announced capital budget of $159 million. The expansion is focused on developing the Montney/Doig Natural Gas Resource Play and the Worsley Light Oil Resource Play and related infrastructure, land acquisitions, sustaining capital and seed capital for new growth opportunities and other projects. The Corporation's operating cash flow and increased aggregate credit facilities, as discussed below, will be used to fund the expanded capital spending program in 2011.

Cash Flow and Bank Debt

The Corporation was recently advised that each member of its bank syndicate has approved an increase of the revolving credit facilities to an aggregate limit of $450 million from $375 million and extended the conversion date of those facilities from May 20, 2011 to May 18, 2012. The bank syndicate has also approved a new $70 million non-revolving five year term credit facility with a maturity date on May 25, 2016. The non-revolving facility requires principle payments of $350,000 per quarter commencing on July 1, 2013. These increased credit facilities will provide Birchcliff with greater liquidity and financial flexibility to further develop and expand the Montney/Doig Natural Gas Resource Play and the Worsley Light Oil Resource Play.

Despite the current low natural gas price environment, the Corporation does not foresee any liquidity issues with respect to the operation of its petroleum and natural gas business in 2011. Birchcliff expects to meet all its future obligations as they become due.

The Corporation intends to finance its petroleum and natural gas business primarily through cash generated from operations, working capital, minor asset dispositions and available credit from its credit facilities. Should commodity prices deteriorate materially, Birchcliff may adjust its capital spending accordingly. Birchcliff is now at 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.

Resource Plays and Infrastructure

Birchcliff recently received approval from the Board of Directors to commence construction of a Phase III expansion of the PCS Gas Plant, which will add another 60 mmcf per day of natural gas processing capacity, bringing total design inlet capacity to 120 mmcf per day. Birchcliff expects the Phase III expansion will be fully operational by November 1, 2012. The increased aggregate credit facilities will be used to finance the construction of the Phase III expansion. The 100% owned and operated PCS Gas Plant will continue to increase the value of the Montney/Doig Natural Gas Resource Play by allowing for increased production growth, reduced operating costs per boe and increasing Birchcliff's strategic control over the Pouce Coupe area.

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. The extensive portfolio of development opportunities on these resource plays will provide low risk, long life future production and reserves additions that are readily available with the investment of additional capital.

Birchcliff's resource plays will provide the Corporation with a long term and operationally reliable cash flow base, the level of which is primarily dependent on commodity prices. Commodity prices affect cash flow, thus dictating 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 of the development of its resource plays and therefore short term commodity prices do not affect the quality or long term value of the Corporation's asset base.

MAJOR TRANSACTIONS AFFECTING FINANCIAL RESULTS

In May 2011, the Corporation was advised that each member of its bank syndicate approved an increase of the revolving credit facilities to an aggregate limit of $450 million from $375 million (the "**Revolving Credit Facilities**") and extended the conversion date of those facilities from May 20, 2011 to May 18, 2012. The amended Revolving Credit Facilities include an increased credit limit for the extendible revolving term credit facility (the "**Syndicated Credit Facility**") of $420 million from $345 million and an extendible revolving working capital facility (the "**Working Capital Facility**") of $30 million.

In May 2011, the Corporation was advised that each member of its bank syndicate approved a new $70 million non-revolving five year term credit facility with a maturity date on May 25, 2016. The non-revolving facility requires principle payments of $350,000 per quarter commencing July 1, 2013.

On November 30, 2010, the Corporation's bank syndicate approved an increase of the Revolving Credit Facilities to an aggregate limit of $375 million from $350 million.

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 one year non-revolving term credit facility ("**Term Facility**") was repaid and cancelled. The amended Revolving Credit Facilities included an increased credit limit for the Syndicated Credit Facility of $320 million from $235 million and an increased credit limit for the Working Capital Facility of $30 million from $20 million.

LIQUIDITY

Working Capital

The Corporation's working capital deficit (current assets minus current liabilities) increased to $17.6 million at March 31, 2011 from $4.0 million at December 31, 2010. The deficit at the end of current period mainly comprised of costs incurred on the drilling and completion of new Montney/Doig horizontal wells during the first quarter of 2011.

At March 31, 2011, the major components of Birchcliff's current assets were: joint interest billings (45%) to be received from its partners; and revenue (51%) to be received from its marketers in respect of March 2011 production, which was subsequently received in April 2011. In contrast, current liabilities largely consisted of trade payables (67%) and accrued capital and operating costs (25%).

Birchcliff manages its working capital deficit using its cash flow and advances under its credit facilities. The Corporation's working capital deficit does not reduce the amount available under the Corporation's credit facilities. The Corporation did not have any liquidity issues with respect to the operation of its petroleum and natural gas business during the first quarter of 2011.

Total Debt and Bank Debt

Total debt (including working capital deficit) increased to $352.8 million at March 31, 2011 from $337.4 million at December 31, 2010. The increase in total debt from the end of 2010 was primarily a result of $19.9 million in total capital expended during the first quarter of 2011 in excess of cash flow during that same period. The amount outstanding on Birchcliff's Revolving Credit Facilities at March 31, 2011 was $335.2 million (December 31, 2010 – $333.5 million), which is net of $5.0 million (December 31, 2010 – $5.7 million) in unamortized interest and fees.

The amount drawn under the Corporation's Revolving Credit Facilities increased slightly to $340.2 million at March 31, 2011 from $339.2 million drawn at December 31, 2010. The drawn amount is not reduced for unamortized costs and excludes letters of credit that have not been drawn upon. The following table shows the Corporation's total available credit at the end of the Reporting Period and Comparable Prior Period:

	March 31, 2011	December 31, 2010
Maximum borrowing base limit[1]:		
Revolving Credit Facilities[2]	375,000	375,000
Principal amount utilized:		
Drawn revolving credit facilities[3]	(340,222)	(339,176)
Outstanding letters of credit[4]	(3,014)	(3,014)
	(343,236)	(342,190)
Total unused credit	**31,764**	**32,810**

(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 Birchcliff's petroleum and natural gas reserves.
(2) The Corporation was compliant with all financial covenants applicable under its Revolving Credit Facilities as at and during the periods ended March 31, 2011 and December 31, 2010 and continues to be compliant with such covenants at the date hereof.
(3) The drawn revolving credit facilities at the end of the current period consist of approximately $16.2 million (December 31, 2010 - $5.2 million) drawn on the Working Capital Facility and $324 million (December 31, 2010 - $334 million) drawn on the Syndicated Credit Facility.
(4) Letters of credit are issued to various service providers. No amounts were drawn on the letters of credit as at and during the periods ended March 31, 2011 and December 31, 2010.

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 material contractual obligations at March 31, 2011:

	< 1 Year	**1 – 2 Years**	**3 – 5 Years**	**Thereafter**
Accounts payable and accrued liabilities	57,382	-	-	-
Drawn revolving credit facilities	-	-	340,222	-
Office leases[1]	2,331	3,118	9,675	6,182
Transportation and processing	10,143	9,201	17,531	-
Total estimated contractual obligations[2]	**69,856**	**12,319**	**367,428**	**6,182**

(1) 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 24% of the excess space to an arms' length party on a basis that recovers all of the rental costs for the first five years.
(2) 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 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 Period:

	Common Shares
Balance at December 31, 2010	125,129,234
Issue of common shares upon exercise of options	998,010
Balance at March 31, 2011	**126,127,244**

At May 10, 2011, there were outstanding 126,318,577 common shares, 10,980,775 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 totalled $62.8 million ($39.32 per boe) for the Reporting Period as compared to $44.2 million ($47.23 per boe) for the Comparable Prior Period. The increase in aggregate P&NG revenues was largely a result of increased average daily production and higher average oil prices realized at the wellhead, notwithstanding lower average natural gas prices realized at the wellhead during the current quarter. The following table details Birchcliff's P&NG revenues, production and sales prices by category for the Reporting Period and Comparable Prior Period:

	Three months ended March 31, 2011				Three months ended March 31, 2010			
	Total Revenue ($000's)	Average Daily Production	%	Average ($/unit)	Total Revenue ($000's)	Average Daily Production	%	Average ($/unit)
Light oil (bbls)	29,327	3,744	21	87.03	21,477	2,982	29	80.03
Natural gas (mcf)	29,150	80,566	76	4.02	20,461	42,548	68	5.34
Natural gas liquids (bbls)	4,241	570	3	82.61	2,198	334	3	73.15
Total P&NG sales	62,718	17,742	100	39.28	44,136	10,407	100	47.12
Royalty revenue	75			0.04	99			0.11
Total P&NG revenues	**62,793**			**39.32**	44,235			47.23

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 Period and Comparable Prior Period:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Average natural gas sales price ($/mcf)	4.02	5.34
Average AECO daily spot price ($/mmbtu)(1)	3.79	4.97
Positive differential	**0.23**	0.37

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

The price the Corporation receives for its petroleum and natural gas 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 Period and Comparable Prior Period, 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 $6.2 million ($3.88 per boe) for the Reporting Period as compared to $5.4 million ($5.73 per boe) for the 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 for the Reporting Period and Comparable Prior Period:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Oil & natural gas royalties ($000's)	6,199	5,363
Oil & natural gas royalties ($/boe)	3.88	5.73
Effective royalty rate (%)(1)	10%	12%

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

The decrease in the effective royalty rates from the Comparable Prior Period is largely due to lower natural gas prices realized at the wellhead and the impact this had on the sliding scale royalty calculation.

Royalty and Drilling Incentives

There have been no significant changes to Alberta's royalty framework since December 31, 2010. Refer to the 2010 annual MD&A for discussion on royalty and drilling incentives proposed by the Alberta Government in 2009 and 2010.

Birchcliff has recorded under the Drilling Royalty Credit ("**DRC**") incentive program approximately $18.5 million in drilling credits between April 1, 2009 and March 31, 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, for new conventional oil and gas wells spud after April 1, 2009 and rig released before April 1, 2011.

Alberta's royalty incentive programs have created a lower cost structure for Birchcliff. Projects 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 Alberta's royalty incentive programs.

Operating Costs

Operating costs were $11.1 million ($6.97 per boe) for the Reporting Period as compared to $8.5 million ($9.03 per boe) for the Comparable Prior Period. The following table compares operating costs for the Reporting Period and Comparable Prior Period:

	Three months ended March 31, 2011		Three months ended March 31, 2010	
	($000's)	$/boe	($000's)	$/boe
Field operating costs	12,824	8.03	9,328	9.96
Recoveries	(2,118)	(1.33)	(1,072)	(1.14)
Field operating costs, net of recoveries	10,706	6.70	8,256	8.82
Expensed workovers and other	428	0.27	197	0.21
Total operating costs	**11,134**	**6.97**	8,453	9.03

Operating costs per boe decreased by 23% from the Comparable Prior Period largely due to the operating benefits achieved from Phases I and II of the PCS Gas Plant, which commenced processing natural gas in March and November 2010 respectively, and increased recoveries. Birchcliff continues to focus on controlling and reducing operating costs on a per boe basis.

Transportation and Marketing Expenses

Transportation and marketing expenses were $4.0 million ($2.52 per boe) for the Reporting Period as compared to $2.4 million ($2.58 per boe) for the Comparable Prior Period. These aggregate costs consist primarily of transportation expenses that were higher in the current quarter mainly due to an increase in oil production, which has higher associated trucking charges.

Administrative Expenses

Administrative expenses were $6.4 million ($3.98 per boe) for the Reporting Period as compared to $6.9 million ($7.36 per boe) for the Comparable Prior Period. The components of administrative expenses for the Reporting Period and Comparable Prior Period are as follows:

	Three months ended March 31, 2011		Three months ended March 31, 2010	
	($000's)	%	($000's)	%
Cash:				
Salaries and benefits[1]	3,247	58	2,610	52
Other	2,342	42	2,372	48
	5,589	100	4,982	100
Operating overhead recoveries	(315)	(6)	(321)	(6)
Capital overhead recoveries[2]	(963)	(17)	(1,260)	(25)
General & administrative, net	4,311	77	3,401	69
General & administrative, net per boe	$2.70		$3.63	
Non-cash:				
Stock-based compensation	2,970	100	4,798	100
Capitalized stock-based compensation[2]	(922)	(31)	(1,308)	(27)
Stock-based compensation, net	2,048	69	3,490	73
Stock-based compensation, net per boe	$1.28		$3.73	
Total administrative expenses, net	**6,359**	**74**	6,891	70
Total administrative expenses, net per boe	**$3.98**		$7.36	

(1) Includes salaries and benefits paid to all directors, officers, employees and consultants of the Corporation.
(2) Includes a portion of salaries and benefits and stock-based compensation that are "directly" attributable to the exploration and development of the Corporation's assets that have been capitalized.

General and administrative (cash)

Net General and Administrative ("**G&A**") expenses were $4.3 million ($2.70 per boe) for the Reporting Period as compared to $3.4 million ($3.63 per boe) for the Comparable Prior Period. Net G&A expenses increased on an aggregate basis from the Comparable Prior Period largely as a result of the increased company growth quarter over quarter. On a per boe basis, net G&A expenses decreased from the Comparable Prior Period mainly due to additional production volumes added from Phases I and II of the PCS Gas Plant.

Stock-based compensation (non-cash)

Net stock-based compensation expenses were $2.0 million ($1.28 per boe) for the Reporting Period as compared to $3.5 million ($3.73 per boe) for the Comparable Prior Period. The decrease quarter over quarter was largely due to the graded-level amortization of stock-based compensation expense.

A summary of the Corporation's outstanding stock options at March 31, 2011 is presented below:

	Number	**Weighted Average Exercise Price ($)**
Outstanding, December 31, 2009	7,710,253	5.81
Granted	3,350,300	9.61
Exercised	(1,314,232)	(4.63)
Forfeited	(498,801)	(7.41)
Outstanding, December 31, 2010	9,247,520	7.26
Granted	2,767,900	11.35
Exercised	(998,010)	(5.22)
Forfeited	(121,302)	(7.90)
Outstanding, March 31, 2011	**10,896,108**	**8.48**

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 following receipt of shareholder approval to extend the expiration date from January 31, 2010 to January 31, 2015. There remained 2,939,732 outstanding and exercisable performance warrants at March 31, 2011.

Each stock option and performance warrant entitles the holder to purchase one common share at the exercise price.

Depletion and Depreciation Expenses

Depletion and Depreciation ("**D&D**") expenses were $16.1 million ($10.06 per boe) for the Reporting Period as compared to $9.9 million ($10.55 per boe) for the Comparable Prior Period. D&D expenses increased on an aggregate basis mainly due to a 70% increase in average daily production quarter over quarter. D&D expenses decreased on a per boe basis from the Comparable Prior Period mainly due to the reduced cost of adding significant proved plus probable reserves recorded in the fourth quarter of 2010.

D&D is a function of the estimated proved plus probable reserve additions, the finding and development costs attributable to those reserves, the associated future development capital required to recover those reserves and production in the period. The Corporation determines its D&D expenses on an area basis.

Impairment Test

The Corporation performed an impairment review of its petroleum and natural gas assets to assess for recoverability. The Corporation's assets were not impaired at March 31, 2011 and December 31, 2010.

Finance Expenses

Finance expenses were $5.5 million ($3.44 per boe) for the Reporting Period as compared to $3.8 million ($4.07 per boe) for the Comparable Prior Period. The components of the Corporation's finance expenses for the Reporting Period and Comparable Prior Period are as follows:

	Three months ended March 31, 2011		Three months ended March 31, 2010	
	($000's)	$/boe	($000's)	$/boe
Cash:				
Interest on credit facilities[(1)]	4,809	3.01	2,979	3.19
Non-cash:				
Accretion on decommissioning obligations	437	0.27	327	0.35
Amortization of deferred financing fees	255	0.16	494	0.53
Total finance expenses	**5,501**	**3.44**	3,800	4.07

(1) Interest costs for the three months ended March 31, 2010 consists of $2.3 million related to the Revolving Credit Facilities and $0.7 million related to the Term Facility.

The aggregate interest expense from the Comparable Prior Period increased mainly due to a higher average balance on the outstanding credit facilities during the Reporting Period. The Corporation's average outstanding credit facilities balance was approximately $334 million in the Reporting Period as compared to $205 million in the Comparable Prior Period, calculated as the simple average of the month end amounts. This increase was largely due to the significant capital expended on the PCS Gas Plant project in 2010.

The effective interest rate applicable to the Working Capital Facility was 6.3% at the end of the Reporting Period as compared to 5.3% at the end of the Comparable Prior Period. The overall effective interest rate applicable to the bankers' acceptances issued under the Syndicated Credit Facility was 5.8% in the Reporting Period as compared to 4.9% in the Comparable Prior Period.

Gain on Sale of Assets

The Corporation sold its interest in a minor non-producing asset in the Kakut area of Alberta for proceeds of $17.5 million during the Comparable Prior Period. Birchcliff recognized a gain of approximately $15.5 million ($11.6 million, net of tax) or $16.58 per boe on the sale during that period.

Income Taxes

Birchcliff recorded a deferred income tax expense of approximately $3.9 million ($2.46 per boe) for the Reporting Period as compared to $6.8 million ($7.29 per boe) for the Comparable Prior Period. The decrease in deferred income tax expense was largely due to the gain on sale of the Kakut assets in the Comparable Prior Period, which resulted in higher recorded net income 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 Period and Comparable Prior Period:

Three months ended March 31,	**2011**	2010
Land	5,063	2,941
Seismic	2,613	436
Workovers	3,990	1,345
Drilling and completions(1)	29,508	22,163
Well equipment and facilities	10,318	24,950
Total finding and development costs (F&D)	51,492	51,835
Acquisitions and dispositions(2)	218	(17,511)
Total finding, development and acquisition costs (FD&A)	51,710	34,324
Administrative assets	469	80
Total capital expenditures	**52,179**	34,404

(1) Included in drilling and completions for the three months ended March 31, 2010 is a recovery of $6.4 million related to the Alberta Drilling Royalty Credit Program.

(2) On March 3, 2010, the Corporation sold a minor non-producing asset for proceeds $17.5 million.

Capital Resources

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

Three months ended March 31,	**2011**	2010
Cash flow	32,313	21,613
Changes in non-cash working capital from operations	(9,806)	(2,923)
Decommissioning expenditures	(466)	(35)
Exercise of stock options	5,206	2,309
Deferred financing fees paid	-	(250)
Increase in Term Facility	-	50,000
Increase (decrease) in Revolving Credit Facilities	1,498	(42,953)
Changes in non-cash working capital from investing	18,636	6,649
Total capital resources	**47,381**	34,410

SUMMARY OF QUARTERLY RESULTS

The following are the quarterly results of the Corporation for the eight most recently completed quarters:

Quarters Ended ($000's, except for production, share and per share amounts)	**March 31, 2011**	December 31, 2010	September 30, 2010	June 30, 2010
Petroleum and natural gas production (boe per day)	17,742	16,375	13,109	12,357
Petroleum and natural gas commodity price at wellhead ($ per boe)	39.28	37.83	36.60	39.45
Natural gas commodity price at wellhead ($ per mcf)	4.02	3.94	3.79	4.16
Petroleum commodity price at wellhead ($ per bbl)	87.03	81.89	76.44	76.24
Total petroleum and natural gas revenue	62,793	57,072	44,125	44,546
Total royalties	(6,199)	(4,388)	(3,561)	(3,621)
Total revenues, net	56,594	52,684	40,564	40,925
Total capital expenditures, net(1)	52,179	45,730	92,520	42,270
Net income(1)	9,593	7,431	5,533	5,087
Per share basic(1)	$0.08	$0.06	$0.04	$0.04
Per share diluted(1)	$0.07	$0.06	$0.04	$0.04
Cash flow(1)	32,313	27,866	22,750	23,012
Per share basic(1)	$0.26	$0.22	$0.18	$0.18
Per share diluted(1)	$0.25	$0.22	$0.18	$0.18
Book value of total assets(1)	1,069,322	1,038,555	996,327	910,823
Revolving Credit Facilities	335,220	333,468	281,172	235,993
Total debt	352,804	337,424	319,921	250,370
Shareholders' equity(1)	616,909	599,140	587,796	578,602
Common shares outstanding – end of period				
basic	126,127,244	125,129,234	124,912,134	124,792,136
diluted	139,963,084	137,316,486	137,364,386	137,255,386
Weighted average common shares outstanding				
basic	125,424,658	124,994,761	124,872,806	124,548,932
diluted(1)	129,715,133	129,264,791	128,338,449	127,970,567

Quarters Ended ($000's, except for production, share and per share amounts)	March 31, 2010	December 31, 2009(2)	September 30, 2009(2)	June 30, 2009(2)
Petroleum and natural gas production (boe per day)	10,407	10,515	10,552	11,313
Petroleum and natural gas commodity price at wellhead ($ per boe)	47.12	43.23	33.32	33.79
Natural gas commodity price at wellhead ($ per mcf)	5.34	4.81	3.20	3.75
Petroleum commodity price at wellhead ($ per bbl)	80.03	75.01	70.00	63.84
Total petroleum and natural gas revenue	44,235	41,908	32,446	34,917
Total royalties	(5,363)	(5,172)	(3,644)	2,118
Total revenues, net	38,872	36,736	28,802	37,035
Total capital expenditures, net(1)	34,404	44,368	33,442	5,485
Net income (loss)(1)	16,112	1,616	(9,039)	(7,128)
Per share basic(1)	$0.13	$0.01	($0.07)	($0.06)
Per share diluted(1)	$0.13	$0.01	($0.07)	($0.06)
Cash flow(1)	21,613	20,900	12,196	20,026
Per share basic(1)	$0.17	$0.17	$0.10	$0.18
Per share diluted(1)	$0.17	$0.17	$0.10	$0.18
Book value of total assets(1)	881,344	837,108	796,338	819,142
Term Facility	49,661	-	-	-
Revolving Credit Facilities	158,614	201,230	182,589	219,361
Total debt	232,287	221,521	199,346	179,649
Shareholders' equity(1)	568,821	554,561	549,239	535,917
Common shares outstanding – end of period				
basic	124,358,735	123,815,002	123,267,436	122,807,637
diluted	137,190,886	134,464,987	134,049,987	134,732,322
Weighted average common shares outstanding				
basic	124,095,074	123,538,213	122,914,069	112,887,812
diluted(1)	128,048,514	126,358,921	122,914,069	112,887,812

(1) 2010 comparatives are restated to comply with IFRS requirements.
(2) Birchcliff's IFRS transition date was January 1, 2010 and therefore 2009 comparative information was not restated.

Discussion of Quarterly Results

Birchcliff's average production in the first quarter of 2011 was 17,742 boe per day, an 8% increase from 16,375 boe per day in the fourth quarter of 2010 and a 70% increase from 10,407 boe per day in the first quarter of 2010. These production gains were achieved through the success of Birchcliff's capital drilling program in 2010 and into the current quarter, and the ability to process new or incremental natural gas resulting from its drilling program, through Phases I and II of the PCS Gas Plant, which commenced operations in March and November 2010, respectively.

Total capital expenditures (excluding dispositions) in the first quarter of 2011 were $52.2 million as compared to $45.7 million in the fourth quarter of 2010 and $51.9 million in the first quarter of 2010. Capital spent in the first quarter of 2011 was directed toward the drilling and completion of Montney/Doig natural gas horizontal wells that will be tied into Phases I and II of the PCS Gas Plant; acquiring land; expanding the Montney/Doig Natural Gas Resource Play and the Worsley Light Oil Resource Play and related infrastructure; and other projects. Further details of the Corporation's capital expenditures for the first quarter of 2011 are set forth in the table entitled "Capital Expenditures" in this interim MD&A.

Cash flow generated by the Corporation in the first quarter of 2011 was $32.3 million as compared to $27.9 million in the fourth quarter of 2010 and $21.6 million in the first quarter of 2010. Cash flow increased from the previous quarter mainly due to increased average daily production, higher average oil and natural gas prices realized at the wellhead and lower G&A expenses, offset by higher interest expenses and a proportionate increase in royalty, operating and transportation and marketing costs due to higher average production in the current quarter as compared to the fourth quarter of 2010. The 50% increase in cash flow as compared to the first quarter of 2010 was largely due to increased average daily production and higher average oil prices realized at the wellhead, notwithstanding lower natural gas prices realized at the wellhead, increased G&A expenses, higher interest expenses and a proportionate increase in royalty, operating and transportation and marketing costs due to higher average production in the current quarter as compared to the first quarter of 2010.

Despite weak natural gas prices, Birchcliff has reported net income in each of its six recently completed quarters. Birchcliff recorded net income of $9.6 million in the first quarter of 2011 as compared to net income of $7.4 million in the fourth quarter of 2010 and $16.1 million in the first quarter of 2010. The Corporation recorded a gain of $15.5 million ($11.6 million, net of tax) on the divestiture of assets in the first quarter of 2010. Excluding the impact of this divestiture, the Corporation's net income in the first quarter of 2010 was $4.5 million. The increase in net income from the comparative quarters was mainly a result of higher cash flow, notwithstanding higher D&D expenses reported during the first quarter of 2011 as compared to the first quarter of 2010 as a result of significant increases in production. D&D expenses have largely remained unchanged since the fourth quarter of 2010.

Canadian Edmonton Par oil prices averaged $87.97 per barrel in the first quarter of 2011 as compared to $80.33 per barrel in the fourth quarter of 2010 and $80.07 per barrel in the first quarter of 2010. The AECO daily natural gas spot price averaged $3.79 per mcf in the first quarter of 2011 as compared to $3.64 per mcf in the fourth quarter of 2010 and $4.97 per mcf in the first quarter of 2010.

Total debt (including working capital deficit) increased to $352.8 million at March 31, 2011 from $337.4 million at December 31, 2010 and $232.3 million at March 31, 2010. The increase in total debt from March 31, 2010 was largely due to increased capital spending in excess of cash flow on Phases I and II of the PCS Gas Plant project.

MERGERS & ACQUISITIONS

Within its focus area, the Corporation is always reviewing potential property acquisitions and corporate mergers and acquisitions for the purposes of determining whether any such potential transaction is of interest to the Corporation and the terms on which such a potential transaction would be available. As a result, the Corporation may from time to time be involved in discussions or negotiations with other parties or their agents in respect of potential property acquisitions and corporate merger and acquisition opportunities, but the Corporation is not committed to any such potential transaction and cannot be reasonably confident that it can complete any such potential transaction until appropriate legal documentation has been signed by the relevant parties.

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 March 31, 2011 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 IFRS 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 March 31, 2011 for the purposes described above. It should be noted that a control system, 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.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

First-time Adoption of IFRS

Birchcliff's interim condensed financial statements as at and for the three month period ended March 31, 2011 and comparative financial statements as at and for the three months ended March 31, 2010, as at and for the year ended December 31, 2010 and an opening Statement of Financial Position as at January 1, 2010 (the "**transition date**") have been prepared in accordance with IFRS as issued by the IASB. Previously, the Corporation prepared its annual and interim financial statements in accordance with Canadian GAAP applicable to publically accountable enterprises. Since the interim condensed financial statements for the period ended March 31, 2011 represents the Corporation's initial presentation of its results and financial position under IFRS, they have been prepared in accordance with International Accounting Standard ("**IAS**") 34, *Interim Financial Reporting* and IFRS 1, *First-time Adoption of IFRS.*

IFRS 1 requires the presentation of comparative information as at January 1, 2010 and subsequent comparative periods, as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transition, the provisions of IFRS 1 allow for certain mandatory and optional exemptions for first-time adopters to alleviate the retrospective application of IFRS. Birchcliff has elected to apply the following relevant exemptions:

- IFRS 1, *First-time Adoption of IFRS,* whereby Property, Plant and Equipment ("**PP&E**") balance as determined under the Corporation's previous accounting framework (Canadian GAAP) is allocated to the IFRS categories of exploration and evaluation assets and development and production properties. Under the exemption, for assets in the development and production phases, the amount is allocated to the underlying IFRS transitional assets on a pro-rata basis using proved plus probable reserve volumes as of the IFRS transition date;
- IFRS 2, *Share-based Payments*, whereby stock options that vested prior to January 1, 2010 are not required to be retrospectively restated. Therefore, IFRS 2 requirements apply only to those options that were unvested at the date of transition; and
- IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, whereby the Corporation has elected to measure decommissioning obligations as at the transition date in accordance with IAS 37 and recognize directly in deficit the difference between that amount and the carrying amount of those liabilities at the date of transition determined under Canadian GAAP.

Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Corporation under Canadian GAAP are consistent with their application under IFRS. A summary of the IFRS 1 mandatory and optional exemptions are also described in Note 18 to the interim condensed financial statements.

Significant IFRS Accounting Policies

The IFRS accounting polices set forth in Note 3 of the interim condensed financial statements have been applied in preparing the financial statements for the three months ended March 31, 2011 and comparative information as at and for the three months ended March 31, 2010, as at and for the year ended December 31, 2010 and an opening Statement of Financial Position at January 1, 2010. A detailed explanation of how the transition from Canadian GAAP to IFRS has affected the Corporation's financial position, financial performance, and cash flow, including the reconciliations required by IFRS 1, is presented in Note 18 to the interim condensed financial statements.

The adoption of IFRS does not impact the underlying economics of Birchcliff's operations. The most significant impacts of adoption are from the application of new accounting policies that reset the Corporation's opening financial position at January 1, 2010, and changes in the accounting for PP&E, decommissioning obligations, stock-based compensation and income taxes. Birchcliff also adopted certain presentation policies that differ from Canadian GAAP. The following discusses the significant accounting policy and presentation differences under IFRS:

Depletion and depreciation expenses

Under Canadian GAAP, the Corporation used total proved reserves in determining D&D expenses. Under IFRS, the carrying amount of PP&E is depleted or amortized over the useful life of the assets. Birchcliff has determined that depleting on a total proved plus probable reserve basis better approximates the useful life of the Corporation's assets. D&D was calculated at the country cost center level using the unit of production method on the full cost pool of assets under Canadian GAAP. Under IFRS, the net carrying value of developed and producing assets is depleted using the unit of production method at the area level. As a result of this accounting policy difference, D&D expenses decreased during the year ended December 31, 2010 by $23.1 million (March 31, 2010 – $5.2 million) from the amounts previously reported under Canadian GAAP.

Gain on sale of assets

Under Canadian GAAP, proceeds from the sale of assets were deducted from the full cost pool without the recognition of a gain or loss unless the sale resulted in a change in the full cost depletion rate of 20 percent or more. Under IFRS, gains or losses on disposition of assets are measured as the difference between the proceeds and carrying value of the assets divested. As a result of this accounting policy difference, Birchcliff recorded a gain on sale of assets of $15.5 million ($11.6 million, net of tax) in the three months ended March 31, 2010.

Impairment testing

Under Canadian GAAP, the recoverable amount of Birchcliff's petroleum and natural gas assets under the first step of the impairment test is determined using undiscounted future cash flow from proved reserves. Under IFRS, the recoverable amount is calculated using discounted future cash flow from proved plus probable reserves. In addition, impairment testing under Canadian GAAP is performed at the country cost centre level, while under IFRS the Corporation's assets are grouped into cash-generating units based on their ability to generate largely independent cash flows. As of January 1, 2010 and December 31, 2010, no impairment was determined under IFRS.

Decommissioning obligations

Under Canadian GAAP, Birchcliff used a credit-adjusted discount rate of 8% in estimating the decommissioning obligations. Under IFRS, the Corporation's policy is to estimate the decommissioning obligations using a risk-free discount rate on transition to IFRS. The effect of using a risk-free discount rate of 4.0% resulted in an increase of $12.0 million to the decommissioning liability with a corresponding increase to the Corporation's deficit at January 1, 2010. Accretion of decommissioning obligations has decreased by approximately $0.1 million per quarter in 2010.

Stock-based compensation expenses

Under Canadian GAAP, the fair value of stock options was calculated using a Black-Scholes option-pricing model for each option grant and the resulting expense was recognized on a straight-line basis over the three year vesting period at a rate of one-third on each anniversary date of the stock option grant. Forfeitures of stock options were recognized as they occurred.

Under IFRS, each vesting tranche of an option grant with different vesting dates was considered a separate grant for the calculation of fair value. This resulted in accelerated expense recognition that attributed higher stock-based compensation expense in early years of an option grant and less expense in later years. Birchcliff also applied an estimated forfeiture rate at the initial grant date. When determining the fair value of each vesting tranche under IFRS, Birchcliff applied an estimated weighted average option life which reflects historical experiences. Under Canadian GAAP, the option life was equal to the expiry period of five years.

The above accounting policy differences resulted in an increase of $2.5 million to contributed surplus with a corresponding increase to the Corporation's deficit at January 1, 2010. Stock-based compensation expense increased during the year ended December 31, 2010 by $2.7 million (March 31, 2010 - $2.3 million) from the amounts previously recorded under Canadian GAAP.

Administrative expenses

Under Canadian GAAP, "capital overhead recoveries" related to estimated time spent on capital projects by engineering, land, accounting and operations and was based on an industry standard overhead charge per Authorization for Expenditure. Stock-based compensation was not capitalized under Canadian GAAP. Under IFRS, capital overhead recoveries include a portion of salaries and benefits that are directly attributable to the exploration and development of the Corporation's assets. This varies in some respects from the amounts recorded under Canadian GAAP. In addition, under IFRS, Birchcliff has capitalized a portion of stock-based compensation directly attributable to the exploration and development of the Corporation's assets.

These accounting policy differences resulted in an increase to net general and administrative expenses (cash) by $5.2 million during the year ended December 31, 2010 (March 31, 2010 – $1.1 million) from amounts previously reported under Canadian GAAP. In addition, non-cash stock-based compensation expense decreased by $5.5 million during the year ended December 31, 2010 (March 31, 2010 – $1.3 million) from amounts previously reported under Canadian GAAP.

Share capital

Under Canadian GAAP, the proceeds from the issuance of flow-through shares are recognized as shareholders' equity. The tax basis of assets related to expenditures incurred to satisfy flow-through share obligations is reduced when the renunciation of the related tax pools occurs which then increases the deferred income tax liability and reduces share capital.

Under IFRS, the amount recorded to share capital from the issuance of flow-through shares reflects the fair market value of "regular" common shares. The difference between the total value of a flow-through share issuance and the fair market value of regular common share issuance (premium) is initially accrued as a deferred obligation when the flow-through shares are issued. Pursuant to the terms of the flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. Accordingly, on renunciation with the Canada Revenue Agency, a deferred tax liability is recorded equal to the estimated amount of deferred income taxes payable by the Corporation as a result of the renunciations, the obligation on issuance of flow-through shares is reduced and the difference is recognized in profit or loss. There is no impact to share capital on renunciation of flow-through shares.

The above accounting policy differences resulted in an increase to share capital of $4.3 million with a corresponding increase to deficit at January 1, 2010. There was no impact due to this accounting policy difference as at and during the periods ended December 31, 2010.

Deferred income taxes

Each of the adjustments discussed above result in a change in deferred income tax assets and liabilities based on Birchcliff's effective tax rate. The Corporation recorded a decrease in deferred tax liabilities of $3.0 million at January 1, 2010 and an increase in deferred tax liabilities of $5.5 million at December 31, 2010 from amounts previously reported under Canadian GAAP. Additional deferred income tax expense of $5.1 million for the three months ended March 31, 2010 and $8.5 million for the year ended December 31, 2010 was recorded under IFRS.

Reclassifications

Under Canadian GAAP, interest expense, financing charges and accretion were disclosed as separate line items in profit or loss. Under IFRS, these amounts were unchanged, but reported as finance expenses. Interest paid is disclosed separately as an operating item in the Condensed Statements of Cash Flows.

Under Canadian GAAP, G&A expenses (cash) and non-cash stock-based compensation expenses were disclosed as separate line items in profit or loss. Under IFRS, these items were grouped and reported as administrative expenses.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of IFRS accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The following are the critical judgments and estimations that management has made in the process of applying the Corporation's IFRS accounting policies and that have the most significant effect on the amounts recognized in these financial statements:

Reserves

Estimation of reported recoverable quantities of proved and probable reserves include judgmental assumptions regarding production profile, commodity prices, exchange rates, remediation costs, timing and amount of future development costs, and production, transportation and marketing costs for future cash flows. It also requires interpretation of geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economical, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying values of the Corporation's petroleum and natural gas properties and equipment, the calculation of depletion and depreciation, the provision for decommissioning obligations, and the recognition of deferred tax assets due to changes in expected future cash flows. The recoverable quantities of reserves and estimated cash flows from Birchcliff's petroleum and natural interests are independently evaluated by reserve engineers at least annually.

The Corporation's petroleum and natural gas reserves represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be economically recoverable in future years from known reservoirs and which are considered commercially producible. Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon (i) a reasonable assessment of the future economics of such production; (ii) a reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and (iii) evidence that the necessary production, transmission and transportation facilities are available or can be made available. Reserves may only be considered proven and probable if producibility is supported by either production or conclusive formation tests. Birchcliff's oil and gas reserves are determined pursuant to National Instrument 51-101, *Standard of Disclosures for Oil and Gas Activities*.

Decommissioning obligations

The Corporation estimates future remediation costs of production facilities, wells and pipelines at different stages of development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires judgment regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability-specific discount rates to determine the present value of these cash flows.

Stock-based compensation

All share-based awards issued by the Corporation are fair valued using the Black-Scholes option-pricing model. In assessing the fair value of share-based compensation, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

Impairment of assets

The impairment testing of PP&E is based on estimates of proved plus probable reserves, production rates, forecasted petroleum and natural gas prices, future costs and other relevant assumptions. Birchcliff's assets are aggregated into cash-generating units, for the purpose of calculating impairment, based on their ability to generate largely independent cash flows. By their nature, these estimates and assumptions are subject to measurement uncertainty and may impact the carrying value of the Corporation's assets in future periods.

Income taxes

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods.

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-IFRS Measures

This MD&A and the Corporation's Quarterly and Annual Reports may use terms such as "cash flow", "netback", "cash flow netback", "operating netback", "cash flow per share", "cash flow from operations and "EBITDA", which do not have standardized meanings prescribed by IFRS and therefore may not be comparable to measures by other companies where similar terminology is used. Cash flow from operations denotes cash flow from operating activities as it appears on the Corporation's Condensed Statements of Cash Flows before decommissioning expenditures and changes in non-cash working capital. 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 deferred income tax expense (less any recovery), depletion and depreciation expense, accretion expense, stock-based compensation expense, amortization of deferred financing fees and gain (loss) on divestitures.

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 relating to Birchcliff's intention to expand its processing facilities, drill and complete future wells, increase its production, scale up the development of its assets and estimating the number of its potential Montney/Doig horizontal natural gas drilling locations. Other forward looking information includes but is not limited to planned 2011 and 2012 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 adopt new accounting pronouncements 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 in 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 Corporation'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.
Interim Condensed Statements of Financial Position
Unaudited *(Expressed in thousands of Canadian Dollars)*

	March 31, 2011	December 31, 2010	January 1, 2010
ASSETS			
Current assets:			
Cash	**65**	4,863	140
Accounts receivable (Note 15)	**36,927**	39,241	29,665
Prepaid expenses and deposits	**2,806**	2,661	4,635
	39,798	46,765	34,440
Non-current assets:			
Deferred financing fees (Note 6)	**-**	-	245
Deferred income taxes	**-**	-	1,152
Exploration and evaluation (Note 4)	**1,803**	1,540	640
Petroleum and natural gas properties and equipment (Note 5)	**1,027,721**	990,250	801,783
	1,029,524	991,790	803,820
	1,069,322	1,038,555	838,260
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	**57,382**	50,721	54,731
Non-current liabilities:			
Revolving credit facilities (Note 7)	**335,220**	333,468	201,230
Decommissioning obligations (Note 8)	**42,775**	42,106	36,697
Deferred income taxes	**17,036**	13,120	-
	395,031	388,694	237,927
	452,413	439,415	292,658
SHAREHOLDERS' EQUITY			
Share capital (Note 9)	**562,249**	554,419	545,675
Contributed surplus	**33,805**	33,459	22,828
Retained earnings (deficit)	**20,855**	11,262	(22,901)
	616,909	599,140	545,602
	1,069,322	1,038,555	838,260

The accompanying notes are an integral part of these interim condensed 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.
Interim Condensed Statements of Net Income and Comprehensive Income
Unaudited *(Expressed in thousands of Canadian Dollars, except for share information)*

	Three months ended March 31, 2011	Three months ended March 31, 2010
REVENUE		
Petroleum and natural gas	**62,793**	44,235
Royalties	**(6,199)**	(5,363)
	56,594	38,872
EXPENSES		
Production (Note 10)	**11,134**	8,453
Transportation and marketing	**4,027**	2,426
Administrative, net (Notes 11,13)	**6,359**	6,891
Depletion and depreciation (Note 5)	**16,064**	9,884
Finance (Note 12)	**5,501**	3,800
(Gain) on sale of assets (Note 5)	**-**	(15,528)
	43,085	15,926
INCOME BEFORE TAXES	**13,509**	22,946
Deferred income tax expense	**3,916**	6,834
TOTAL NET INCOME AND COMPREHENSIVE INCOME	**9,593**	16,112
Net income per common share		
basic	**$0.08**	$0.13
diluted	**$0.07**	$0.13
Weighted average common shares		
basic	**125,424,658**	124,095,074
diluted	**129,715,133**	128,048,514

The accompanying notes are an integral part of these interim condensed financial statements.

BIRCHCLIFF ENERGY LTD.

Interim Condensed Statements of Changes in Shareholders' Equity

Unaudited *(Expressed in thousands of Canadian Dollars, except share information)*

	Number of Common Shares	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total
Balance, January 1, 2010	123,815,002	545,675	22,828	(22,901)	545,602
Exercise of stock options (Note 13)	543,733	3,310	(1,001)	-	2,309
Stock-based compensation (Note 11)	-	-	4,798	-	4,798
Total net income and comprehensive income	-	-	-	16,112	16,112
Balance, March 31, 2010	124,358,735	548,985	26,625	(6,789)	568,821
Balance, December 31, 2010	125,129,234	554,419	33,459	11,262	599,140
Exercise of stock options (Note 13)	998,010	7,830	(2,624)	-	5,206
Stock-based compensation (Note 11)	-	-	2,970	-	2,970
Total net income and comprehensive income	-	-	-	9,593	9,593
Balance, March 31, 2011	**126,127,244**	**562,249**	**33,805**	**20,855**	**616,909**

The accompanying notes are an integral part of these interim condensed financial statements.

BIRCHCLIFF ENERGY LTD.
Interim Condensed Statements of Cash Flows
Unaudited *(Expressed in thousands of Canadian Dollars)*

Cash provided by (used in):	**Three months ended March 31, 2011**	Three months ended March 31, 2010
OPERATING		
Total net income before tax	**13,509**	22,946
Adjustments for items not affecting operating cash:		
Depletion and depreciation	**16,064**	9,884
Stock-based compensation	**2,048**	3,490
Finance expenses	**5,501**	3,800
(Gain) on sale of assets	**-**	(15,528)
Interest paid	**(4,809)**	(2,979)
Decommissioning expenditures (Note 8)	**(466)**	(35)
Changes in non-cash working capital (Note 17)	**(9,806)**	(2,923)
	22,041	18,655
FINANCING		
Exercise of stock options	**5,206**	2,309
Deferred financing fees paid	**-**	(250)
Increase in non-revolving term credit facility (Note 6)	**-**	50,000
Increase (decrease) in revolving credit facilities	**1,498**	(42,953)
	6,704	9,106
INVESTING		
Acquisition of petroleum and natural gas properties and equipment	**(218)**	-
Sale of petroleum and natural gas properties and equipment	**-**	17,511
Additions of exploration and evaluation assets	**(260)**	(780)
Development of petroleum and natural gas properties and equipment	**(51,701)**	(51,135)
Changes in non-cash working capital (Note 17)	**18,636**	6,649
	(33,543)	(27,755)
NET INCREASE (DECREASE) IN CASH	**(4,798)**	6
CASH, BEGINNING OF PERIOD	**4,863**	140
CASH, END OF PERIOD	**65**	146

The accompanying notes are an integral part of these interim condensed financial statements.

BIRCHCLIFF ENERGY LTD.
Notes to the Interim Condensed Financial Statements
For the three months ended March 31, 2011 and 2010
Unaudited (expressed in thousands of Canadian Dollars, unless otherwise stated)

1. NATURE OF OPERATIONS

Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") is domiciled and incorporated in Canada. Birchcliff is engaged in the exploration for and the development, production and acquisition of, petroleum and natural gas reserves in Western Canada. The Corporation's financial year end is December 31. The address of the Corporation's registered office is 500, 630 – 4th Avenue SW, Calgary, Alberta, Canada T2P 0J9. Birchcliff trades on the Toronto Stock Exchange under the symbol "BIR".

These interim condensed financial statements were approved and authorized for issuance by the Board of Directors on May 18, 2011.

2. BASIS OF PREPARATION

In conjunction with the Corporation's annual audited financial statements to be issued under International Financial Reporting Standards ("**IFRS**") for the year ended December 31, 2011, these interim condensed financial statements present Birchcliff's initial financial results of operations and financial position under IFRS as at and for the three months ended March 31, 2011, including 2010 comparative periods. As a result, they have been prepared in accordance with International Accounting Standard ("**IAS**") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("**IASB**"). These interim condensed financial statements do not include all the necessary annual disclosures in accordance with IFRS. Previously, the Corporation prepared its interim and annual financial statements in accordance with Canadian Generally Accepted Accounting Principles ("**Canadian GAAP**").

The preparation of these interim condensed financial statements resulted in selected changes to the Corporation's accounting policies as compared to those disclosed in the Corporation's annual audited financial statements for the year ended December 31, 2010 issued under Canadian GAAP. A summary of the Corporation's significant accounting policies under IFRS is presented in Note 3. These policies have been retrospectively and consistently applied except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1, *First-time Adoption of IFRS.* Note 18 to the interim condensed financial statements contains a detailed description of the Corporation's adoption of IFRS, including a reconciliation of the financial statements previously prepared under Canadian GAAP to those under IFRS, for the comparative periods as at January 1, 2010, as at and for the three months ended March 31, 2010 and as at and for the year ended December 31, 2010.

These interim condensed financial statements have been prepared on a historical cost basis, except for certain financial and non-financial assets and liabilities, which have been measured at fair value as disclosed in Note 3. The Corporation's interim condensed financial statements include the accounts of Birchcliff only. There are no subsidiary companies.

3. SIGNFICANT ACCOUNTING POLICIES

a) Revenue recognition

Revenue from the sale of petroleum and natural gas is recognized when volumes are delivered and title passes to an external party at contractual delivery points and are recorded gross of transportation charges incurred by the Corporation. The costs associated with the delivery, including transportation and production-based royalty expenses, are recognized in the same period in which the related revenue is earned and recorded.

b) Joint controlled operations and assets

Certain activities of the Corporation are conducted jointly with others where the participants have a direct ownership interest in, and jointly control, the related assets. Accordingly, the accounts of Birchcliff reflect only its working interest share of revenues, expenses and capital expenditures.

c) Exploration and evaluation

Pre-exploration costs are recognized as an expense in the period incurred. Pre-exploration activities are expenditures incurred prior to obtaining the legal rights or licenses to explore a mineral resource.

Intangible exploration and evaluation expenditures are capitalized and may include costs of license acquisition, geological and geophysical evaluations, technical studies, exploration drilling and testing and other directly attributable costs. Tangible assets acquired which are consumed in developing an intangible exploration asset are recorded as part of the cost of the exploration asset. The costs are accumulated in cost centers by exploration area pending determination of technical feasibility and commercial viability.

The technical feasibility and commercial viability of extracting a mineral resource in an exploration area is considered to be determinable when economical quantities of reserves are determined to exist. A review of each exploration project by area is carried out at each reporting date to ascertain whether reserves have been discovered. Upon determination of commercial reserves, associated exploration costs are transferred from exploration and evaluation to developing and producing petroleum and natural gas properties and equipment as reported on the Statements of Financial Position. Exploration and evaluation assets are reviewed for impairment prior to any such transfer. Assets classified as exploration and evaluation are not amortized.

d) Petroleum and natural gas properties and equipment

(i) Recognition and measurement

Petroleum and natural gas properties and equipment are measured at cost less accumulated depletion and depreciation and accumulated impairment losses, if any.

Petroleum and natural gas properties and equipment consists of the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Petroleum and natural gas assets include developing and producing interests such as land acquisitions, geological and geophysical costs, facility and production equipment and associated turnarounds, other directly attributable costs and the initial estimate of the costs of dismantling and removing an asset and restoring the site on which it was located.

(ii) Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability are recognized as developing and producing petroleum and natural gas interests when they increase the future economic benefits embodied in the specific asset to which they relate. Such capitalized petroleum and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The cost of day-to-day servicing of an item of petroleum and natural gas properties and equipment is expensed in profit or loss as incurred.

Petroleum and natural gas properties and equipment are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal of an asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

(iii) Depletion and depreciation

The net carrying value of developing and producing petroleum and natural gas assets, net of estimated residual value, is depleted on a field or geotechnical area basis using the unit of production method. This depletion calculation includes actual production in the period and total estimated proved and probable reserves attributable to the assets being depreciated, taking into account total capitalized costs plus estimated future development costs necessary to bring those reserves into production. Relative volumes of reserves and production (before royalties) are converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil. These estimates are reviewed by independent reserves evaluators at least annually.

Capitalized plant turnaround costs are depreciated on a straight-line basis over the estimated time until the next turnaround is completed. Corporate assets, which include office furniture and equipment, software, computer equipment and leasehold improvements, are depreciated on a straight-line basis over the estimated useful lives of the assets, which are estimated to be four years.

When significant parts of property and equipment, including petroleum and natural gas interests, have different useful lives, they are accounted for as separate items (major components). Depreciation methods, useful lives and residual values for petroleum and natural gas properties and equipment are reviewed at each reporting date.

e) Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive), as a result of a past event, if it is probable that the Corporation will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are not recognized for future operating losses.

f) Decommissioning obligations

The Corporation's activities give rise to dismantling, restoration and site disturbance remediation activities. Costs related to abandonment activities are estimated by management in consultation with the Corporation's engineers based on risk-adjusted current costs which take into consideration current technology in accordance with existing legislation and industry practices.

Decommissioning obligations are measured at the present value of the best estimate of expenditures required to settle the present obligations at the reporting date. When the fair value of the liability is initially measured, the estimated cost, discounted using a risk-free discount rate, is capitalized by increasing the carrying amount of the related petroleum and natural gas properties and equipment. The increase in the provision due to the passage of time ("**accretion**") is recognized as a finance expense whereas increases and decreases due to revisions in the estimated future cash flows are recorded as adjustments to the carrying amount of the related petroleum and natural gas properties and equipment. Actual costs incurred upon settlement of the liability are charged against the obligation to the extent that the obligation was previously established. The carrying amount capitalized in petroleum and natural gas properties and equipment is depleted in accordance with the Corporation's depletion and depreciation policy. The Corporation reviews the obligation at each reporting date and revisions to the estimated timing of cash flows, discount rates and estimated costs will result in an increase or decrease to the obligations. Any difference between the actual costs incurred upon settlement of the obligation and recorded liability is recognized as a gain or loss in profit or loss.

g) Share-based payments

Equity-settled share-based awards granted by the Corporation include stock options and performance warrants granted to officers, directors and employees. The fair value determined at the grant date of an award is expensed on a graded basis over the vesting period of each respective tranche of an award with a corresponding increase to contributed surplus. In calculating the expense of equity-settled share-based awards, the Corporation revises its estimate of the number of equity instruments expected to vest by applying an estimated forfeiture rate for each vesting tranche and subsequently revising this estimate throughout the vesting period, as necessary. Upon the exercise of share-based awards, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. In the event that vested share-based awards expire without being exercised, previously recognized compensation costs associated with such awards are not reversed. The expense related to share-based awards is included within administrative expenses in profit or loss.

The fair value of equity-settled share-based awards is measured using the Black-Scholes option-pricing model taking into account the terms and conditions upon which the awards were granted. Measurement inputs as at the grant date include: share price, exercise price, expected volatility (based on weighted average historical traded daily volatility), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends and the risk-free interest rate (based on government bonds) applicable to the term of the award.

A portion of share-based compensation expense directly attributable to the exploration and development of the Corporation's assets are capitalized.

h) Finance income and expenses

Finance expense comprises interest expense on borrowings, accretion of the discount on decommissioning obligations, amortization of deferred charges and impairment losses (if any) recognized on financial assets. Interest income is recognized as it is earned.

i) Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Assets are considered to be qualifying assets when this period of time is substantial. The capitalization rate, used to determine the amount of borrowing costs to be capitalized, is the weighted average interest rate applicable to the Corporation's outstanding borrowings during the period. All other borrowing costs are charged to profit or loss using the effective interest method.

j) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise cash, accounts receivable, deposits accounts payable and accrued liabilities and outstanding credit facilities. Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, non-derivative financial instruments are measured based on their classification. The Corporation has made the following classifications:

- Cash is classified as financial assets at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition and (ii) those classified as held for trading in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.
- Accounts receivable and deposits are classified as loans and receivables and are measured at amortized cost using the effective interest method. Typically, the fair value of these balances approximates their carrying value due to their short term to maturity.
- Accounts payable and accrued liabilities and outstanding credit facilities are classified as other liabilities and are measured at amortized cost using the effective interest method. Due to the short term nature of accounts payable and accrued liabilities, their carrying values approximate their fair values. The Corporation's outstanding credit 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.

(ii) Derivative financial instruments

Derivatives may be used by the Corporation to manage economic exposure to market risk relating to commodity prices. Birchcliff's policy is not to utilize derivative financial instruments for speculative purposes. The Corporation does not designate its financial derivative contracts as hedges, and as such has not applied hedge accounting.

The Corporation accounts for any forward physical delivery sales contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items, in accordance with its expected purchase, sale or usage requirements as executory contracts. As such, these contracts are not considered to be derivative financial instruments and have not been recorded at fair value on the Statements of Financial Position. Settlements of these physical sales contracts are recognized as petroleum and natural gas revenue.

(iii) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a reduction in share capital, net of any tax effects.

k) Impairment

(i) Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(ii) Impairment of non-financial assets

The Corporation's petroleum and natural gas properties and equipment are grouped into Cash Generating Units ("**CGU**") for the purpose of assessing impairment. A CGU represents the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

CGU's are reviewed at each reporting date for indicators of potential impairment. Such indicators may include changes in the Corporation's business plan, deterioration in commodity prices, significant downward revisions of estimated recoverable reserve volumes or increases in estimated future development expenditures. If such indicators exist, an impairment test is performed by comparing a CGU's carrying value to its recoverable amount, defined as the greater of a CGU's fair value less cost to sell and its current value in use. Any excess of carrying value over recoverable amount is recognized in profit or loss as impairment loss.

In assessing the value in use, the estimated future cash flows from proved and probable reserves are discounted to their present value using a discount rate that reflects current market assessment of the time value of money. In assessing fair value less cost to sell, the estimated future cash flows expected to be derived from production of proved and probable reserves are discounted to their present value. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. The discount rate is determined using a calculated industry weighted average cost of capital adjusted for risks specific to the Corporation's assets. The petroleum and natural gas future prices used in the impairment test are based on period-end escalated commodity price forecasts estimated by the Corporation's independent reserves evaluators and are adjusted for petroleum and natural gas differentials, transportation and marketing costs specific to the Corporation.

Where circumstances change such that an impairment no longer exists or is less than the amount previously recognized, the carrying amount of the CGU is increased to the revised estimate of its recoverable amount as long as the revised estimate does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the CGU in prior periods. A reversal of an impairment loss is recognized immediately though profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability of a development area, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to CGU's.

l) Income taxes

The Corporation's income tax expense comprises of current and deferred tax. Income tax expense is recognized through profit or loss except to the extent that it relates to items recognized directly in equity, in which case the related income taxes are also recognized in equity.

Current tax is the expected tax payable on taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is expected to be settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Birchcliff expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

m) Flow-through shares

The Corporation may issue flow-through shares to finance a portion of its capital expenditure program. Pursuant to the terms of the flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. The difference between the value ascribed to flow-through shares issued and the value that would have been received for common shares at the date of issuance of the flow-through shares is initially recognized as a liability on the Statement of Financial Position. When the expenditures are renounced, the liability is drawn down, a deferred tax liability is recorded equal to the estimated amount of deferred income tax payable by the Corporation as a result of the renunciation and the difference is recognized as a deferred tax expense.

n) Critical accounting judgments and key sources of estimation uncertainty

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and judgments made by management in the preparation of these interim condensed financial statements are outlined below.

Critical judgments in applying accounting policies:

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Corporation's accounting policies and that have the most significant effect on the amounts recognized in these interim condensed financial statements:

(i) Reserves

Estimation of reported recoverable quantities of proved and probable reserves include judgmental assumptions regarding production profile, commodity prices, exchange rates, remediation costs, timing and amount of future development costs, and production, transportation and marketing costs for future cash flows. It also requires interpretation of geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economical, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying values of the Corporation's petroleum and natural gas properties and equipment, the calculation of depletion and depreciation, the provision for decommissioning obligations, and the recognition of deferred tax assets due to changes in expected future cash flows. The recoverable quantities of reserves and estimated cash flows from Birchcliff's petroleum and natural gas interests are independently evaluated by reserve engineers at least annually.

The Corporation's petroleum and natural gas reserves represent the estimated quantities of petroleum, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be economically recoverable in future years from known reservoirs and which are considered commercially producible. Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon (i) a reasonable assessment of the future economics of such production; (ii) a reasonable expectation that there is a market for all or substantially all the expected petroleum and natural gas production; and (iii) evidence that the necessary production, transmission and transportation facilities are available or can be made available. Reserves may only be considered proven and probable if producibility is supported by either production or conclusive formation tests. Birchcliff's petroleum and gas reserves are determined pursuant to National Instrument 51-101, *Standard of Disclosures for Oil and Gas Activities*.

(ii) Identification of cash-generating units

Birchcliff's assets are aggregated into cash-generating units, for the purpose of calculating impairment, based on their ability to generate largely independent cash flows. By their nature, these estimates and assumptions are subject to measurement uncertainty and may impact the carrying value of the Corporation's assets in future periods.

(iii) Share-based payments

All equity-settled, share-based awards issued by the Corporation are fair valued using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

Key sources of estimation uncertainty:

The following are the key assumptions concerning the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities.

(i) Decommissioning obligations

The Corporation estimates future remediation costs of production facilities, wells and pipelines at different stages of development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires judgment regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability-specific discount rates to determine the present value of these cash flows.

(ii) Impairment of petroleum and natural gas assets

For the purposes of determining whether impairment of petroleum and natural gas assets has occurred, and the extent of any impairment or its reversal, the key assumptions the Corporation uses in estimating future cash flows are future petroleum and natural gas prices, expected production volumes and anticipated recoverable quantities of proved and probable reserves. These assumptions are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates. Changes in the aforementioned assumptions could affect the carrying amounts of assets, and impairment charges and reversal will affect profit or loss.

(iii) Income taxes

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods.

Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

o) Earnings per share

Basic per share information is computed using the weighted average number of common shares outstanding during the period. Diluted per share information is calculated using the treasury stock method, which assumes that any proceeds from the exercise of "in-the-money" stock options or performance warrants, plus the unamortized stock-based compensation expense amounts, would be used to purchase common shares at the average market price during the period. No adjustment to diluted earnings per share is made if the result of these calculations is anti-dilutive.

p) Application of new and revised IFRSs issued but not yet effective

Certain new accounting standards and interpretations issued but not yet effective include;

IFRS 9 *Financial Instruments* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. IFRS 9 is expected to be published in three parts. The first part, Phase 1 – classification and measurement of financial instruments was published in October 2010. Phase 1 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Phase 1 simplifies the measurement of financial assets by classifying all financial assets as those being recorded at amortized cost or being recorded at fair value. For financial assets recorded at fair value, any change in the fair value would be recognized in profit or loss. Phase 1 is required to be adopted for years beginning on or after January 1, 2013, although earlier adoption is allowed. The adoption of this standard is not expected to have a material impact on the Corporation's financial statements.

IFRS 7 *Financial Instruments* includes amendments issued by the IASB on *Disclosures – Transfers of Financial Assets* that increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosure where transfers of financial assets are not evenly distributed throughout the period. These amendments are effective for annual periods beginning on or after July 1, 2011. Early application of the amendments is permitted. The adoption of this standard is not expected to have a material impact on the Corporation's financial statements.

4. EXPLORATION AND EVALUATION ASSETS

The components of the Corporation's Exploration and Evaluation ("**E&E**") assets are as follows:

	E&E(1)(2)
Balance, January 1, 2010	640
Additions	900
Balance, December 31, 2010	1,540
Additions	263
Balance, March 31, 2011	**1,803**

(1) Exploration and evaluation activities are pending the determination of economic quantities of commercially producible reserves. There were no costs reclassified from exploration and evaluation to petroleum and natural gas properties and equipment during the periods ended March 31, 2011 and December 31, 2010.

(2) At the end of each reporting period, the Corporation performs an impairment review of its exploration and evaluation assets to ensure that the carrying values of those assets are recoverable. The Corporation's exploration and evaluation assets were not impaired.

5. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

The components of the Corporation's Petroleum and Natural Gas ("**P&NG**") Properties and Equipment are as follows:

	P&NG	Corporate	Total
Cost:			
Balance, January 1, 2010	800,220	3,415	803,635
Additions	237,954	1,960	239,914
Acquisitions	2,051	-	2,051
Dispositions(1)	(2,572)	-	(2,572)
Balance, December 31, 2010	1,037,653	5,375	1,043,028
Additions	52,928	389	53,317
Acquisitions	218	-	218
Balance, March 31, 2011(2)	1,090,799	5,764	1,096,563
Accumulated depletion and depreciation:			
Balance, January 1, 2010	-	(1,852)	(1,852)
Depletion and depreciation expense	(50,260)	(666)	(50,926)
Balance, December 31, 2010	(50,260)	(2,518)	(52,778)
Depletion and depreciation expense	(15,839)	(225)	(16,064)
Balance, March 31, 2011	(66,099)	(2,743)	(68,842)
Net book value(3):			
Balance, January 1, 2010	800,220	1,563	801,783
Balance, December 31, 2010	987,393	2,857	990,250
Balance, March 31, 2011	**1,024,700**	**3,021**	**1,027,721**

(1) In March 2010, the Corporation disposed of a minor non-producing asset for proceeds of $17.5 million. The Corporation recorded a gain of $15.5 million on the sale during the year ended December 31, 2010.

(2) Included as a reduction of P&NG assets at March 31, 2011 is a recovery of $18.5 million related to a drilling royalty incentive for new conventional petroleum and natural gas wells drilled on or after April 1, 2009, but before April 1, 2011.

(3) At the end of each reporting period, the Corporation performed an impairment review of its petroleum and natural gas properties and equipment to assess for recoverability. The Corporation's petroleum and natural gas properties and equipment were not impaired.

6. 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. Effective May 21, 2010, the Corporation cancelled and terminated the Term Facility. The increased funds available from the revolving credit facilities as described in Note 7 were used to repay the full $50 million outstanding under the Term Facility.

During the three months ended March 31, 2011, the Corporation amortized to income approximately $NIL (March 31, 2010 - $0.2 million) in deferred financing fees applicable to the Term Facility. The overall effective interest rate applicable to the bankers' acceptances issued under this facility was 5.8% during the three months ended March 31, 2010.

7. REVOLVING CREDIT FACILITIES

	Mar. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Syndicated credit facility	324,000	334,000	192,000
Working capital facility	16,222	5,176	14,387
Drawn revolving credit facilities	340,222	339,176	206,387
Unamortized prepaid interest on bankers' acceptances	(4,860)	(5,311)	(4,627)
Unamortized deferred financing fees	(142)	(397)	(530)
Total revolving credit facilities	**335,220**	333,468	201,230

Effective May 21, 2010, Birchcliff amended its agreement with its Syndicate, which increased the Corporation's revolving credit facilities limit from $255 million to an aggregate limit of $350 million. On November 30, 2010, Birchcliff's bank syndicate approved an increase of the revolving credit facilities limit from $350 million to an aggregate limit of $375 million. At March 31, 2011 the revolving credit facilities consisted of an extendible revolving term credit facility with an authorized limit of $345 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 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 months ended March 31, 2011, the Corporation amortized to income approximately $0.3 million (March 31, 2010 – $0.3 million) in deferred fees applicable to this facility.

At March 31, 2011, the effective interest rate applicable to the Working Capital Facility was 6.3% (March 31, 2010 – 5.3%). The overall effective interest rates applicable to the bankers' acceptances issued under the Syndicated Credit Facility was 5.8% during the three months ended March 31, 2011 (March 31, 2010 – 4.9%).

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.

8. DECOMMISSIONING OBLIGATIONS

The Corporation's decommissioning obligations result from net ownership interests in petroleum and natural gas properties and equipment including well sites, gathering systems and processing facilities. The total estimated undiscounted cash flows required to settle the Corporation's decommissioning obligations at March 31, 2011 is $93.0 million (December 31, 2010 – $91.5 million) and is expected to be incurred between 2011 and 2062. A risk-free discount rate of 4% and an inflation rate of 2% were used to calculate the fair value of the obligation.

A reconciliation of the decommissioning obligations is provided below:

	March 31, 2011	December 31, 2010
Balance, beginning	42,106	36,697
Obligations incurred	579	2,385
Obligations acquired	51	85
Changes in estimate	68	2,427
Accretion expense	437	1,414
Actual expenditures	(466)	(902)
Balance, ending	**42,775**	42,106

9. SHARE CAPITAL

(a) Authorized:

Unlimited number of voting common shares, with no par value
Unlimited number of non-voting preferred shares, with no par value

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: Refer to the Statements of Changes in Shareholders' Equity for movement in share capital.

10. PRODUCTION EXPENSES

The Corporation's production expenses include all costs with respect to day-to-day well and facility operations. Processing recoveries related to joint interest and third party natural gas reduces production expenses. The components of production expenses are as follows:

For the three months ended,	**March 31, 2011**	March 31, 2010
Field production costs	12,824	9,328
Processing recoveries	(2,118)	(1,072)
Field production costs, net of recoveries	10,706	8,256
Expensed workovers and other	428	197
Total production expenses	**11,134**	8,453

11. ADMINISTRATIVE EXPENSES

The components of administrative expenses are as follows:

For the three months ended,	**March 31, 2011**	March 31, 2010
Cash:		
Salaries and benefits[(1)]	3,247	2,610
Other	2,342	2,372
	5,589	4,982
Operating overhead recoveries	(315)	(321)
Capital overhead recoveries[(2)]	(963)	(1,260)
General and administrative, net	4,311	3,401
Non-cash:		
Stock-based compensation (Note 13)	2,970	4,798
Capitalized stock-based compensation[(2)]	(922)	(1,308)
Stock-based compensation, net	2,048	3,490
Total administrative expenses, net	**6,359**	6,891

(1) Includes salaries and benefits paid to all directors, officers, employees and consultants of the Corporation.
(2) Represents a portion of salaries and benefits and stock-based compensation directly attributed to the exploration and development activities which have been capitalized.

12. FINANCE EXPENSES

The components of the Corporation's finance expenses are as follows:

For the three months ended,	**March 31, 2011**	March 31, 2010
Cash:		
Interest on non-revolving term credit facility (Note 6)	-	700
Interest on revolving credit facilities (Note 7)	4,809	2,279
	4,809	2,979
Non-cash:		
Accretion on decommissioning obligations (Note 8)	437	327
Amortization of deferred financing fees (Notes 6,7)	255	494
Total finance expenses	**5,501**	3,800

13. SHARE-BASED PAYMENTS

Stock Options

The Corporation has established a stock-based compensation plan whereby directors, officers and employees 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. All stock options granted are for a five year term. Each stock option entitles the holder to purchase one common share at the exercise price. 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.

During the three months ended March 31, 2011, the Corporation recorded $2.0 million (March 31, 2010 - $3.5 million) of stock-based compensation expense, net of $1.0 million (March 31, 2010 – $1.3 million) in capitalized amounts directly attributable to the exploration and development of the Corporation's assets. In determining the stock based compensation expense, the Corporation applied a weighted average estimated forfeiture rate of 15.6% for vesting option tranches during the three months ended March 31, 2011 (March 31, 2010 – 17.5%).

At March 31, 2011, the Corporation's Amended and Restated Stock Option Plan permitted the grant of options in respect of a maximum 12,612,724 (March 31, 2010 – 12,435,874) common shares. At March 31, 2011, there remained available for issuance options in respect of 1,716,616 (March 31, 2010 – 2,543,455) common shares. For stock options exercised during the three months ended March 31, 2011, the weighted average share price was $11.22 (March 31, 2010 - $9.41) per share. A summary of the Corporation's outstanding stock options is presented below:

	Number	Weighted Average Exercise Price ($)
Outstanding, December 31, 2009	7,710,253	5.81
Granted	3,350,300	9.61
Exercised	(1,314,232)	(4.63)
Forfeited	(498,801)	(7.41)
Outstanding, December 31, 2010	9,247,520	7.26
Granted	2,767,900	11.35
Exercised	(998,010)	(5.22)
Forfeited	(121,302)	(7.90)
Outstanding, March 31, 2011	**10,896,108**	**8.48**

The weighted average fair value per option during the three months ended March 31, 2011 was $5.31 (March 31, 2010 - $4.63). The weighted average assumptions used in calculating the fair values are set forth below:

	March 31, 2011	March 31, 2010
Risk-free interest rate	2.2%	1.9%
Option life (years)	3.7	3.7
Expected volatility	61.7%	65.1%
Dividend yield	-	-

A summary of the stock options outstanding and exercisable under the plan at March 31, 2011 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
$3.87	$6.00	2,985,640	2.40	$4.84	2,100,521	2.23	$4.75
$6.01	$9.00	1,948,100	2.48	$7.67	1,429,265	2.07	$7.52
$9.01	$12.00	5,674,568	4.30	$10.46	856,353	3.69	$9.78
$12.01	$14.25	287,800	3.18	$12.71	125,200	2.28	$13.07
		10,896,108	**3.43**	**$8.48**	**4,511,339**	**2.46**	**$6.81**

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.

No performance warrants were issued or exercised during the three months ended March 31, 2011 and the year ended December 31, 2010. At March 31, 2011, there remained outstanding and exercisable 2,939,732 performance warrants.

14. 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 during the reporting periods. The following table shows the Corporation's total available credit:

	March 31, 2011	December 31, 2010
Maximum borrowing base limit(1)*:*		
Revolving credit facilities(2)	375,000	375,000
Principal amount utilized:		
Drawn revolving credit facilities	(340,222)	(339,176)
Outstanding letters of credit(3)	(3,014)	(3,014)
	(343,236)	(342,190)
Total unused credit	**31,764**	32,810

(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 Birchcliff's petroleum and natural gas reserves.
(2) The Corporation was compliant with all financial covenants applicable under its revolving credit facilities as at and during the periods ended March 31, 2011 and December 31, 2010.
(3) Letters of credit are issued to various service providers. No amounts were drawn on the letters of credit as at and during the periods ended March 31, 2011 and December 31, 2010.

The capital structure of the Corporation is as follows:

	Mar. 31, 2011	Dec. 31, 2010	% Change from Dec. 31, 2010	Jan. 1, 2010
Total shareholders' equity(1)	616,909	599,140	3%	545,602
Total shareholders' equity as a % of total capital	63%	64%		71%
Working capital deficit(2)	17,584	3,956		20,291
Drawn revolving credit facilities	340,222	339,176		206,387
Total drawn debt	357,806	343,132	4%	226,678
Total drawn debt as a % of total capital	37%	36%		29%
Total capital	**974,715**	942,272	3%	772,280

(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 three months ended March 31, 2011, total shareholders' equity increased due to the exercise of options (Note 13) and an increase in reported net income for the period. Total debt increased from December 31, 2010 largely due to $19.9 million of net capital spent in excess of cash flow during the three months ended March 31, 2011.

15. FINANCIAL INSTRUMENTS AND 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 marketers and joint interest partners 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 accounts receivable:

	Mar. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Marketers[(1)]	20,219	20,800	16,607
Joint interest partners and other	16,708	18,441	13,058
Total accounts receivable	**36,927**	39,241	29,665

(1) At March 31, 2011, approximately 49% of the Corporation's significant individual accounts receivable was due from one marketer (December 31, 2010 – 31%, one marketer). For the three months ended March 31, 2011, the Corporation received 16%, 45%, 15% and 16% of its revenue, respectively, from four core marketers. The Corporation received the majority of its revenue for the three months ended March 31, 2010 from five marketers, who individually accounted for 12%, 41%, 13%, 13% and 14%, respectively.

Typically, Birchcliff's maximum credit exposure from its marketers 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 March 31, 2011, approximately $0.4 million or 1% 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 interest partners. Birchcliff attempts to mitigate the credit risk from joint interest 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 interest partners as disagreements occasionally arise that increases the potential for non-collection. The Corporation does not typically obtain collateral from petroleum and natural gas marketers or joint interest partners; however, the Corporation does have the ability to withhold production from joint interest partners 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 as at March 31, 2011, December 31, 2010 or at January 1, 2010.

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 cash flow estimates. Further, the Corporation utilizes authorizations for expenditures on both operated and non-operated projects to manage capital expenditure. The Corporation also attempts to match its payment cycle with collection of petroleum and natural gas revenue on the 25th of each month.

To facilitate the capital expenditure program, the Corporation has reserve-based bank credit facilities which are reviewed semi-annually by the lender. The principal amount utilized under the Corporation's credit facilities at March 31, 2011 was $343.2 million (December 31, 2010 – $342.2 million) and $31.8 million (December 31, 2010 – $32.8 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 March 31, 2011:

	< 1 Year	1 – 2 Years	3 – 5 Years	Thereafter
Accounts payable and accrued liabilities	57,382	-	-	-
Drawn revolving credit facilities	-	-	340,222	-
Total financial liabilities	**57,382**	**-**	**340,222**	**-**

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, if any. 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 petroleum 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 March 31, 2011 and December 31, 2010. 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 March 31, 2011 and December 31, 2010.

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 months ended March 31, 2011 would have increased (decreased) total net income and comprehensive income by approximately $0.8 million (March 31, 2010 – $0.5 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 March 31, 2011 and December 31, 2010.

Fair Value of Financial Instruments

Birchcliff's financial instruments include cash, accounts receivable, deposits, accounts payable and accrued liabilities and outstanding 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 March 31, 2011 is disclosed below by financial instrument category, as well as any related loss or interest expense for the period:

	Carrying Value	Fair Value	Loss	Interest Expense
Assets Held for Trading:				
Cash(1)	65	65	-	-
Loans and Receivables:				
Accounts receivable(2)	36,927	36,927	-	-
Deposits(2)	2,038	2,038		
Other Liabilities:				
Accounts payable and accrued liabilities(2)	57,382	57,382	-	-
Drawn revolving credit facilities(3)	340,222	340,222	-	4,809

(1) Cash is reported at fair value, based on a Level 1 designation.

(2) Accounts receivable, deposits and accounts payable and accrued liabilities are reported at amortized cost. Due to the short term nature of accounts receivable, deposits 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 Note 7.

16. 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 24% of the excess space to an arm's 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	Amount
2011	2,331
2012	3,118
2013	3,225
2014	3,225
2015	3,225
Thereafter	6,182

17. SUPPLEMENTARY CASH FLOW INFORMATION

For the three months ended,	**March 31, 2011**	March 31, 2010
Provided by (used in):		
Accounts receivable	2,315	(2,491)
Prepaid expenses and deposits	(145)	(44)
Accounts payable and accrued liabilities	6,660	6,261
	8,830	3,726
Provided by (used in):		
Operating	(9,806)	(2,923)
Investing	18,636	6,649
	8,830	3,726

18. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The IFRS accounting polices set forth in Note 3 have been applied in preparing the financial statements as at and for the three months ended March 31, 2011, and comparative financial statements at and for the three months ended March 31, 2010, as at and for the year ended December 31, 2010 and an opening Statement of Financial Position as at January 1, 2010 ("**transition date**"). In preparing the 2010 comparative financial statements, the Corporation adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP.

IFRS 1, *First-time Adoption of IFRS*, requires the presentation of comparative information as at the transition date and subsequent 2010 comparative periods as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transition, the provisions of IFRS 1 allow for mandatory and optional exemptions for first-time adopters to alleviate the retrospective application of certain IFRSs as discussed below.

An explanation of how the transition from Canadian GAAP to IFRS has affected the Corporation's financial position and financial performance is illustrated in the following reconciliations. Certain amounts in these financial statement reconciliations have been reclassified, where applicable, to conform to IAS 1, *Presentation of Financial Statements*.

Reconciliation of the Statement of Financial Position from Canadian GAAP to IFRS:

	As at January 1, 2010			
	GAAP	Effect of Transition to IFRS	Notes	IFRS
ASSETS				
Current assets:				
Cash	140	-		140
Accounts receivable	29,665	-		29,665
Prepaid expenses and deposits	4,635	-		4,635
	34,440	-		34,440
Non-current assets:				
Deferred financing fees	245	-		245
Deferred income taxes	-	1,152	(h)	1,152
Exploration and evaluation	-	640	(a)	640
Petroleum and natural gas properties and equipment	802,423	(640)	(a)	801,783
	802,668	1,152		803,820
	837,108	1,152		838,260
LIABILITIES				
Current liabilities:				
Accounts payables and accrued liabilities	54,731	-		54,731
Non-current liabilities:				
Revolving credit facilities	201,230	-		201,230
Decommissioning obligations	24,713	11,984	(b)	36,697
Deferred income taxes	1,873	(1,873)	(h)	-
	227,816	10,111		237,927
	282,547	10,111		292,658
SHAREHOLDERS' EQUITY				
Share capital	541,593	4,082	(g)	545,675
Contributed surplus	20,315	2,513	(c)	22,828
Deficit	(7,347)	(15,554)		(22,901)
	554,561	(8,959)		545,602
	837,108	1,152		838,260

Reconciliation of the Statement of Financial Position from Canadian GAAP to IFRS (Continued):

	As at March 31, 2010			
	GAAP	Effect of Transition to IFRS	Notes	IFRS
ASSETS				
Current assets:				
Cash	146	-		146
Accounts receivable	32,156	-		32,156
Prepaid expenses and deposits	4,680	-		4,680
	36,982	-		36,982
Non-current assets:				
Exploration and evaluation	-	1,440	(a)	1,440
Petroleum and natural gas properties and equipment	823,198	19,724	(a),(b),(d)-(f)	842,922
	823,198	21,164		844,362
	860,180	21,164		881,344
LIABILITIES				
Current liabilities:				
Accounts payables and accrued liabilities	60,994	-		60,994
Non-current liabilities:				
Non-revolving term credit facility	49,661	-		49,661
Revolving credit facilities	158,614	-		158,614
Decommissioning obligations	25,265	12,307	(b)	37,572
Deferred income taxes	3,627	2,055	(h)	5,682
	237,167	14,362		251,529
	298,161	14,362		312,523
SHAREHOLDERS' EQUITY				
Share capital	544,930	4,055	(g)	548,985
Contributed surplus	21,783	4,842	(c)	26,625
Deficit	(4,694)	(2,095)		(6,789)
	562,019	6,802		568,821
	860,180	21,164		881,344

Reconciliation of the Statement of Financial Position from Canadian GAAP to IFRS (Continued):

	As at December 31, 2010			
	GAAP	Effect of Transition to IFRS	Notes	IFRS
ASSETS				
Current assets:				
Cash	4,863	-		4,863
Accounts receivable	39,241	-		39,241
Prepaid expenses and deposits	2,661	-		2,661
	46,765	-		46,765
Non-current assets:				
Exploration and evaluation	-	1,540	(a)	1,540
Petroleum and natural gas properties and equipment	948,626	41,624	(a),(b),(d)-(f)	990,250
	948,626	43,164		991,790
	995,391	43,164		1,038,555
LIABILITIES				
Current liabilities:				
Accounts payables and accrued liabilities	50,721	-		50,721
Non-current liabilities:				
Revolving credit facilities	333,468	-		333,468
Decommissioning obligations	26,448	15,658	(b)	42,106
Deferred income taxes	7,631	5,489	(h)	13,120
	367,547	21,147		388,694
	418,268	21,147		439,415
SHAREHOLDERS' EQUITY				
Share capital	550,472	3,947	(g)	554,419
Contributed surplus	28,096	5,363	(c)	33,459
Retained earnings (deficit)	(1,445)	12,707		11,262
	577,123	22,017		599,140
	995,391	43,164		1,038,555

Reconciliation of the Statement of Net Income and Comprehensive Income from Canadian GAAP to IFRS:

	For the three months ended March 31, 2010			
	GAAP	Effect of Transition to IFRS	Notes	IFRS
REVENUE				
Petroleum and natural gas revenue	44,235	-		44,235
Royalties	(5,363)	-		(5,363)
	38,872	-		38,872
EXPENSES				
Production	8,453	-		8,453
Transportation and marketing	2,426	-		2,426
Administrative, net	4,597	2,294	(c),(f)	6,891
Depletion and depreciation	15,104	(5,220)	(e)	9,884
Finance	3,886	(86)	(b)	3,800
(Gain) on sale of assets	-	(15,528)	(d)	(15,528)
	34,466	(18,540)		15,926
INCOME BEFORE TAXES	4,406	18,540		22,946
Deferred income tax expense	1,753	5,081	(h)	6,834
TOTAL NET INCOME AND COMPREHENSIVE INCOME	2,653	13,459		16,112

Reconciliation of the Statement of Net Income and Comprehensive Income from Canadian GAAP to IFRS (continued):

	For the year ended December 31, 2010			
	GAAP	Effect of Transition to IFRS	Notes	IFRS
REVENUE				
Petroleum and natural gas revenue	189,978	-		189,978
Royalties	(16,933)	-		(16,933)
	173,045	-		173,045
EXPENSES				
Production	36,745	(490)	(e)	36,255
Transportation and marketing	12,359	-		12,359
Administrative, net	20,714	2,780	(c),(f)	23,494
Depletion and depreciation	74,636	(23,120)	(e)	51,516
Finance	16,932	(419)	(b)	16,513
(Gain) on sale of assets	-	(15,528)	(d)	(15,528)
	161,386	(36,777)		124,609
INCOME BEFORE TAXES	11,659	36,777		48,436
Deferred income tax expense	5,757	8,516	(h)	14,273
TOTAL NET INCOME AND COMPREHENSIVE INCOME	5,902	28,261		34,163

Notes to reconciliations:

The following discussion explains the significant differences between Birchcliff's Canadian GAAP accounting policies and those applied by the Corporation under IFRS. IFRS policies have been retrospectively and consistently applied except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment upon transition to IFRS for first-time adopters. The note captions below correspond to the adjustments presented in the preceding reconciliations.

In preparing the comparative financial statements in accordance with IFRS 1, the Corporation has applied the following optional exemptions from full retrospective application of IFRS.

- IFRS 1 – Deemed cost election for full cost oil and gas reporting entities;
- IFRS 2 – Share-based payments; and
- IAS 37 – Decommissioning obligations

Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Corporation under Canadian GAAP are consistent with their application under IFRS. The remaining IFRS 1 exemptions were not applicable or material to the preparation of the Corporation's Statement of Financial Position at the date of transition to IFRS on January 1, 2010.

(a) IFRS 1 deemed cost election for full cost oil and gas reporting entities

The Corporation has elected to use the IFRS 1 exemption, whereby the petroleum and natural gas properties and equipment balance, as determined under Canadian GAAP, is allocated to the IFRS categories of exploration and evaluation costs and development and production costs. Under the exemption, for assets in the development and production phases, the amounts were allocated (on an area basis) to the underlying IFRS transitional assets on a pro-rata basis using proved plus probable reserve volumes as of the IFRS transition date. Exploration and evaluation assets were recorded at the amounts previously recorded under Canadian GAAP.

Under IFRS, exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. Development and production costs include those expenditures for areas where technical feasibility and commercial viability has been determined and are included in the general balance of petroleum and natural gas properties and equipment.

Exploration and evaluation assets at January 1, 2010 were deemed to be $0.6 million, representing the unproved properties balance under Canadian GAAP. This resulted in a reclassification of $0.6 million from petroleum and natural gas properties and equipment to exploration and evaluation assets as at January 1, 2010. As at December 31, 2010, the Corporation's exploration and evaluation assets totalled $1.5 million. These exploration activities are pending the determination of economic quantities of commercially producible reserves. As such, no costs have been reclassified from exploration and evaluation to petroleum and natural gas properties and equipment during the year ended December 31, 2010.

The Corporation performed an impairment test on its exploration and evaluation assets and petroleum and natural gas properties and equipment in accordance with the accounting policy stated in Note 3. The recoverable amount of Birchcliff's assets were estimated based on the fair value less cost to sell approach using discounted cash flows from proved plus probable reserves, taking into consideration escalated prices and future development costs, as obtained from the Corporation's independent reserve report. Based on the above assessment, Birchcliff's exploration and evaluation assets and petroleum and natural gas properties and equipment were not impaired on transition to IFRS, as at March 31, 2010 and as at December 31, 2010.

(b) Decommissioning obligations

The Corporation has elected to measure decommissioning obligations (formerly known as asset retirement obligations under Canadian GAAP) on transition to IFRS in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and recognize directly in deficit the difference between that amount and the carrying amount of those obligations determined under Canadian GAAP at the transition date. Because of the IFRS 1 deemed cost exemption described above, no adjustment to petroleum and natural gas properties and equipment was recorded on transition to IFRS. Under Canadian GAAP, accretion on decommissioning obligations was included in depletion and depreciation expense. Under IFRS, accretion expense is included in finance expenses.

Under Canadian GAAP, decommissioning obligations were discounted at a credit-adjusted risk- free rate of 8%. Under IFRS, the estimated cash flow to abandon and remediate both wells and facilities has been risk-adjusted and therefore the provision was discounted at a risk-free rate of 4% based on Government of Canada long-term bonds.

The application of IAS 37 resulted in a $12.0 million increase to decommissioning obligations with a corresponding increase to the Corporation's deficit at the date of transition. This resulted in a $3.0 million decrease to deferred income tax liability with a corresponding decrease to the Corporation's deficit at the date of transition. Accretion expense decreased during the year ended December 31, 2010 by $0.4 million (March 31, 2010 - $0.1 million) from the amounts previously recorded under Canadian GAAP.

(c) Share-based payments

The Corporation has elected to apply IFRS 2, *Share-based Payments* to equity instruments granted after November 7, 2002 that have not vested by the transition date. Under Canadian GAAP, stock-based compensation expense was disclosed as a separate line item in profit or loss. Under IFRS, stock-based compensation expense is included in administrative expenses.

Under Canadian GAAP, the fair value of stock options was calculated using a Black-Scholes option-pricing model for each option grant and the resulting expense was recognized on a straight-line basis over the three year vesting period at a rate of one-third on each anniversary date of the stock option grant. Forfeitures of stock options were recognized as they occurred.

Under IFRS, each vesting tranche of an option grant with different vesting dates was considered a separate grant for the calculation of fair value. This resulted in accelerated expense recognition which attributed higher stock-based compensation expense in early years of an option grant and less expense in later years. Birchcliff also applied an estimated forfeiture rate at the initial grant date. The forfeiture rate is taken into account by adjusting the number of stock options expected to vest under each vesting tranche and subsequently revising this estimate throughout the vesting period, as necessary. When determining the fair value of each vesting tranche under IFRS, Birchcliff applied an estimated weighted average option life for each respective tranche which reflects historical experiences. Under Canadian GAAP, the option life was equal to the expiry period of five years.

The application of IFRS 2 resulted in a $2.5 million increase to contributed surplus with a corresponding increase to the Corporation's deficit at the date of transition. Stock-based compensation expense increased during the year ended December 31, 2010 by $2.7 million (March 31, 2010 - $2.3 million) from the amounts previously recorded under Canadian GAAP. The Corporation applied a weighted average estimated forfeiture rate of 17.4% during the year ended December 31, 2010 (March 31, 2010 – 17.5%).

(d) Gain on sale of assets

Under Canadian GAAP, proceeds from the sale of assets were applied in full against petroleum and natural gas properties and equipment, with no gain or loss recognized, unless such a sale would change the rate of depletion and depreciation by 20 percent or more. Under IFRS, a gain or loss is recorded when petroleum and natural gas properties and equipment are sold. There was no impact of this policy on the transition date due to the IFRS 1 deemed cost exemption discussed above.

The above accounting policy difference resulted in a gain of $15.5 million, as a result of a sale of a minor non-producing asset in March 2010, with a corresponding increase to petroleum and natural gas properties and equipment during the year ended December 31, 2010. No gain or loss was recorded on the sale of these assets under Canadian GAAP.

(e) Depletion and depreciation

Under Canadian GAAP, the Corporation depleted the full cost pool based on the unit of production method using proved reserves for each country cost centre. Under IAS 16, *Property, Plant & Equipment*, the Corporation has elected to deplete its development and production costs (excluding plant turnaround costs) on an area basis using the unit of production method over proved plus probable reserves. Exploration and evaluation costs are not amortized under IFRS.

Depleting at an area level over proved plus probable reserves resulted in a decrease to depletion and depreciation of $23.1 million for the year ended December 31, 2010 (March 31, 2010 – $5.2 million) from amounts previously reported under Canadian GAAP.

(f) Administrative expenses

Administrative expenses includes the total cash remuneration from salaries and benefits paid to directors, officers, employees and consultants of the Corporation, other general business expenses and non-cash stock-based compensation, net of any capitalized portions thereof. The components of administrative expenses for the 2010 comparative periods under IFRS are as follows:

	Twelve months ended December 31, 2010	**Three months ended, March 31, 2010**
Cash:		
Salaries and benefits	14,124	2,610
Other	8,197	2,372
	22,321	4,982
Operating overhead recoveries	(1,254)	(321)
Capital overhead recoveries	(5,330)	(1,260)
General and administrative, net	15,737	3,401
Non-cash:		
Stock-based compensation	13,291	4,797
Capitalized stock-based compensation	(5,534)	(1,307)
Stock-based compensation, net	7,757	3,490
Administrative expenses, net	23,494	6,891

Under Canadian GAAP, "capital overhead recoveries" related to estimated time spent on capital projects by engineering, land, accounting and operations and was based on an industry standard overhead charge per Authorization for Expenditure. Stock-based compensation was not capitalized under Canadian GAAP. Under IFRS, capital overhead recoveries include a portion of salaries and benefits that are directly attributable to the exploration and development of the Corporation's assets. This varies in some respects from the amounts recorded under Canadian GAAP. In addition, under IFRS, Birchcliff has capitalized a portion of stock-based compensation directly attributable to the exploration and development of its assets.

These accounting policy differences resulted in an increase to net general and administrative expenses (cash) by $5.2 million during the year ended December 31, 2010 (March 31, 2010 – $1.1 million) from amounts previously reported under Canadian GAAP. In addition, non-cash stock-based compensation expense decreased by $5.5 million during the year ended December 31, 2010 (March 31, 2010 – $1.3 million) from amounts previously reported under Canadian GAAP.

(g) Share capital

Under Canadian GAAP, the proceeds from the issuance of flow-through shares are recognized as shareholders' equity. The tax basis of assets related to expenditures incurred to satisfy flow-through share obligations is reduced when the renunciation of the related tax pools occurs which then increases the deferred income tax liability and reduces share capital.

Under IFRS, the amount recorded to share capital from the issuance of flow-through shares reflects the fair market value of "regular" common shares. The difference between the total value of a flow-through share issuance and the fair market value of regular common share issuance (premium) is initially accrued as a deferred obligation when the flow-through shares are issued. Pursuant to the terms of the flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. Accordingly, on renunciation with the Canada Revenue Agency, a deferred tax liability is recorded equal to the estimated amount of deferred income taxes payable by the Corporation as a result of the renunciations, the obligation on issuance of flow-through shares is reduced and the difference is recognized in profit or loss. There is no impact to share capital on renunciation of flow-through shares.

The above accounting policy difference resulted in an increase to share capital of $4.3 million with a corresponding increase to deficit at the transition date. The Corporation had no deferred obligation with respect to the issuance of flow-through shares at the transition date.

(h) Income taxes

Each of the adjustments discussed above result in a change in deferred income tax assets and liabilities based on Birchcliff's effective tax rate. The Corporation recorded a decrease in deferred tax liabilities of $3.0 million at January 1, 2010 and an increase in deferred tax liabilities of $5.5 million at December 31, 2010 from amounts previously reported under Canadian GAAP. Additional deferred income tax expense of $5.1 million for the three month period ended March 31, 2010 and $8.5 million for the year ended December 31, 2010 was recorded under IFRS.

OFFICERS

A. Jeffery Tonken
President & Chief Executive Officer

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

Bruno P. Geremia
Vice President & Chief Financial Officer

David M. Humphreys
Vice President, Operations

Karen A. Pagano
Vice President, Engineering

James W. Surbey
Vice President, Corporate Development

DIRECTORS

Larry A. Shaw
Calgary, Alberta

Gordon W. Cameron
Calgary, Alberta

Kenneth N. Cullen, C.A.
Calgary, Alberta

Werner A. Siemens
Calgary, Alberta

A. Jeffery Tonken
President & Chief Executive Officer
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

HEAD OFFICE

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

SPIRIT RIVER OFFICE

5604 – 49th Avenue
Spirit River, Alberta T0H 3G0
Phone: 780-864-4624
Fax: 780-864-4628

Email: info@birchcliffenergy.com
www.birchcliffenergy.com