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February 13, 2013

**BIRCHCLIFF ENERGY LTD. ANNOUNCES  
MATERIAL PRODUCTION GAINS, UNAUDITED 2012 FINANCIAL RESULTS,  
SIGNIFICANT 2012 RESERVES ADDITIONS AND 2012 RESOURCE ASSESSMENT**

**Calgary, Alberta - Birchcliff Energy Ltd. ("Birchcliff") (TSX: BIR)** is pleased to announce its 2012 fourth quarter results, 2012 unaudited financial and operational results, highlights from its 2012 independent reserves evaluation and 2012 independent Montney/Doig natural gas resource assessment, its 2013 capital budget and operational update. All financial amounts referred to in this press release are management's best estimates, which have not yet been audited.

Birchcliff is extremely pleased to report that it has outperformed its 2012 public production guidance, reduced its operating costs and added significant reserves at very low costs, resulting in material funds flow from operations and net income, all in a very difficult natural gas price environment.

**PRESS RELEASE HIGHLIGHTS**

***2012 Fourth Quarter Results***

- Fourth quarter average production of 26,655 boe per day, a 34.5% increase over production of 19,812 boe per day in the fourth quarter of 2011 and a 24.4% increase over production of 21,426 boe per day in the third quarter of 2012.
- Funds flow of \$39.8 million or \$0.28 per basic share, a 31.1% increase from the fourth quarter of 2011.
- Net income available to common shareholders of \$5.3 million or \$0.04 per common share in the fourth quarter of 2012, a 59.2% increase from the fourth quarter of 2011.
- Operating costs of \$5.88 per boe (excluding transportation and marketing costs), down 14.8% from \$6.90 per boe in the fourth quarter of 2011.
- Total year-end debt, including working capital deficiency, of \$462.1 million. Long-term bank debt of \$432.6 million against available lines of credit of \$540 million.
- Drilled 3 (3.0 net) Montney/Doig horizontal natural gas wells, 1 (1.0 net) Montney/Doig vertical exploration well and 1 (0.03 net) Charlie Lake horizontal oil well, all of which were successful.
- Phase III expansion of the Pouce Coupe South Natural Gas Plant (the "**PCS Gas Plant**") was completed and operational in October 2012. Total licensed processing capacity of the PCS Gas Plant is 150 MMcf per day.

***2012 Unaudited Financial and Operational Results***

- 2012 average production of 22,802 boe per day, a 25.7% increase over 2011 average production of 18,136 boe per day.
- Funds flow of \$120.3 million or \$0.88 per basic share, an 8.1% decrease from 2011.
- Net income available to common shareholders of \$11.6 million or \$0.08 per common share, notwithstanding low natural gas prices, compared to \$34.5 million in 2011.
- Capital expenditures during 2012 of \$298.9 million as compared to \$237.5 million during 2011.
- Operating costs of \$6.06 per boe (excluding transportation and marketing costs), down 10.2% from \$6.75 per boe in 2011.

- Operating netback recycle ratio of 3.3 and funds flow netback recycle ratio of 2.4, in each case excluding future development costs, based on finding, development and acquisition costs and proved plus probable reserves.
- Drilled a total of 38 (35.1 net) wells in 2012, with 100% drilling success.
- Drilled 24 (24.0 net) wells in 2012 on our Montney/Doig Natural Gas Resource Play, including 22 (22.0 net) horizontal natural gas wells and 2 (2.0 net) vertical exploration wells.
- Drilled 11 (11.0 net) wells in 2012 on our Worsley Light Oil Resource Play, all of which were horizontal wells.
- Expansion of undeveloped land base to 544,129 (506,024 net) acres up from 531,903 (493,968 net) acres at December 31, 2011, with a 93% average working interest.
- Continued expansion of Birchcliff's footprint on the Montney/Doig Natural Gas Resource Play in the Pouce Coupe area of North West Alberta with the acquisition of contiguous blocks of high working interest land through private transactions and Alberta Crown land sale purchases.
- Increased potential Montney/Doig horizontal natural gas well drilling locations to 1,929 net, up from 1,850 net at December 31, 2011, as a result of land acquisitions, production performance and drilling success.
- Development of new resource plays in the Peace River Arch including extensive technical work and the acquisition in 2012 of large contiguous blocks of prospective lands totalling 76,909 (76,909 net) acres at 100% working interest.

#### ***2012 Reserves Evaluation***

- Proved developed producing reserves of 54.6 MMboe, a 41.0% increase from December 31, 2011.
- Proved plus probable reserves of 317.8 MMboe, a 15.4% increase from December 31, 2011.
- Added 50.7 MMboe of proved plus probable reserves and produced 8.3 MMboe during the year for a net increase of 42.3 MMboe of proved plus probable reserves (6.1 boe added for each boe that was produced in 2012).
- Reserve life index of 33 years on a proved plus probable basis assuming an average daily production rate of 26,400 boe per day.

#### ***2012 Finding and Development Costs***

- Finding, development and acquisition ("FD&A") costs on a proved plus probable basis of \$5.89 per boe, excluding future development capital and \$11.56 per boe, including future development capital. In 2012, FD&A costs included \$62 million of facilities capital (excluding equipment and tie-in costs).

#### ***2012 Montney/Doig Natural Gas Resource Assessment***

- Updated Montney/Doig natural gas resource assessment effective December 31, 2012.
- Best estimate of 39.7 Tcfe of total petroleum initially-in-place.
- Best estimate of 4.9 Tcfe of contingent resources, a material increase of 127% from 2.1 Tcfe in 2011.
- Best estimate of 13.0 Tcfe of prospective resources.

#### ***2013 Budget, Production and Operational Update***

- Estimated 2013 average production of approximately 26,400 boe per day, a 15.8% increase over 2012, with estimated 2013 exit production of approximately 28,000 boe per day.
- Year to date production has averaged approximately 26,300 boe per day.
- 2013 capital budget of \$184.6 million with plans to drill 31 (30.0 net) wells.

- Drilling results to date of 4 (3.5 net) successful wells, consisting of 1 (1.0 net) Montney/Doig horizontal natural gas well in the Pouce Coupe area, 2 ( 2.0 net) Charlie Lake horizontal light oil wells in the Worsley area and 1 (0.5 net) Halfway horizontal light oil well in the Progress area.
- 3 drilling rigs currently working: 2 in the Pouce Coupe area drilling Montney/Doig horizontal wells and 1 rig in the Worsley area drilling Charlie Lake horizontal wells.

## 2012 FOURTH QUARTER RESULTS

Birchcliff's production in the fourth quarter of 2012 averaged 26,655 boe per day, a 24.4% increase from 21,426 boe per day in the third quarter of 2012 and a 34.5% increase from 19,812 boe per day in the fourth quarter of 2011.

Funds flow in the fourth quarter of 2012 increased to \$39.8 million as compared to \$28.2 million in the third quarter of 2012 and \$30.4 million in the fourth quarter of 2011.

Net income available to common shareholders increased to \$5.3 million in the fourth quarter of 2012 as compared to \$2.2 million in the third quarter of 2012 and \$3.3 million in the fourth quarter of 2011.

Operating costs per boe (excluding transportation and marketing costs) were \$5.88 per boe, down 2.2% from \$6.01 per boe in the third quarter of 2012 and down 14.8% from \$6.90 per boe in the fourth quarter of 2011. The decrease in operating costs per boe is due to the increased volumes of natural gas processed through Birchcliff's low cost PCS Gas Plant and implementation of various optimization initiatives.

General and administrative expenses were \$2.66 per boe, down 54.8% from \$5.88 per boe in the fourth quarter of 2011.

Total cash costs were \$15.56 per boe, down 28.9% from \$21.87 per boe in the fourth quarter of 2011.

Capital expenditures in the fourth quarter of 2012 were \$32.1 million as compared to \$88.1 million in the third quarter of 2012 and \$81.0 million in the fourth quarter of 2011.

Total debt (including working capital deficit) was \$462.1 million at December 31, 2012, as compared to \$468.2 million at September 30, 2012 and \$437.0 million at December 31, 2011. Long-term bank debt was \$432.6 million at December 31, 2012 against total available lines of credit of \$540 million.

Drilling activities during the fourth quarter of 2012 resulted in 5 (4.0 net) wells, of which all were successful. Birchcliff drilled and cased 3 (3.0 net) Montney/Doig horizontal natural gas wells, 1 (1.0 net) Montney/Doig vertical exploration well and 1 (0.03 net) Charlie Lake horizontal light oil well.

The Phase III expansion of the PCS Gas Plant was completed and operational in October 2012, expanding the total licensed capacity of the PCS Gas Plant to 150 MMcf per day.

## 2012 UNAUDITED FINANCIAL AND OPERATIONAL HIGHLIGHTS

<i>Financial and Operational Highlights</i>	Three months ended Dec. 31, 2012	Three months ended Dec. 31, 2011	Twelve months ended Dec. 31, 2012	Twelve months ended Dec. 31, 2011
<b>OPERATING</b>				
Average daily production				
Light oil – (barrels)	3,986	4,229	4,270	3,905
Natural gas – (thousands of cubic feet)	131,120	90,116	106,868	82,116
NGLs – (barrels)	816	564	721	545
<b>Total – barrels of oil equivalent (6:1)</b>	<b>26,655</b>	<b>19,812</b>	<b>22,802</b>	<b>18,136</b>
Average sales price (\$ Canadian)				
Light oil – (per barrel)	83.38	95.52	84.45	92.00
Natural gas – (per thousand cubic feet)	3.43	3.40	2.63	3.85
NGLs – (per barrel)	80.44	94.67	83.78	89.33
<b>Total – barrels of oil equivalent (6:1)</b>	<b>31.78</b>	<b>38.54</b>	<b>30.80</b>	<b>39.94</b>
Undeveloped land				
Gross (acres)	544,129	531,903	544,129	531,903
Net (acres)	506,024	493,968	506,024	493,968
<b>NETBACK AND COST</b>				
(\$ per barrel of oil equivalent at 6:1)				
Petroleum and natural gas revenue	31.81	38.55	30.82	39.97
Royalty expense	(2.52)	(4.16)	(2.90)	(4.44)
Operating expense	(5.88)	(6.90)	(6.06)	(6.75)
Transportation and marketing expense	(2.09)	(2.66)	(2.28)	(2.64)
<b>Netback</b>	<b>21.32</b>	<b>24.83</b>	<b>19.58</b>	<b>26.14</b>
General & administrative expense, net	(2.66)	(5.88)	(2.75)	(3.74)
Interest expense	(2.41)	(2.27)	(2.42)	(2.64)
<b>Funds flow netback</b>	<b>16.25</b>	<b>16.68</b>	<b>14.41</b>	<b>19.76</b>
Stock-based compensation expense, net	(0.41)	(1.48)	(0.60)	(1.42)
Depletion and depreciation expense	(11.75)	(11.97)	(11.48)	(10.84)
Accretion expense	(0.18)	(0.23)	(0.21)	(0.27)
Amortization of deferred financing fees	(0.08)	(0.11)	(0.09)	(0.13)
Gain on sale of assets	-	-	0.46	0.32
Income tax expense	(1.26)	(1.06)	(0.91)	(2.22)
Net income	2.57	1.83	1.58	5.20
Preferred share dividends	(0.41)	-	(0.19)	-
<b>Net income available to common shareholders</b>	<b>2.16</b>	<b>1.83</b>	<b>1.39</b>	<b>5.20</b>
<b>FINANCIAL</b>				
Petroleum and natural gas revenue (\$000)	78,001	70,261	257,206	264,587
Funds flow from operations (\$000) <sup>(1)</sup>	39,848	30,400	120,259	130,826
Per common share – basic (\$) <sup>(1)</sup>	0.28	0.24	0.88	1.04
Per common share – diluted (\$) <sup>(1)</sup>	0.28	0.23	0.86	1.00
Net income (\$000)	6,305	3,333	13,196	34,454
Net income available to common shareholders (\$000)	5,305	3,333	11,617	34,454
Per common share – basic (\$)	0.04	0.03	0.08	0.27
Per common share – diluted (\$)	0.04	0.03	0.08	0.26
Common shares outstanding				
End of period – basic	141,596,279	126,745,577	141,596,279	126,745,577
End of period – diluted	162,997,383	140,152,250	162,997,383	140,152,250
Weighted average shares for period – basic	141,585,180	126,731,919	137,083,519	126,282,910
Weighted average shares for period – diluted	144,238,774	132,216,022	139,904,484	131,444,878
Capital expenditures (\$000)	32,137	81,023	298,903	237,480
Preferred share dividends (\$000)	1,000	-	1,579	-
Working capital deficit (\$000)	29,567	48,598	29,567	48,598
Non-revolving five-year term credit facility (\$000)	68,250	68,925	68,250	68,925
Revolving credit facilities (\$000)	364,313	319,500	364,313	319,500
<b>Total debt (\$000)</b>	<b>462,130</b>	<b>437,023</b>	<b>462,130</b>	<b>437,023</b>

(1) Funds flow from operations and funds flow per common share amounts are non-GAAP measures that represent cash flow from operating activities, before the effects of changes in non-cash working capital and decommissioning expenditures.

## **2012 UNAUDITED FINANCIAL AND OPERATIONAL RESULTS**

All financial and operating information in this press release for the year ended December 31, 2012 is based on estimated unaudited financial results for the year. These estimated amounts may change upon the completion of audited financial statements for the year ended December 31, 2012. Birchcliff's audited financial results are scheduled to be released on March 13, 2013.

### **2012 Production**

Production in 2012 averaged 22,802 boe per day, which is a 25.7% increase over 2011 average production of 18,136 boe per day. This increase was achieved through the success of Birchcliff's capital drilling program, increased incremental production from new horizontal natural gas wells on the Montney/Doig Natural Gas Resource Play that are processed through Birchcliff's PCS Gas Plant and increased light oil production.

Production consisted of approximately 78% natural gas and 22% crude oil and natural gas liquids in 2012 and 75% natural gas and 25% crude oil and natural gas liquids in 2011.

### **2012 Funds Flow and Earnings**

2012 funds flow was approximately \$120.3 million or \$0.88 per common share, an 8.1% decrease from 2011. This decrease was largely a result of the 34.2% decrease in the average AECO natural gas spot price from \$3.63 per Mcf in 2011 to \$2.39 per Mcf in 2012.

Birchcliff recorded net income available to common shareholders of \$11.6 million or \$0.08 per common share in 2012 as compared to \$34.5 million or \$0.27 per common share in 2011. These earnings are significant as natural gas prices were extremely low in the first half of 2012, resulting in reduced margins, yet Birchcliff was profitable on a full cycle basis, which demonstrates its resource plays continue to be economic notwithstanding very low commodity prices.

### **2012 Debt and Capitalization**

At December 31, 2012, Birchcliff's long-term bank debt was \$432.6 million from available credit facilities aggregating \$540 million. As such, Birchcliff has significant credit capacity and financial flexibility. At December 31, 2012, Birchcliff's working capital deficiency was \$29.6 million and total debt was \$462.1 million.

Birchcliff expects that as a result of its significant 2012 reserve additions, its bank credit facilities will be increased during its normal credit review in May 2013. The extent of any such increase is unknown at this time.

At December 31, 2012, Birchcliff had outstanding 141,596,279 basic common shares, 162,997,383 fully diluted common shares and 2,000,000 Series A Preferred Shares. The Corporation also has 6,000,000 warrants outstanding, each warrant providing the right to purchase one common share at an exercise price of \$8.30 until August 8, 2014.

### **2012 Operating Costs**

Operating costs were \$6.06 per boe (excluding transportation and marketing costs), down 10.2% from \$6.75 per boe in 2011. This reduction of operating costs per boe was largely due to the increased volumes of natural gas being processed through Birchcliff's low cost PCS Gas Plant and implementation of various optimization initiatives. The Phase III expansion of the PCS Gas Plant began processing natural gas in October 2012.

## 2012 PCS Gas Plant Netbacks

The estimated operating netback for Birchcliff's natural gas production flowing to the PCS Gas Plant was \$2.22 per Mcfe in 2012. Birchcliff's strong netback for its natural gas production flowing to the PCS Gas Plant is a result of the low cost structure of the PCS Gas Plant and the premium price received for its natural gas and condensate. Some of the financial and operational highlights of the PCS Gas Plant during 2012 include:

- Premium pricing of \$2.91 per Mcfe, due to the heat content for Birchcliff's natural gas sales processed at the PCS Gas Plant and the value of recovered condensate. During the same period AECO natural gas spot price averaged \$2.39 per Mcf;
- Low net operating costs at the PCS Gas Plant, averaging \$0.35 per Mcfe;
- High operating margin of 76% at the PCS Gas Plant which is determined by dividing the estimated operating netback by petroleum and natural gas revenue; and
- Significant production processed at the PCS Gas Plant. Approximately 55.5% of Birchcliff's total natural gas sales volumes and 44.3% of total corporate sales volumes were processed at the PCS Gas Plant.

The following table details Birchcliff's annual net production and operating netback for wells producing to the PCS Gas Plant.

<i>Production Processed through the PCS Gas Plant</i>	2012		2011	
Average Daily Production, Net to Birchcliff:				
Natural Gas (Mcf)	59,327			40,334
Oil & NGLs (bbls)	204			96
Total boe (6:1)	10,092			6,818
Netback and Cost:	<i>\$/Mcfe</i>	<i>\$/boe</i>	<i>\$/Mcfe</i>	<i>\$/boe</i>
Petroleum and Natural Gas Revenue	2.91 <sup>(2)</sup>	17.44	3.98 <sup>(1)</sup>	23.88
Royalty Expense	(0.11)	(0.67)	(0.26)	(1.55)
Operating Expense, Net of Recoveries	(0.35)	(2.08)	(0.21)	(1.28)
Transportation and Marketing Expense	(0.23)	(1.37)	(0.27)	(1.59)
<b>Estimated Operating Netback<sup>(2)</sup></b>	<b>2.22</b>	<b>13.32</b>	3.24	19.46
Operating Margin <sup>(3)</sup>	76%	76%	81%	81%

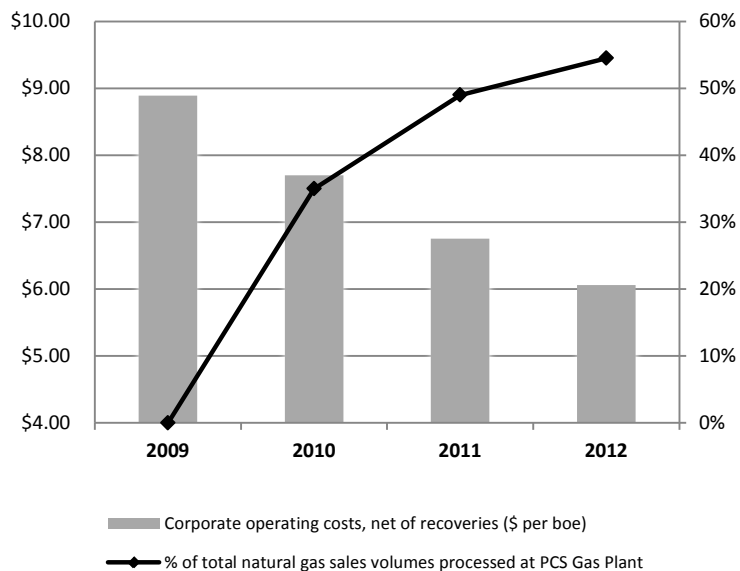
(1) Premium pricing resulting from the heat value of natural gas being processed at the PCS Gas Plant and the value of recovered condensate. AECO natural gas spot price averaged \$2.39 per Mcf during 2012 and \$3.63 per Mcf during 2011.

(2) The estimated operating netback is a non-GAAP measure and is based upon certain cost allocations and accruals directly related to the PCS Gas Plant and related wells and infrastructure, and are disclosed on a production month basis.

(3) Operating margin is a non-GAAP measure and is calculated by dividing the estimated operating netback by petroleum and natural gas revenue for the period.

As illustrated in the table below, after Birchcliff began processing natural gas at the PCS Gas Plant in early 2010, total corporate operating costs on a per boe basis have trended downward as increasing production volumes have been processed at the PCS Gas Plant:

**Corporate Operating Costs per Boe vs. % of Total Natural Gas Sales Volumes Processed at the PCS Gas Plant**



The average daily production processed at the PCS Gas Plant during 2012 increased by approximately 48% from 2011. Processing Montney/Doig horizontal natural gas wells at the PCS Gas Plant has significantly improved the economics of these wells, allowing the Corporation to not only generate positive netbacks but also achieve high operating margins during this period of depressed natural gas prices.

### 2012 Recycle Ratios

The following table shows Birchcliff's recycle ratio for operating and funds flow netback, which are calculated in each case by dividing the average operating netback per boe or funds flow netback per boe, as the case may be, by each of the finding and development ("F&D") costs and the FD&A costs.

	Operating Netback Recycle Ratio		Funds Flow Netback Recycle Ratio	
	2012	2011	2012	2011
Excluding Future Development Capital				
F&D - Proved Plus Probable	3.2	9.1	2.4	6.9
FD&A - Proved Plus Probable	3.3	8.9	2.4	6.8
Including Future Development Capital				
F&D - Proved Plus Probable	1.6	2.2	1.2	1.6
FD&A - Proved Plus Probable	1.7	2.1	1.2	1.6

During 2012, the average WTI price of crude oil was US \$94.21 per barrel and the average price of natural gas at AECO was Cdn \$2.39 per Mcf. Operating netback per boe for 2012 was \$19.58. Funds flow netback per boe for 2012 was \$14.41.

### 2012 Drilling Program

Birchcliff's 2012 drilling program, which offered a mixture of moderate to high impact development and exploration prospects, focused on our two resource plays, the Montney/Doig Natural Gas Resource Play

and the Worsley Light Oil Resource Play. During 2012, Birchcliff drilled 38 (35.09 net) wells. These wells included 24 (24.0 net) natural gas wells, and 14 (11.09 net) oil wells, and no dry holes for a 100% success rate.

In the Pouce Coupe area, Birchcliff drilled 22 (22.0 net) Montney/Doig horizontal natural gas wells utilizing multi-stage fracture stimulation technology. Birchcliff continues to expand the Montney/Doig Natural Gas Resource Play both geographically and stratigraphically, as 4 (4.0 net) of the 22 (22.0 net) Montney/Doig horizontal natural gas wells were exploration successes. As well Birchcliff drilled 2 (2.0 net) successful vertical exploration wells in the Montney/Doig Natural Gas Resource Play.

Drilling activities at Worsley included 11 (11.0 net) horizontal Charlie Lake oil wells on our Worsley Light Oil Resource Play, utilizing multi-stage fracture stimulation technology.

The remaining 3 (0.1 net) wells were low working interest, non-operated Charlie Lake horizontal oil wells.

### 2012 Land

We have continued to expand our undeveloped land base to 544,129 (506,024 net) acres up from 531,903 (493,968 net) acres at December 31, 2011, with a 93% average working interest. During 2012, Birchcliff acquired 76,909 (76,909 net) acres of undeveloped land, all in its core area of the Peace River Arch of Alberta.

Birchcliff's land base primarily consists of large contiguous blocks of high working interest acreage located near facilities owned and/or operated by Birchcliff or near third party infrastructure. A significant amount of the land purchased is a direct result of the exploration and development success by Birchcliff in the Peace River Arch area. All of the new land has been purchased without partners at 100% working interest.

### 2012 New Tight/Shale Oil Resource Play Development

In Birchcliff's core area of the Peace River Arch, numerous industry competitors have announced significant developments on a number of new Tight/Shale Oil Resource Plays. Throughout 2012 and the beginning of 2013, there has been significant lands posted and acquired in the Peace River Arch area and numerous new wells have been drilled, completed and brought on production, targeting these new resource plays, including the Montney, Charlie Lake, Nordegg and the Duvernay. We continue to spend significant time analyzing and evaluating various new resource plays in the Peace River Arch area.

In 2012 Birchcliff acquired 76,909 (76,909 net) acres of undeveloped lands that we believe are prospective for one or more of these new resource plays. As is consistent with our corporate strategy, Birchcliff has acquired several large contiguous blocks at 100% working interest. Some of these lands are also prospective for the Montney/Doig Natural Gas Resource Play or the Worsley Light Oil Resource Play.

<i>Tight/Shale Oil Resource Play Land Holdings (acres)</i>	<b>2012</b>		<b>2011</b>		
	<i>WI</i>	<i>Gross</i>	<i>Net</i>	<i>Gross</i>	<i>Net</i>
Duvernay Resource Play	98%	141,280	138,966	126,560	125,715
Nordegg Resource Play	82%	404,200	331,437	460,480	394,461
Banff/Exshaw Resource Play	92%	376,520	344,848	422,880	415,696

We are early in the development of these new resource plays, however, based on the high level of industry activity and our internal technical evaluation, we are optimistic about their potential ultimate value.



## 2012 RESERVES EVALUATION

Deloitte (“**AJM Deloitte**”), independent qualified reserves evaluators of Calgary, Alberta, prepared a Reserves Assessment and Economic Evaluation effective December 31, 2012 in respect of Birchcliff’s oil and natural gas properties, which is contained in a report dated February 8, 2013 (the “**2012 Reserves Evaluation**”). AJM Deloitte also prepared a reserves evaluation effective December 31, 2011 (the “**2011 Reserves Evaluation**”) and a predecessor of AJM Deloitte, AJM Petroleum Consultants, prepared a reserves evaluation effective December 31, 2010. Reserves estimates stated herein as at December 31, 2012 and 2011 are extracted from the relevant evaluation. The 2012 Reserves Evaluation and the prior reserves evaluations have been prepared in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook (“**COGEH**”) and National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* (“**NI 51-101**”).

At December 31, 2012, AJM Deloitte estimated that Birchcliff had 317.8 MMboe of proved plus probable reserves and 185.9 MMboe of proved reserves. Birchcliff’s proved plus probable reserves are comprised of 85.5% natural gas and 14.5% light oil and natural gas liquids.

### Reserves Summary

The following table summarizes AJM Deloitte’s estimates of Birchcliff’s working interest oil and natural gas reserves at December 31, 2012 and December 31, 2011, using the AJM Deloitte forecast price assumptions in effect at the applicable evaluation date.

	Dec 31, 2012 <i>MMboe</i>	Dec 31, 2011 <i>MMboe</i>	Change from Dec 31, 2011
Proved Developed Producing	54.6	38.7	+41.0%
Total Proved	186.0	156.2	+19.1%
Probable	131.8	119.3	+10.5%
Total Proved Plus Probable	317.8	275.4	+15.4%

### Net Present Value of Future Net Revenue

The following table is a summary of the net present value of future net revenue associated with Birchcliff’s reserves at December 31, 2012 before deducting future income tax expense, and calculated at various discount rates. The net present value of future net revenue attributable to the Corporation’s reserves is based on AJM Deloitte’s December 31, 2012 forecast price assumptions of commodity prices, which can be found at <http://www.ajmpc.com/price-forecasts.html>.

#### NET PRESENT VALUE OF FUTURE NET REVENUE<sup>(1)(2)</sup> AT DECEMBER 31, 2012 Before Income Taxes Discounted at (% per year) (Forecast Prices and Costs)(MM\$)

	0%	5%	8%	10%	15%	20%
Proved						
Developed Producing	1,428.1	1,050.0	905.3	<b>829.7</b>	688.5	591.4
Developed Non-producing	155.6	117.9	102.8	<b>94.7</b>	78.9	67.5
Undeveloped	2,515.2	1,341.4	931.9	<b>730.3</b>	384.3	175.6
Total Proved	4,099.0	2,509.2	1,940.0	<b>1,654.7</b>	1,151.7	834.6
Probable	4,096.8	1,860.4	1,233.3	<b>956.0</b>	532.6	312.9
Total Proved Plus Probable	8,195.8	4,369.7	3,173.3	<b>2,610.7</b>	1,684.3	1,147.4

(1) Estimates of future net revenue, whether discounted or not, do not represent fair market value.

(2) Future net revenue is after deduction of estimated costs of abandonment of existing and future wells and reclamation of future wells and does not include costs of abandonment of facilities, reclamation of facilities and reclamation of existing wells.

The natural gas price forecast used by AJM Deloitte in the 2012 Reserves Evaluation for the years 2013 through 2017 is approximately \$1.10 per MMBtu lower than the forecast used by AJM Deloitte for the same years in its 2011 Reserves Evaluation. Notwithstanding the natural gas price forecast for these years decreased by more than 22%, the net present value of the proved developed producing reserves (at a 10% discount rate) increased by 3% as a result of increased reserves volumes and reduced operating costs recognized in the additional reserves in the 2012 Reserves Evaluation. The proved plus probable reserves (at a 10% discount rate) decreased by 21% primarily as a result of the reduced natural gas price forecast.

The Corporation had the following increases in the 2012 Reserves Evaluation from the 2011 Reserves Evaluation:

- 41.0% increase in proved developed producing reserves of 54.6 MMboe.
  - 3% increase in the net present value of proved developed producing reserves (NPV 10%) of \$23.6 million.
- 19.1% increase in proved reserves to 186.0 MMboe.
  - 17% decrease in the net present value of proved reserves (NPV 10%) of \$334.7 million.
- 15.4% increase in proved plus probable reserves to 317.8 MMboe.
  - 21% decrease in the net present value of proved plus probable reserves (NPV 10%) of \$709.5 million.
- 290% reserve replacement on a proved developed producing basis, Birchcliff added 2.9 boe of proved developed producing reserves for each boe that was produced during the year (calculated by dividing proved developed producing reserves additions before production in 2012 by total production in 2012.)
- 607% reserve replacement on a proved plus probable basis, Birchcliff added 6.1 boe of proved plus probable reserves for each boe that was produced during the year (calculated by dividing proved plus probable reserves additions before production in 2012 by total production in 2012.)
- 6.6% increase in proved reserves on a per common share basis, using shares outstanding at year end.
- 3.3% increase in proved plus probable reserves on a per common share basis, using shares outstanding at year end.

#### **Reserve Life Index**

Birchcliff's reserve life index is 33 years on a proved plus probable basis and 19 years on a proved basis, in each case using reserves estimates by AJM Deloitte at December 31, 2012 and assuming an average daily production rate of 26,400 boe per day.

#### **Reserves on the Montney/Doig Natural Gas Resource Play**

AJM Deloitte estimated at December 31, 2012, Birchcliff had 266.8 MMboe of proved plus probable reserves attributed to horizontal wells on the Montney/Doig Natural Gas Resource Play. This is an increase of 17% from 227.7 MMboe proved plus probable reserves attributed to horizontal wells on the Montney/Doig Natural Gas Resource Play at December 31, 2011.

The following tables summarize AJM Deloitte's estimates of reserves attributable to Birchcliff's horizontal wells on the Montney/Doig Natural Gas Resource Play, the number of horizontal wells to which reserves were attributed and the future capital associated with such reserves.

**MONTNEY/DOIG NATURAL GAS RESOURCE PLAY RESERVES DATA**

	Natural Gas		Natural Gas Liquids		Total		Existing Horizontal Wells and Future Horizontal Well Locations				Net Future Capital	
	(Bcf)		(Mbbbl)		(Mboe)		Gross		Net		(MM\$)	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012 <sup>(1)</sup>	2011
Proved												
Developed												
Producing	241.0	147.7	1,334.9	808.3	41,493.6	25,424.2	93	68	80.8	56.8	0	0
Total												
Proved	907.6	737.1	5,243.2	4,238.5	156,509.7	127,094.1	325	284	272.7	232.8	1,129.4	1,027.1
Total												
Proved Plus												
Probable	1,541.6	1,316.8	9,922.2	8,216.2	266,848.4	227,676.9	472	425	397.5	352.7	1,849.9	1,605.1

(1) Includes approximately \$102.3 million of capital for the expansion of the PCS Gas Plant to 240 MMcf per day of total capacity, together with the related gathering pipelines, sales pipeline expansion and compression.

**Montney/Doig Land and Horizontal Wells Data**

	2012		2011	
	Gross	Net	Gross	Net
Number of sections to which AJM Deloitte attributed reserves	114.3	98.3	98.5	83.4
Number of existing wells and future horizontal well locations to which AJM Deloitte attributed reserves	472	397.5	425	352.7
Average proved plus probable reserves attributed by AJM Deloitte per existing horizontal well	5.1 Bcfe		4.3 Bcfe	
Average proved plus probable reserves attributed by AJM Deloitte per future horizontal well location	4.1 Bcfe		4.0 Bcfe	
Average cost per well as forecast by AJM Deloitte	\$5.2 million		\$4.8 million	
Average number of net existing horizontal wells and future horizontal well locations per net section to which reserves were attributed by AJM Deloitte	4.1 <sup>(1)</sup>		4.2	

(1) Currently, the average number of net existing horizontal wells and future horizontal well locations per net section to which Basal Doig/Upper Montney reserves were attributed by AJM Deloitte, is 3.2 wells per section and to which Middle/Lower Montney reserves were attributed by AJM Deloitte, is 2.6 wells per section.

AJM Deloitte has attributed Montney/Doig proved plus probable reserves to 114.3 (98.3 net) sections of land. Drilling success during 2012 in the Middle/Lower Montney Play has resulted in significant reserve assignments by AJM Deloitte to 87.6 (74.9 net) sections of land, an increase of 11.6 net sections of land from 2011. AJM Deloitte has attributed reserves in the Basal Doig/Upper Montney Play to 76.9 (63.7 net) sections of land. There are now 50.2 (40.3 net) sections to which AJM Deloitte has attributed reserves in respect of both the Basal Doig/Upper Montney Play and the Middle/Lower Montney Play.

Management believes that the ultimate recovery from the Corporation's Montney/Doig horizontal natural gas wells will continue to improve year over year as production declines continue to flatten. In addition, as drilling and completion technologies continue to improve, recovery factors and production rates in this unconventional reservoir should also improve.

**Reserves on the Worsley Light Oil Resource Play**

At December 31, 2012, AJM Deloitte estimated that in the Worsley Charlie Lake Pool on the Worsley Light Oil Resource Play, Birchcliff had 34.7 MMboe proved plus probable reserves and 19.6 MMboe of proved reserves. This continues the growth trend for Birchcliff's Worsley reserves since July 1, 2007 (being the effective date of the acquisition of this property), when recoverable reserves were estimated

at 15.1 MMboe on a proved plus probable basis and 11.3 MMboe on a proved basis. Both the original oil in place and the estimated recoverable reserves continue to grow and Birchcliff is pleased to report that the Worsley light oil pool continues to be a top quality asset.

*History of Reserves Estimated for the Worsley Charlie Lake Pool (MMboe)*

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008	Dec 31, 2007	July 1, 2007
Proved	19.6	18.8	18.8	18.3	17.5	15.0	11.3
Proved Plus Probable	34.7	31.3	28.2	26.3	24.6	21.2	15.1

## 2012 FINDING AND DEVELOPMENT COSTS

During 2012, Birchcliff's FD&A costs were \$298.5 million, which included approximately \$62 million for the Phase III expansion of the PCS Gas Plant and major related pipelines.

The following table sets forth Birchcliff's estimates of its F&D costs per boe and FD&A costs per boe, excluding future development capital and including future development capital, on a proved and proved plus probable basis.

	2012	2011	2010	Three Year Average
<i>FD&amp;A Costs per boe Excluding Future Development Capital</i>				
F&D - Proved	\$7.77	\$4.77	\$9.09	\$6.75
F&D - Proved Plus Probable	\$6.09	\$2.88	\$5.49	\$4.42
Acquisitions - Proved	\$10.96	\$732.34	\$0.62	\$5.88
Acquisitions - Proved Plus Probable	\$3.38	\$36.11	\$0.31	\$2.34
Total FD&A - Proved <sup>(1)</sup>	\$7.83	\$4.85	\$7.61	\$6.52
Total FD&A - Proved Plus Probable <sup>(1)</sup>	\$5.89	\$2.92	\$4.49	\$4.18
<i>FD&amp;A Costs per boe Including Future Development Capital<sup>(2)</sup></i>				
F&D - Proved	\$11.10	\$13.15	\$13.01	\$12.43
F&D - Proved Plus Probable	\$11.99	\$12.01	\$9.89	\$11.49
Acquisitions - Proved	\$17.78	\$732.34	\$0.62	\$8.64
Acquisitions - Proved Plus Probable	\$9.61	\$36.11	\$0.31	\$5.59
Total FD&A - Proved <sup>(1)</sup>	\$10.91	\$13.47	\$11.12	\$12.04
Total FD&A - Proved Plus Probable <sup>(1)</sup>	\$11.56	\$12.31	\$8.34	\$11.03

(1) Based upon FD&A costs, net of disposition proceeds, and reserve additions, net of reserves disposed of.

(2) Includes the increase in future development capital for 2012 over 2011 of \$117.4 million on a proved basis and \$287.5 million on a proved plus probable basis.

AJM Deloitte's estimates of future development costs are \$1.30 billion on a proved basis and \$2.19 billion on a proved plus probable basis, which includes approximately \$102.3 million for the Phase IV expansion of the PCS Gas Plant to 240 MMcf per day of total capacity, together with the related gathering pipelines, sales pipeline expansion and compression. The increase in future development capital for 2012 over 2011 is \$117.4 million on a proved basis and \$287.5 million on a proved plus probable basis.

The 2011 Reserves Evaluation included, on average, \$4.8 million for each future Montney/Doig horizontal natural gas well to which reserves were assigned. The 2012 Reserves Evaluation included, on average, \$5.2 million for each future Montney/Doig horizontal natural gas well to which reserves were assigned.

## 2012 MONTNEY/DOIG NATURAL GAS RESOURCE PLAY ASSESSMENT

AJM Deloitte prepared an independent Resource Assessment effective December 31, 2012 in respect of Birchcliff's lands that have potential for the Montney/Doig Natural Gas Resource Play, which is contained in a report dated February 12, 2013 (the "**2012 Resource Assessment**"). AJM Deloitte also prepared resource assessments effective December 31, 2011 (the "**2011 Resource Assessment**") and June 30, 2011 and a predecessor of AJM Deloitte, AJM Petroleum Consultants prepared a resource assessment effective December 31, 2010. The 2012 Resource Assessment and the prior resource assessments have been prepared in accordance with the standards contained in COGEH and NI 51-101.

Resource estimates stated herein as at December 31, 2012 and 2011 are extracted from the relevant evaluation and reflect only Birchcliff's working interest share of resources for its lands in the area covered by the resource assessment (the "**Study Area**"). The resource assessment does not include Birchcliff's Worsley Light Oil Resource Play or any of Birchcliff's other properties.

### Montney/Doig Natural Gas Resource Summary

The following table summarizes AJM Deloitte's estimates of Birchcliff's natural gas resources on the Montney/Doig Natural Gas Resource Play at December 31, 2012 and December 31, 2011, on a best estimate case.

	Dec 31, 2012 <i>Bcfe</i>	Dec 31, 2011 <i>Bcfe</i>	Change from Dec 31, 2011
Total Petroleum Initially In Place (" <b>PIIP</b> ")	39,709.5	39,048.5	+2%
Total Undiscovered PIIP	26,331.8	31,744.3	-17%
Prospective Resources	13,003.3	15,514.9	-16%
Total Discovered PIIP	13,377.7	7,304.2	+83%
Contingent Resources	4,869.1	2,149.6	+127%

Compared to the 2011 Resource Assessment, the best estimate of total PIIP has grown modestly from 39.0 Tcfe to 39.7, a 2% increase. Birchcliff was very successful with its strategy to promote resources from undiscovered to discovered in 2012 through its exploration program. Compared to the 2011 Resource Assessment, the best estimate of contingent resources has grown exceptionally from 2.1 Tcfe to 4.9 Tcfe, a 127% increase.

### Background to the Montney/Doig Natural Gas Resource Assessment

Birchcliff holds significant high working interest acreage in large contiguous blocks on the Montney/Doig Natural Gas Resource Play in the Peace River Arch area of Alberta. Birchcliff's lands are proximal to its 100% owned PCS Gas Plant and to third party gathering and processing infrastructure.

The Study Area assessed by AJM Deloitte is comprised of the Doig Phosphate, Basal Doig, and Montney formations in the greater Pouce Coupe, Elmworth and Bezanson areas of the Peace River Arch region of Alberta, ranging from Townships 69 to 81, Ranges 1 to 14W6. The Study Area is bounded in a northwest – southeast direction by the Montney/Doig deep basin edges and covered a total of 327.6 (286.2 net) sections of land held by Birchcliff at December 31, 2012, which includes:

- 294.0 (267.8 net) sections, with 91.1% working interest, which has potential for the Middle/Lower Montney Play; and
- 264.2 (234.7 net) sections, with 88.8% working interest, which has potential for the Basal Doig/Upper Montney Play.

Birchcliff's total land holdings on the two plays described above are 558.2 (502.5 net) sections. On full development of four horizontal wells per section per play, Birchcliff has 2,010 net horizontal drilling locations. With 80.8 net horizontal locations drilled at the end of 2012, there remain 1,929.2 net future horizontal drilling locations.

AJM Deloitte utilized probabilistic methods to generate high, best, and low estimates of reserves and resources volumes. Results from the 2012 Resource Assessment are presented in the following table for Birchcliff's working interest share of gross volumes. Proved, proved plus probable and proved plus probable plus possible reserves determined by the 2012 Reserves Evaluation are included in this table for completeness, however reserves were not the focus of the 2012 Resource Assessment.

Summary of Birchcliff Reserves and Resources on Birchcliff Lands <sup>(1)</sup>				
Resource Class		Working Interest Bcfe		
		Low Estimate Case	Best Estimate Case	High Estimate Case
Discovered	Cumulative Production <sup>(2)</sup>	97.0	97.0	97.0
	Remaining Reserves <sup>(2)(3)</sup>	948.4	1,614.5	2,414.0
	Surface Loss/Shrinkage	58.9	97.1	144.4
	Total Commercial	1,104.3	1,808.5	2,655.4
	Contingent Resources	4,131.6	4,869.1	6,259.7
	Unrecoverable <sup>(4)</sup>	6,478.7	6,700.1	6,977.8
	Total Sub-commercial	10,610.3	11,569.2	13,237.5
Total Discovered PIIP		11,714.6	13,377.7	15,892.9
Undiscovered	Prospective Resources	9,481.7	13,003.3	17,823.2
	Unrecoverable <sup>(4)</sup>	11,956.7	13,328.5	14,109.9
	Total Undiscovered PIIP	21,438.4	26,331.8	31,933.1
Total Petroleum Initially In Place (PIIP)		33,152.9	39,709.5	47,826.1

Notes:

- (1) All volumes at December 31, 2012. All reserves and resources are gross volumes, which are equal to Birchcliff's working interest share before deduction of royalties and without including any royalties held by Birchcliff.
- (2) Sales gas and related natural gas liquids.
- (3) Includes reserves assigned to both vertical and horizontal Montney/Doig wells. The best estimate reflects the estimate of proved plus probable reserves contained in the 2012 Reserves Evaluation. The low estimate reflects the estimate of proved reserves contained in the 2012 Reserves Evaluation. The high estimate reflects the estimate of proved plus probable plus possible reserves contained in the 2012 Reserves Evaluation.
- (4) Unrecoverable includes surface loss/shrinkage on volumes of contingent resources and prospective resources. The unrecoverable portion of Undiscovered PIIP is those quantities determined not to be recoverable by future development projects. A portion of these resources may become recoverable in the future as commercial circumstances change or technological developments occur, but the remaining portion may never be recovered due to physical and/or chemical constraints of the reservoir rock and the fluid within it.

## 2013 BUDGET, PRODUCTION AND OPERATIONAL UPDATE

### 2013 Capital Budget

Birchcliff is very pleased to announce its 2013 capital budget of \$184.6 million. Birchcliff expects to drill 31 (30.0 net) wells in 2013. Details of the budget are as follows:

2013 Capital Budget	Gross Wells	Net Wells	Net Capital (MM\$)
Drilling & Development			
Basal Doig/Upper Montney Horizontal Natural Gas Wells	2.0	2.0	11.6
Middle/Lower Montney Horizontal Natural Gas Wells	15.0	15.0	89.8
Montney/Doig Vertical Exploration Gas Well	1.0	1.0	4.6
Worsley Charlie Lake Horizontal Oil Wells	10.0	10.0	34.7
Other Oil Wells	3.0	2.0	8.0
Total Drilling & Development	31.0	30.0	148.7
Facilities			9.6

Production Optimization	11.7
Land, Seismic & Other	14.6
Total Net Capital	184.6

### **2013 Production and Operational Update**

Year to date production has averaged approximately 26,300 boe per day.

Based on the capital budgeted for 2013, estimated 2013 average production is expected to be 26,400, which is a 15.8% increase over 2012, with an estimated 2013 exit production rate of approximately 28,000 boe per day.

In 2013, we will not be required to allocate capital to any major facility projects as we have in prior years. The expansion of the PCS Gas Plant that was completed in 2012 provides Birchcliff with excess processing capacity that can be filled over time as additional Montney/Doig horizontal natural gas wells are drilled.

The PCS Gas Plant is currently processing approximately 105 MMcf per day. The PCS Gas Plant has a licensed processing capacity of 150 MMcf per day, which allows for further expansion without significant facilities capital. To operate the PCS Gas Plant at 150 MMcf per day will require some modification to pipelines and sales meters on the NOVA pipeline system, but the capital required is not material.

Birchcliff has a full cycle exploration, exploitation and development strategy for the Montney/Doig Natural Gas Resource Play. We are very focused on improvements to our drilling and completion operations that will result in cost reductions. On our Worsley Light Oil Resource Play we have received approval to expand the water flood area and are conducting the field operations necessary to convert wells to injectors and install pipelines and related facilities. In our Peace River Arch core area we are analyzing and evaluating new resource plays on which virtually all of our undeveloped land has potential, with a focus on oil opportunities and the application of horizontal drilling and multi-stage fracture stimulation technology.

Birchcliff currently has 3 drilling rigs at work: 2 rigs are active at Pouce Coupe drilling Montney/Doig horizontal natural gas wells and 1 rig is active at Worsley drilling Charlie Lake horizontal oil wells. Year to date drilling results include the drilling of 4 (3.5 net) successful wells, consisting of 1 (1.0 net) Montney/Doig horizontal natural gas well in the Pouce Coupe area, 2 (2.0 net) Charlie Lake horizontal light oil wells in the Worsley area and 1 (0.5 net) Halfway light oil well in the Progress area.

### **SHAREHOLDER SUPPORT**

We once again thank Mr. Seymour Schulich, our largest shareholder, for his sage advice and ongoing financial and moral support. Mr. Schulich holds 40 million common shares representing 28.2% of the current issued and outstanding common shares.

### **OUTLOOK**

We outperformed our public guidance in the fourth quarter of 2012, averaging 26,655 boe per day, well ahead of our prior public guidance of exiting 2012 at 26,000 boe per day. This production, together with the continued reduction in per boe operating costs, contributed to an excellent fourth quarter with Birchcliff achieving strong funds flow and earnings.

As a result of hard work, low cost reserve additions, exploration and production success, keeping a close eye on expenses and the expansion of our PCS Gas Plant, Birchcliff has established itself as a low cost finder and producer.

Birchcliff continues to develop and expand its two proven resource plays, the Montney/Doig Natural Gas Resource Play and the Worsley Light Oil Resource Play. These plays are characterized by repeatable and predictable opportunities with scalable development potential in focused areas where we have substantial ownership and control of the necessary infrastructure which results in low finding and development costs and low operating costs. In addition, Birchcliff has a significant amount of undeveloped land, with a 93% average working interest, which surrounds or is proximal to our core production. This land base is our engine for future growth.

Our 2013 goals are to convert long life reserves into production, expand our footprint on the Montney/Doig Natural Gas Resource Play and the Worsley Light Oil Resource Play. We will focus on the reduction of our per boe operating costs as we make use of the expanded capacity of our PCS Gas Plant. We will continue to develop our high quality asset base, which will result in long-term production and reserves growth, with low finding and development costs.

We are excited about our 2013 capital spending program as we will not be required to allocate capital to any major facility projects as we have in prior years. Capital efficiencies will improve as most of our capital will go to the drilling, completion and tie-in of new wells.

Birchcliff expects that the 2013 annual production rate will average approximately 26,400 boe per day, a 16% increase from the 2012 annual average production rate of 22,802 boe per day. We expect to exit 2013 with production of approximately 28,000 boe per day.

On behalf of our Management Team and Directors, I thank all of the Birchcliff staff for their hard work and dedication to the achievement of our corporate goals. I thank our Directors for their continued advice and guidance. I would like to thank Mr. Schulich, who never complains about commodity prices. Most of all, I thank our shareholders for their continued support and their trust in all of us at Birchcliff.

We look forward to another excellent year.

(signed) *"A. Jeffery Tonken"*

**A. Jeffery Tonken, President and Chief Executive Officer**



## DEFINITIONS OF OIL AND GAS RESOURCES AND RESERVES

**Uncertainty Ranges** are described by the Canadian Oil and Gas Evaluation Handbook as low, best, and high estimates for reserves and resources as follows:

**Low Estimate:** This is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate.

**Best Estimate:** This is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate.

**High Estimate:** This is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

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

Reserves are classified according to the degree of certainty associated with the estimates:

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

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

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

**Resources** encompasses all petroleum quantities that originally existed on or within the earth's crust in naturally occurring accumulations, including Discovered and Undiscovered (recoverable and unrecoverable) plus quantities already produced. "Total resources" is equivalent to "total Petroleum Initially-In-Place". Resources are classified in the following categories:

**Total Petroleum Initially-In-Place ("PIIP")** is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered.

**Discovered Petroleum Initially-In-Place** is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered petroleum initially in place includes production, reserves, and contingent resources; the remainder is unrecoverable.

**Contingent Resources** are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development but which are not currently considered to be commercially recoverable due to one or more contingencies.

**Undiscovered Petroleum Initially-In-Place** is that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of undiscovered petroleum initially in place is referred to as “prospective resources” and the remainder as “unrecoverable.”

**Prospective Resources** are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects.

**Unrecoverable** is that portion of Discovered and Undiscovered PIIIP quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

**Production** is the cumulative quantity of petroleum that has been recovered at a given date.

## ADVISORIES

**Unaudited Numbers:** *The Corporation’s annual audit of its financial statements is not yet complete and accordingly, all financial amounts referred to in this Press Release are management’s best estimates and are unaudited.*

**Finding and Development Costs:** *With respect to disclosure of finding and development costs disclosed in this Press Release:*

- The amounts of finding and development and/or acquisition costs contained in the table and the disclosure set forth above for each of the years 2010, 2011 and 2012 are calculated by dividing the total of the net amount of the particular costs noted in each line incurred during such year by the amounts of additions to total proved reserves and total proved plus probable reserves during such year that resulted from the expenditure of such costs.
- In calculating the amounts of finding and development and/or acquisition costs for a year, the changes during the year in estimated future development costs and in estimated reserves are based upon the evaluations of Birchcliff’s reserves prepared by AJM Deloitte, or their predecessor, effective December 31 of such year.
- The aggregate of the exploration and development costs incurred in the most recent financial year and any change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.

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

**Discovered Resources:** *With respect to the discovered resources (including contingent resources) described in this Press Release, there is no certainty that it will be commercially viable to produce any portion of the resources.*

**Undiscovered Resources:** *With respect to the undiscovered resources (including prospective resources) described in this Press Release, there is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.*

**Non-GAAP Measures:** *This Press Release uses “funds flow”, “funds flow from operations”, “funds flow netback”, “funds flow per common share”, “netback”, “operating netback” and “operating margin”, which do not have standardized meanings prescribed by generally accepted accounting principles (“GAAP”) and therefore may not be comparable measures to other companies where similar terminology is used.*

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

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

**MMbtu Pricing Conversion:** *\$1.00 per MMBtu equals \$1.00 per Mcf based on a standard heat value Mcf.*

**Forward Looking Information:** *This Press Release contains forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking information relates to future events or future performance and is based upon the Corporation’s current internal expectations, estimates, projections, assumptions and beliefs. All information other than historical fact is forward-looking information. Information relating to reserves and resources is forward-looking as it involves the implied assessment, based on certain estimates and assumptions, that the reserves and resources exist in the quantities estimated and that they will be commercially viable to produce in the future. Words such as “plan”, “expect”, “project”, “intend”, “believe”, “anticipate”, “estimate”, “may”, “will”, “potential”, “proposed” and other similar words that convey certain events or conditions “may” or “will” occur are intended to identify forward-looking information. In particular, this Press Release contains forward-looking information relating to estimates of recoverable reserves and resource volumes; planned production increases, planned 2013 capital spending and sources of funding; and the intention to drill and complete future wells.*

*The forward-looking information is based upon assumptions as to future commodity prices, currency exchange rates, inflation rates, well production rates, well drainage areas, success rates for future drilling and availability of labour and services. With respect to estimates of reserves and resource volumes, a key assumption is the validity of the data used by AJM Deloitte in their independent reserves evaluation and resource assessments. With respect to numbers of future wells to be drilled, a key assumption is that geological and other technical interpretations performed by the Corporation’s technical staff, which indicate that commercially economic volumes can be recovered from the*

*Corporation's lands as a result of drilling future wells, are valid. Estimates as to 2013 average annual production rates assume that no unexpected outages occur in the infrastructure that the Corporation relies on to produce its wells, that existing wells continue to meet production expectations and any future wells, scheduled to come on production in 2013, meet timing and production expectations.*

*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. 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. As a consequence, actual results may differ materially from those anticipated.*

*Forward-looking information necessarily involves both known and unknown risks associated with oil and gas exploration, production, transportation and marketing such as uncertainty of geological and technical data, imprecision of reserves and resource estimates, operational risks, environmental risks, loss of market demand, general economic conditions affecting ability to access sufficient capital, changes in governmental regulation of the oil and gas industry and competition from others for scarce resources.*

*The foregoing list of risk factors is not exhaustive. Additional information on these and other risk factors that could affect operations or financial results are included in the Corporation's most recent Annual Information Form and in other reports filed with Canadian securities regulatory authorities. Forward-looking information is based on estimates and opinions of management at the time the information is presented. The Corporation is not under any duty to update the forward-looking information after the date of this Press Release 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 is a Calgary, Alberta based intermediate oil and natural gas company with operations concentrated within its one core area, the Peace River Arch of Alberta. Birchcliff's Common Shares, Series A Preferred Shares and Warrants are listed for trading on the Toronto Stock Exchange under the symbols "BIR", "BIR.PR.A" and "BIR.WT" respectively.

**For further information, please contact:**

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