

BIRCHCLIFF

ENERGY

BIRCHCLIFF ENERGY LTD. ANNOUNCES STRONG Q2 2019 RESULTS RESULTING IN AN EXPANDED 2019 CAPITAL PROGRAM

Calgary, Alberta (August 14, 2019) – Birchcliff Energy Ltd. (“Birchcliff” or the “Corporation”) (TSX: BIR) is pleased to announce its financial and operational results for the three and six months ended June 30, 2019 and an expanded 2019 capital program. Birchcliff’s unaudited interim condensed financial statements for the three and six months ended June 30, 2019 and related management’s discussion and analysis (the “MD&A”) will be available on its website at www.birchcliffenergy.com and on SEDAR at www.sedar.com. Birchcliff is also pleased to provide an operational update, including encouraging results from its recent well pads brought on production in Pouce Coupe and Gordondale.

“We had strong results in the second quarter, which were underpinned by the strong performance of our assets and our new oil and liquids-rich wells, the successful execution of our capital program, our record low operating costs and our natural gas market diversification initiatives. Our average production for the quarter was 78,453 boe/d, which was ahead of our internal budget and represents a 3% increase from Q2 2018. Given these production results, we expect that we would have achieved the mid-point of our 2019 annual average production guidance of 76,000 to 78,000 boe/d, before taking into account the expansion to our 2019 capital program,” commented Jeff Tonken, President and Chief Executive Officer of Birchcliff. “As a result of our achievements year-to-date and our strong quarterly results and balance sheet, we have determined to drill an additional 7 (7.0 net) horizontal wells in 2019, all of which are expected to be on-stream by November 1, 2019. Accordingly, we have increased our capital budget by \$38 million to \$242 million. We anticipate that this additional capital will allow us to maintain production in 2020 at or near current levels and reduce the amount of capital that we will need to spend in 2020. Notwithstanding this increase, our capital expenditures in 2019 are still expected to be significantly less than our forecast of 2019 adjusted funds flow. Based on the strong performance of our wells and the expansion to our capital program, we are increasing our 2019 annual average production guidance to 77,000 to 79,000 boe/d.”

Q2 2019 Highlights

- Production averaged 78,453 boe/d (6% light oil, 7% condensate, 9% NGLs and 78% natural gas), a 3% increase from Q2 2018. Liquids production weighting increased by 3% from Q1 2019 and by 8% from Q2 2018.
- Adjusted funds flow of \$74.0 million, or \$0.28 per basic common share, a 2% increase and a 4% increase, respectively, from Q2 2018. Birchcliff generated \$6.0 million of free funds flow in Q2 2019.
- Net loss to common shareholders of \$9.5 million, or \$0.04 per basic common share as compared to the net income to common shareholders of \$6.4 million and \$0.02 per basic common share in Q2 2018. Included in the net loss is an after-tax unrealized mark-to-market loss on financial instruments of \$35.7 million, or \$0.13 per basic common share, and a future income tax recovery of \$18.9 million, or \$0.07 per basic common share, resulting from the change in Alberta’s corporate income tax rate from 12% to 8% over the next four years.
- Record low operating expense of \$3.17/boe, a 6% decrease from Q2 2018.
- Operating netback of \$11.38/boe, a 14% decrease from Q2 2018.
- Birchcliff drilled 5 (5.0 net) wells and brought 14 (14.0 net) wells on production.
- F&D capital expenditures were \$67.9 million, which were approximately \$6.0 million (9%) less than Birchcliff’s Q2 2019 adjusted funds flow. Total capital expenditures were \$68.5 million.
- As at June 30, 2019, Birchcliff’s long-term bank debt was \$622.3 million and its total debt was \$654.7 million, a 1% increase and a 1% decrease, respectively, from its long-term and total debt as at June 30, 2018.

Encouraging Initial Production Rates in Pouce Coupe and Gordondale

- Birchcliff’s 14-06-079-12W6M six-well pad in Pouce Coupe had an aggregate average production rate of 6,350 boe/d (27.9 MMcf/d of raw natural gas and 1,690 bbls/d of condensate) during the initial 30 days of production.
- Birchcliff’s 01-10-078-11W6M five-well pad in Gordondale had an aggregate average production rate of 4,446 boe/d (2,114 bbls/d of oil and 14.0 MMcf/d of raw natural gas) during the initial 30 days of production.

Expanded 2019 Capital Program and Revised Guidance

- Birchcliff has expanded its 2019 capital program (the “2019 Capital Program”) to include the drilling and bringing on production of an additional 7 (7.0 net) HZ wells in 2019. F&D capital expenditures are now expected to be \$242 million.
- Birchcliff expects to generate approximately \$335 million of adjusted funds flow and \$93 million of free funds flow (adjusted funds flow less F&D capital expenditures) in 2019.

SECOND QUARTER 2019 FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended June 30,		Six months ended June 30,	
	2019	2018 ⁽⁵⁾	2019	2018 ⁽⁵⁾
OPERATING				
Average production				
Light oil – (bbls/d)	4,853	5,599	4,827	4,872
Condensate – (bbls/d) ⁽¹⁾	5,505	3,934	4,963	3,808
NGLs – (bbls/d) ⁽¹⁾	6,923	6,036	6,834	5,816
Natural gas – (Mcf/d)	367,033	364,360	360,327	370,880
Total – boe/d	78,453	76,296	76,678	76,309
Average realized sales price (CDN\$) ⁽²⁾				
Light oil – (per bbl)	72.25	79.55	69.20	76.33
Condensate – (per bbl) ⁽¹⁾	71.69	87.52	68.93	85.35
NGLs – (per bbl) ⁽¹⁾	11.13	21.94	14.36	23.46
Natural gas – (per Mcf)	1.95	2.01	2.73	2.37
Total – per boe	19.59	21.68	22.92	22.45
NETBACK AND COST (\$/boe)				
Petroleum and natural gas revenue ⁽²⁾	19.59	21.69	22.93	22.45
Royalty expense	(0.75)	(1.53)	(0.98)	(1.48)
Operating expense	(3.17)	(3.36)	(3.28)	(3.57)
Transportation and other expense	(4.29)	(3.64)	(4.45)	(3.60)
Operating netback (\$/boe)	11.38	13.16	14.22	13.80
G&A expense, net	(0.87)	(0.88)	(0.89)	(0.88)
Interest expense	(0.92)	(0.96)	(0.97)	(0.96)
Realized gain (loss) on financial instruments	0.74	(0.93)	1.34	(0.69)
Other income	0.03	0.03	0.03	0.03
Adjusted funds flow netback (\$/boe)	10.36	10.42	13.73	11.30
Depletion and depreciation expense	(7.40)	(7.60)	(7.47)	(7.50)
Unrealized gain (loss) on financial instruments	(6.50)	0.36	(6.14)	(0.43)
Other expenses ⁽³⁾	(1.17)	(1.47)	(0.76)	(0.90)
Dividends on Series C preferred shares	(0.12)	(0.13)	(0.13)	(0.13)
Income tax recovery (expense)	3.65	(0.51)	1.37	(0.71)
Net income (loss) (\$/boe)	(1.18)	1.07	0.60	1.63
Dividends on Series A preferred shares	(0.15)	(0.15)	(0.15)	(0.15)
Net income (loss) to common shareholders (\$/boe)	(1.33)	0.92	0.45	1.48
FINANCIAL				
Petroleum and natural gas revenue (\$000s) ⁽²⁾	139,857	150,561	318,212	310,092
Cash flow from operating activities (\$000s)	97,857	71,825	192,601	163,678
Adjusted funds flow (\$000s)	73,957	72,369	190,605	156,027
Per common share – basic (\$)	0.28	0.27	0.72	0.59
Per common share – diluted (\$)	0.28	0.27	0.72	0.58
Net income (loss) (\$000s)	(8,458)	7,437	8,388	22,562
Net income (loss) to common shareholders (\$000s)	(9,505)	6,390	6,294	20,468
Per common share – basic (\$)	(0.04)	0.02	0.02	0.08
Per common share – diluted (\$)	(0.04)	0.02	0.02	0.08
Common shares outstanding (000s)				
End of period – basic	265,935	265,845	265,935	265,845
End of period – diluted	287,381	285,253	287,381	285,253
Weighted average common shares for period – basic	265,933	265,820	265,924	265,809
Weighted average common shares for period – diluted	265,933	267,773	266,297	266,793
Dividends on common shares (\$000s)	6,981	6,646	13,961	13,291
Dividends on Series A preferred shares (\$000s)	1,047	1,047	2,094	2,094
Dividends on Series C preferred shares (\$000s)	875	875	1,750	1,750
Total capital expenditures (\$000s) ⁽⁴⁾	68,532	66,464	200,490	199,608
Long-term debt (\$000s)	622,282	617,291	622,282	617,291
Adjusted working capital deficit (\$000s)	32,427	44,118	32,427	44,118
Total debt (\$000s)	654,709	661,409	654,709	661,409

(1) Beginning in Q1 2019, Birchcliff began presenting condensate and NGLs separately. Prior period sales and volumes have been adjusted to conform to this current period presentation.

(2) Excludes the effects of financial instruments but includes the effects of physical delivery contracts.

(3) Includes non-cash expenses such as compensation, accretion, amortization of deferred financing fees and other losses.

(4) See "Advisories – Capital Expenditures". Total capital expenditures for the six months ended June 30, 2019 include the \$39 million Acquisition (as defined below).

(5) Birchcliff adopted IFRS 16: Leases effective January 1, 2019 using the modified retrospective approach; therefore 2018 comparative information has not been restated.

This press release contains forward-looking statements within the meaning of applicable securities laws. For further information regarding the forward-looking statements contained herein, please see "Advisories – Forward-Looking Statements". In addition, this press release contains references to "adjusted funds flow", "adjusted funds flow per common share", "free funds flow", "operating netback", "adjusted funds flow netback", "total cash costs", "adjusted working capital deficit" and "total debt", which do not have standardized meanings prescribed by GAAP. For further information regarding these non-GAAP measures, please see "Non-GAAP Measures".

Q2 2019 FINANCIAL AND OPERATIONAL RESULTS

FINANCIAL RESULTS

Production

Birchcliff's production averaged 78,453 boe/d in Q2 2019, a 3% increase from 76,296 boe/d in Q2 2018. The increase was primarily attributable to the incremental production from new horizontal oil wells in Gordondale and horizontal condensate-rich natural gas wells in Pouce Coupe that were brought on production in Q2 2019, partially offset by production curtailments on the NGTL and TCPL Canadian Mainline systems and natural production declines.

Production consisted of approximately 6% light oil, 7% condensate, 9% NGLs and 78% natural gas in Q2 2019 as compared to 7% light oil, 5% condensate, 8% NGLs and 80% natural gas in Q2 2018. Birchcliff's liquids production weighting increased by 8% from Q2 2018. The change in the commodity production mix was primarily attributable to the addition of condensate-rich natural gas wells in Pouce Coupe and an increase in C3+ recovered from the natural gas stream at Birchcliff's 100% owned and operated natural gas processing plant located in Pouce Coupe (the "Pouce Coupe Gas Plant").

Production from Pouce Coupe was 51,746 boe/d (66% of total corporate production) in Q2 2019 as compared to 47,761 boe/d (63% of total corporate production) in Q2 2018. Production from Gordondale was 26,703 boe/d (34% of total corporate production) in Q2 2019 as compared to 28,308 boe/d (37% of total corporate production) in Q2 2018.

Adjusted Funds Flow

Birchcliff's adjusted funds flow for Q2 2019 was \$74.0 million, or \$0.28 per basic common share, a 2% increase and a 4% increase, respectively, from \$72.4 million and \$0.27 per basic common share in Q2 2018. The increases were primarily due to lower royalty expense and a realized gain on financial instruments in Q2 2019 as compared to a realized loss on financial instruments in Q2 2018, largely offset by an increase in transportation and other expense as a result of Birchcliff's increased Dawn and AECO firm service and lower reported revenue. Revenue received by the Corporation was lower mainly due to a decrease in the average realized liquids pricing, partially offset by increased production of high-value condensate in Pouce Coupe.

Net Loss to Common Shareholders

Birchcliff recorded a net loss to common shareholders of \$9.5 million, or \$0.04 per basic common share, in Q2 2019 as compared to net income to common shareholders of \$6.4 million and \$0.02 per basic common share in Q2 2018. The change to a net loss position from a net income position was primarily due to a \$46.4 million unrealized mark-to-market loss on financial instruments recorded in Q2 2019 as compared to a \$2.5 million unrealized mark-to-market gain on financial instruments in Q2 2018, partially offset by a \$26.1 million income tax recovery in Q2 2019 as compared to a \$3.6 million income tax expense in Q2 2018.

The unrealized mark-to-market loss on financial instruments on an after-tax basis was \$35.7 million, or \$0.13 per basic common share. Included in the \$26.1 million income tax recovery in Q2 2019 was approximately \$18.9 million related to the reduction in future income tax liability resulting from the change in Alberta's corporate income tax rate from 12% to 8% over the next four years.

Operating Expense

Birchcliff's operating expense was \$3.17/boe in Q2 2019, a 6% decrease from \$3.36/boe in Q2 2018. The decrease was primarily due to: (i) a step-down reduction in natural gas processing fees which became effective January 1, 2019 at AltaGas' deep-cut sour gas processing facility in Gordondale; (ii) reduced take-or-pay processing commitments in Pouce Coupe beginning in November 2018, which resulted in natural gas being redirected from third-party facilities to the Pouce Coupe Gas Plant; and (iii) increased operating efficiencies resulting from expanded liquids-handling capabilities in Pouce Coupe.

Transportation and Other Expense

Birchcliff's transportation and other expense was \$4.29/boe in Q2 2019, an 18% increase from \$3.64/boe in Q2 2018.

The increase was primarily due to an additional 30,000 GJ/d of firm service transportation to Dawn which became available on November 1, 2018 and unused firm transportation costs associated with Birchcliff's commitments on the NGTL system.

G&A Expense

Birchcliff's G&A expense was \$0.87/boe in Q2 2019, a 1% decrease from \$0.88/boe in Q2 2018. The decrease was primarily due to higher corporate production, with no significant change to aggregate G&A expense.

Interest Expense

Birchcliff's interest expense was \$0.92/boe in Q2 2019, a 4% decrease from \$0.96/boe in Q2 2018. The decrease was primarily due to higher corporate production, with no significant change to aggregate interest expense.

Total Cash Costs

Birchcliff's total cash costs were \$10.00/boe in Q2 2019, a 4% decrease from \$10.37/boe in Q2 2018. The decrease was primarily due to lower per boe royalty and operating expenses, partially offset by higher transportation and other expense.

Operating Netback

Birchcliff's operating netback was \$11.38/boe in Q2 2019, a 14% decrease from \$13.16/boe in Q2 2018. The decrease was primarily due to a 10% decrease in the corporate average realized sales price, partially offset by lower per boe total cash costs as noted above.

Pouce Coupe Gas Plant Netbacks

During the six months ended June 30, 2019, Birchcliff processed approximately 69% of its total corporate natural gas production and 59% of its total corporate production through the Pouce Coupe Gas Plant as compared to 67% and 57%, respectively, during the six months ended June 30, 2018. The following table sets forth Birchcliff's average daily production and operating netback for wells producing to the Pouce Coupe Gas Plant for the periods indicated:

	Six months ended June 30, 2019		Six months ended June 30, 2018	
<i>Average production:</i>				
Condensate (bbls/d)	3,272		2,147	
NGLs (bbls/d)	753		51	
Natural gas (Mcf/d)	246,920		249,317	
Total (boe/d)	45,178		43,751	
Liquids-to-gas ratio (bbls/MMcf)	16.3		8.8	
<i>Netback and cost:</i>				
	\$/Mcf	\$/boe	\$/Mcf	\$/boe
Petroleum and natural gas revenue ⁽¹⁾	3.38	20.30	2.91	17.49
Royalty expense	(0.06)	(0.35)	(0.05)	(0.29)
Operating expense ⁽²⁾	(0.39)	(2.34)	(0.39)	(2.36)
Transportation and other expense	(0.75)	(4.55)	(0.55)	(3.33)
Operating netback	\$2.18	\$13.06	\$1.92	\$11.51
Operating margin⁽³⁾	64%	64%	66%	66%

(1) Excludes the effects of financial instruments but includes the effects of physical delivery contracts. Please see "Q2 2019 Financial and Operational Results – Financial Results – Risk Management".

(2) Represents plant and field operating expense.

(3) Operating margin is calculated by dividing the operating netback for the period by the petroleum and natural gas revenue for the period.

Birchcliff's liquids-to-gas ratio increased by 85% as compared to the six months ended June 30, 2018 primarily due to: (i) the re-configuration of Phases V and VI of the Pouce Coupe Gas Plant in Q4 2018 which provided for shallow-cut capability, allowing Birchcliff to extract C3+ from the natural gas stream; and (ii) specifically targeted condensate-rich natural gas wells in Pouce Coupe. The amount of condensate being produced at the Pouce Coupe Gas Plant increased by 52% as compared to the six months ended June 30, 2018. The increase in the liquids-to-gas ratio improved Birchcliff's average realized sales price and operating netback at the Pouce Coupe Gas Plant.

Debt

At June 30, 2019, Birchcliff had significant liquidity with long-term bank debt of \$622.3 million (June 30, 2018: \$617.3 million) from credit facilities in the aggregate principal amount of \$1.0 billion (June 30, 2018: \$950.0 million), leaving \$357.6 million of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized interest and fees. Total debt at June 30, 2019 was \$654.7 million as compared to \$661.4 million at June 30, 2018.

As previously disclosed in Birchcliff's press release dated May 15, 2019, the agreement governing Birchcliff's extendible revolving credit facilities (the "**Credit Facilities**") was amended effective May 10, 2019 to: (i) extend the maturity dates of each of the extendible revolving syndicated term credit facility (the "**Syndicated Credit Facility**") and the extendible revolving working capital facility (the "**Working Capital Facility**") from May 11, 2021 to May 11, 2022; and (ii) increase the borrowing base limit to \$1.0 billion from \$950.0 million, with the Syndicated Credit Facility being increased to \$900.0 million from \$850.0 million and the Working Capital Facility remaining at \$100.0 million. The Credit Facilities do not contain any financial maintenance covenants.

Commodity Prices

The following table sets forth the average benchmark index prices and Birchcliff's average realized sales prices for the periods indicated:

	Three months ended June 30, 2019	Three months ended June 30, 2018	% Change
<i>Average benchmark index prices:</i>			
Light oil – WTI Cushing (US\$/bbl)	59.79	67.88	(12%)
Light oil – MSW (Mixed Sweet) (CDN\$/bbl) ⁽¹⁾	73.18	80.30	(9%)
Natural gas – NYMEX HH (US\$/MMBtu) ⁽²⁾	2.64	2.83	(7%)
Natural gas – AECO 5A Daily (CDN\$/GJ)	0.98	1.12	(13%)
Natural gas – AECO 7A Month Ahead (US\$/MMBtu) ⁽²⁾	0.87	0.80	9%
Natural gas – Dawn Day Ahead (US\$/MMBtu) ⁽²⁾	2.34	2.77	(16%)
Natural gas – ATP 5A Day Ahead (CDN\$/GJ)	1.17	1.46	(20%)
Exchange rate (CDN\$ to US\$1)	1.3376	1.2911	4%
Exchange rate (US\$ to CDN\$1)	0.7476	0.7745	(3%)
<i>Birchcliff's average realized sales prices:⁽³⁾</i>			
Light oil (CDN\$/bbl)	72.25	79.55	(9%)
Condensate (CDN\$/bbl)	71.69	87.52	(18%)
NGLs (CDN\$/bbl)	11.13	21.94	(49%)
Natural gas (CDN\$/Mcf)	1.95	2.01	(3%)
Birchcliff's average realized sales price (CDN\$/boe)	19.59	21.68	(10%)

(1) Previously referred to as the "Edmonton Par price".

(2) \$1.00/MMBtu = \$1.00/Mcf based on a standard heat value Mcf. Please see "Advisories – MMBtu Pricing Conversions".

(3) Excludes the effects of financial instruments but includes the effects of physical delivery contracts.

Marketing and Natural Gas Market Diversification

Birchcliff continues to be strategic and opportunistic in advancing its market access initiatives. The Corporation actively monitors market conditions and executes a marketing strategy that diversifies its sales portfolio to ensure that production gets to market at optimal pricing. Birchcliff also proactively secures takeaway capacity for future development projects and uses excess transportation capacity to mitigate the impact of third-party infrastructure outages. Birchcliff's physical natural gas sales exposure currently consists of AECO, Dawn and Alliance markets. In addition, the Corporation has various financial instruments outstanding that provide it with exposure to NYMEX HH pricing. Please see "Q2 2019 Financial and Operational Results – Financial Results – Risk Management".

The following table details Birchcliff's effective sales, production and average realized sales price for natural gas and liquids for Q2 2019, after taking into account the Corporation's financial instruments:

Three months ended June 30, 2019						
	Effective sales (CDN\$000s)	Percentage of total sales (%)	Effective production (per day)	Percentage of total natural gas production (%)	Percentage of total corporate production (%)	Effective average realized sales price (CDN\$)
Markets						
AECO ⁽¹⁾	12,760	9	126,321 Mcf	34	27	1.11/Mcf
Dawn	41,104	28	135,953 Mcf	37	29	3.32/Mcf
Alliance	1,856	1	13,727 Mcf	4	3	1.49/Mcf
NYMEX HH ⁽²⁾	15,355	11	91,032 Mcf	25	19	1.85/Mcf
Total natural gas	71,075	49	367,033 Mcf	100	78	2.13/Mcf
Light oil	31,907	22	4,853 bbls		6	72.25/bbl
Condensate	35,906	25	5,504 bbls		7	71.69/bbl
NGLs	7,011	4	6,923 bbls		9	11.13/bbl
Total liquids	74,824	51	17,280 bbls		22	47.58/bbl
Total corporate	145,899	100	78,453 boe		100	20.44/boe

(1) A portion of AECO 5A sales and production that effectively received NYMEX HH pricing under Birchcliff's long-term physical and financial NYMEX/AECO 7A basis swap contracts has been included as effective sales and production in NYMEX HH markets. Any impact from the sales pricing variance between the average AECO 5A and AECO 7A benchmark price during the period has also been included as effective sales in NYMEX HH markets.

(2) Birchcliff sold AECO 7A basis swaps for 100,000 MMBtu/d at an average contract price of NYMEX less US\$1.28/MMBtu during Q2 2019.

Effectively 91% of the Corporation's sales revenue, representing 66% of its total natural gas production and 73% of its total corporate production, was generated from markets outside of AECO in Q2 2019, after taking into account its liquids sales and long-term financial NYMEX/AECO basis swap position.

The following table sets forth Birchcliff's sales, production, average realized sales price, transportation costs and natural gas sales netback by natural gas market for the periods indicated, before taking into account the Corporation's financial instruments:

Three months ended June 30, 2019							
	Natural gas sales ⁽¹⁾ (CDN\$000s)	Percentage of natural gas sales (%)	Natural gas production (Mcf/d)	Percentage of natural gas production (%)	Average realized natural gas sales price ⁽¹⁾ (CDN\$/Mcf)	Natural gas transportation costs ⁽²⁾ (CDN\$/Mcf)	Natural gas sales netback ⁽³⁾ (CDN\$/Mcf)
AECO	22,049	34	217,353	59	1.11	0.32	0.79
Dawn ⁽⁴⁾	41,104	63	135,953	37	3.32	1.38	1.94
Alliance ⁽⁵⁾	1,856	3	13,727	4	1.49	-(5)	1.49
Total	65,009	100	367,033	100	1.95	0.71	1.24
Three months ended June 30, 2018							
	Natural gas sales ⁽¹⁾ (CDN\$000s)	Percentage of natural gas sales (%)	Natural gas production (Mcf/d)	Percentage of natural gas production (%)	Average realized natural gas sales price ⁽¹⁾ (CDN\$/Mcf)	Natural gas transportation costs ⁽²⁾ (CDN\$/Mcf)	Natural gas sales netback ⁽³⁾ (CDN\$/Mcf)
AECO	25,092	38	219,135	60	1.27	0.29	0.98
Dawn ⁽⁴⁾	37,542	56	108,950	30	3.79	1.34	2.45
Alliance ⁽⁵⁾	3,985	6	36,275	10	1.21	-(5)	1.21
Total	66,619	100	364,360	100	2.01	0.58	1.43

(1) Excludes the effects of financial instruments but includes the effects of physical delivery contracts.

(2) Reflects costs to transport natural gas from the field receipt point to the delivery sales trading hub.

(3) Natural gas sales netback denotes the average realized natural gas sales price less natural gas transportation costs.

(4) Birchcliff has agreements for the firm service transportation of an aggregate of 175,000 GJ/d of natural gas on TCPL's Canadian Mainline for a 10-year term, whereby natural gas is transported to the Dawn trading hub in Southern Ontario. The first tranche of this service (120,000 GJ/d) became available on November 1, 2017 and the second tranche (30,000 GJ/d) became available on November 1, 2018, bringing the total to 150,000 GJ/d. The last tranche of service (25,000 GJ/d) will become available on November 1, 2019.

(5) Birchcliff has sales agreements with a third party marketer to sell and deliver into the Alliance pipeline system. Alliance sales are recorded net of transportation tolls.

The Corporation's average realized natural gas sales price was \$1.95/Mcf in Q2 2019, an 89% premium to the average AECO 5A benchmark price of \$1.03/Mcf in the quarter.

During Q2 2019, approximately 66% of Birchcliff's natural gas sales revenue, representing approximately 41% of its total natural gas production, was generated from the Dawn and Alliance markets with an average realized natural gas sales price of \$3.15/Mcf, a 184% premium to Birchcliff's average realized natural gas sales price of \$1.11/Mcf from the AECO market in Q2 2019. Birchcliff's average realized natural gas sales netback from the Dawn and Alliance markets was \$1.90/Mcf, a 141% premium to its realized natural gas sales netback of \$0.79/Mcf from the AECO market in Q2 2019.

For information regarding Birchcliff's natural gas market exposure during 2019, please see *"Outlook and Guidance"*.

Risk Management

Birchcliff engages in risk management activities by utilizing various financial instruments and physical delivery contracts to diversify its sales points or fix commodity prices and market interest rates, including NYMEX/AECO basis swaps which fix the basis differential between AECO and NYMEX HH prices, effectively providing for a floating NYMEX HH price.

Birchcliff realized a cash gain on financial instruments of \$5.3 million in Q2 2019 as compared to a realized cash loss of \$6.5 million in Q2 2018. The realized gain was primarily due to the settlement of financial NYMEX/AECO basis swap contracts that were outstanding in the period with an average basis differential that was above the average contract basis in Q2 2019.

Birchcliff recorded an unrealized non-cash loss of \$46.4 million on financial instruments in Q2 2019 due to a decrease in the fair value of its financial instruments from a net asset position of \$21.3 million at March 31, 2019 to a net liability position of \$25.1 million at June 30, 2019. The fair value of the net asset or liability is the estimated value to settle outstanding financial contracts at a point in time. The decrease in the fair value of Birchcliff's financial instruments during Q2 2019 was primarily attributable to the decrease in the forward basis spread between NYMEX HH and AECO 7A for contracts outstanding at June 30, 2019 as compared to March 31, 2019 and the settlement of financial contracts in Q2 2019. The unrealized gains and losses on financial NYMEX HH basis contracts can fluctuate materially from period-to-period due to movement in the forward NYMEX HH and AECO 7A strip prices. Unrealized gains and losses on financial instruments do not impact adjusted funds flow and may differ materially from the actual gains or losses realized on the eventual cash settlement of financial contracts in a period.

For further information regarding Birchcliff's risk management program, including a summary of Birchcliff's outstanding risk management contracts as at June 30, 2019, please see note 13 to the Corporation's unaudited interim condensed financial statements for the three and six months ended June 30, 2019 and the MD&A under the heading *"Discussion of Operations – Risk Management"*.

OPERATIONAL RESULTS

Overview

Birchcliff's operations are concentrated within its one core area, the Peace River Arch of Alberta, which is centred northwest of Grande Prairie, Alberta adjacent to the Alberta/British Columbia border, where the Corporation is focused on its high-quality Montney/Doig Resource Play and the exploration and development of its low-cost natural gas, crude oil and liquids-rich assets. Within the Montney/Doig Resource Play, Birchcliff's operations are primarily concentrated in the Pouce Coupe and Gordondale areas of Alberta where it owns large contiguous blocks of high working interest land and the Corporation continues to implement various initiatives in order to capitalize on its large contiguous land base. Birchcliff's strong capital and operating efficiencies are supported by the fact that it owns and operates many of its own facilities, including the Pouce Coupe Gas Plant. In addition, Birchcliff is the operator of predominantly 100% working interest lands, which allows it to have greater control over its costs and its pace of development and greater flexibility to target liquids. Birchcliff is also focused on continuous improvements in all aspects of its business. In 2019, Birchcliff is continuing to pilot innovative technologies in its drilling and completions operations in order to achieve better well results and maximize return on capital.

Capital Activities and Investment

During Q2 2019, Birchcliff's capital activities were primarily directed towards drilling and completion activities. Total capital expenditures in the quarter were \$68.5 million, with total capital expenditures of \$32.6 million in Pouce Coupe and \$35.4 million in Gordondale. F&D capital expenditures in Q2 2019 were \$67.9 million.

The following table sets forth the number of wells drilled and brought on production in Q2 2019:

Area	Total wells drilled in Q2 2019	Total wells brought on production in Q2 2019
Pouce Coupe		
Montney D1 horizontal natural gas wells	1	4
Montney D2 horizontal natural gas wells	0	1
Montney C horizontal natural gas wells	1	1
Total – Pouce Coupe	2	6
Gordondale		
Montney D2 horizontal oil wells	2	5
Montney D1 horizontal oil wells	1	3
Total – Gordondale	3	8
TOTAL – COMBINED	5	14

OPERATIONAL UPDATE

Achievements Year-to-Date

Birchcliff has been very active in its execution of the 2019 Capital Program. By the end of Q2 2019, Birchcliff had completed the drilling of all 17 (17.0 net) wells that were originally contemplated under the program, 100% of which were successful, and had brought on production all 26 (26.0 net) wells as originally planned, including 9 wells that were drilled and rig released in 2018. Additionally, Birchcliff has accomplished the following:

- **Strong Production** – Birchcliff has seen strong production rates from its wells brought on production in 2019, with wells meeting or exceeding expectations, and the Corporation’s average production for Q2 2019 was ahead of its internal budget. Given Birchcliff’s production results, it expects that it would have achieved the mid-point of its previous 2019 annual average production guidance of 76,000 to 78,000 boe/d.
- **Liquids Success** – The 2019 Capital Program is focused on the drilling of condensate-rich natural gas wells in Pouce Coupe and crude oil wells in Gordondale. Birchcliff has been encouraged with the results of the wells brought on production year-to-date, with strong condensate rates from its Pouce Coupe wells and strong oil rates from its Gordondale wells. The Corporation recently brought on production a six-well pad in Pouce Coupe and a five-well pad in Gordondale, both of which have had encouraging initial production rates as discussed in further detail below. As a result of the Corporation’s increased focus on liquids, Birchcliff’s liquids production weighting for Q2 2019 increased by 8% as compared to Q2 2018.
- **Capital Program and Infrastructure** – All major capital projects completed year-to-date were on budget and on time. Birchcliff has completed or advanced several infrastructure projects in 2019 which will help provide for operational efficiencies and future growth:
 - The Corporation completed the construction of two pipeline connections between its Pouce Coupe and Gordondale areas. The first connection allows Birchcliff to flow natural gas between the two areas, which helps to reduce downtime and operating costs. The second connection allows Birchcliff to flow condensate from Pouce Coupe to its large oil batteries in Gordondale, which enables the Corporation to blend oil and condensate, resulting in better pricing and netbacks on its liquids.
 - In Pouce Coupe, Birchcliff has initiated the construction of a 20,000 bbls/d inlet liquids-handling facility at the Pouce Coupe Gas Plant which will give it the ability to grow its condensate production in Pouce Coupe from 3,000 to 10,000 bbls/d. It is anticipated that this facility will be brought online in Q3 2020.
 - In Gordondale, Birchcliff completed the construction of a pipeline to debottleneck the southeastern part of the field. In addition, Birchcliff recently installed and commissioned a related field compressor resulting in an increase in production from the drop in line pressure.
- **Solid Adjusted Funds Flow and Free Funds Flow** – Birchcliff generated \$74.0 million and \$190.6 million of adjusted funds flow, respectively, for the three and six months ended June 30, 2019. Birchcliff’s F&D capital expenditures for Q2 2019 were 9% less than its adjusted funds flow in Q2 2019 and its F&D capital expenditures for the six months ended June 30, 2019 were 20% less than its adjusted funds flow for the same period. Birchcliff generated \$6.0 million and \$31.2 million of free funds flow, respectively, for the three months and six months ended June 30, 2019.

Expanded 2019 Capital Program

As a result of Birchcliff's achievements year-to-date and its strong quarterly results and balance sheet, Birchcliff has expanded the 2019 Capital Program to include the drilling of an additional 7 (7.0 net) horizontal wells in 2019, consisting of 3 condensate-rich natural gas wells in Pouce Coupe and 4 oil wells in Gordondale. It is anticipated that all of these wells will be brought on production by November 1, 2019. In total, the expanded 2019 Capital Program contemplates the drilling of 24 (24.0 net) wells and the bringing on production of 33 (33.0 net) wells. As a result of this expansion, Birchcliff has increased its 2019 F&D capital budget to \$242 million from \$204 million. Notwithstanding this increase, Birchcliff's capital expenditures in 2019 are still expected to be significantly less than its forecast of 2019 adjusted funds flow and Birchcliff anticipates that it will generate significant free funds flow in 2019. See "Outlook and Guidance".

Benefits of Expanded Capital Program

Birchcliff expects that this additional capital investment in 2019 will result in a number of benefits, including the following:

- A more efficient capital spending profile in 2020, reducing the amount of capital needed to be spent by Birchcliff in 2020. This more efficient capital spending profile is also expected to result in a more consistent production profile in 2020 and allow Birchcliff to maintain annual average production in 2020 at or near current levels.
- Efficiencies resulting from load levelling operational activities as employees and contractors will be able to work at a steadier pace throughout 2019 and 2020.
- Birchcliff's 2019 annual average production is expected to increase by approximately 1,000 boe/d as the additional wells are expected to be brought on production by November 1, 2019.
- An increase to Birchcliff's 2019 and 2020 adjusted funds flow as a result of the additional production volumes. Furthermore, as the additional wells are expected to be brought on production by November 1, 2019, Birchcliff expects to be able to take advantage of the higher natural gas prices at AECO that are typically seen in the winter. As a result, Birchcliff has increased its 2019 guidance for adjusted funds flow to \$335 million from \$330 million.
- This additional capital investment, which is focused on oil and condensate-rich natural gas wells, is expected to generate positive rates of return in the current environment.
- Birchcliff will be able to add the additional production volumes at a very low cost, as it can utilize existing processing capacity that is available at the Pouce Coupe Gas Plant and unutilized transportation capacity that is available on the NGTL system.

Capital Spending Allocation

The following table sets forth details regarding Birchcliff's expected capital spending allocation under the expanded 2019 Capital Program and a comparison to the original 2019 Capital Program:

Classification	Gross Wells		Net Wells		Capital (MM)		Change in Capital
	Previous ⁽¹⁾	Revised	Previous ⁽¹⁾	Revised	Previous ⁽¹⁾	Revised	
Drilling and Development							
Pouce Coupe ⁽²⁾⁽³⁾							
Montney D1 horizontal natural gas wells	6	9	6.0	9.0	\$34.8	\$49.3	42%
Montney D2 horizontal natural gas wells	2	2	2.0	2.0	\$11.4	\$12.3	8%
Montney C horizontal natural gas wells	1	1	1.0	1.0	\$6.2	\$6.0	(3%)
Gordondale ⁽²⁾⁽³⁾							
Montney D2 horizontal oil wells	5	7	5.0	7.0	\$27.4	\$38.2	39%
Montney D1 horizontal oil wells	3	5	3.0	5.0	\$16.2	\$26.3	62%
Additional Well Completions Capital	-	-	-	-	\$26.2 ⁽⁴⁾	\$25.3 ⁽⁴⁾	(3%)
Total Drilling and Development	17	24	17.0	24.0	\$122.2	\$157.4	29%
Facilities and Infrastructure ⁽⁵⁾					\$33.9	\$35.1	4%
Maintenance and Optimization					\$22.8	\$24.7	8%
Land and Seismic ⁽⁶⁾					\$8.4	\$8.6	2%
Other					\$16.7	\$16.2	(3%)
TOTAL⁽⁷⁾					\$204.0	\$242.0⁽⁸⁾	19%

(1) As previously disclosed on February 13, 2019.

- (2) On a DCCET basis, the average well cost in 2019 is estimated to be \$5.7 million for Pouce Coupe and \$5.6 million (previously \$5.8 million) for Gordondale. These costs can vary depending on factors such as the size of the associated multi-well pads, the costs of construction, the existence of pipelines and other infrastructure and the distance to existing or planned pipelines and other infrastructure.
- (3) On a DCCET basis.
- (4) The amount disclosed in the "Previous" column represented the estimated completion, equipping and tie-in costs associated with the 9 (9.0 net) wells that were drilled and rig released in Q4 2018, as the amount of the actual costs was not yet known when the previous 2019 Capital Program was disclosed on February 13, 2019. The amount disclosed in the "Revised" column represents the actual completion, equipping and tie-in costs associated with such wells.
- (5) Includes capital for the inlet liquids-handling facility at the Pouce Coupe Gas Plant and other infrastructure enhancement projects, pipeline twinning and replacements and water storage. Birchcliff plans on spending approximately \$9.5 million on the associated engineering and long-lead equipment for the inlet liquids-handling facility in 2019.
- (6) Includes capital for crown sales and rental payments but does not include other property acquisitions and dispositions.
- (7) The estimate of capital set forth in the table above represents F&D capital expenditures and does not take into account the purchase price for the \$39 million asset acquisition in Pouce Coupe completed by Birchcliff in Q1 2019 (the "Acquisition") or any other acquisitions or dispositions. After taking into account the purchase price for the Acquisition, Birchcliff's revised estimate of total capital expenditures in 2019 is \$283 million. See "Outlook and Guidance". Net property acquisitions and dispositions have not been included in the table above as these amounts are generally unbudgeted. Birchcliff makes acquisitions and dispositions in the ordinary course of business and any acquisitions and dispositions completed during 2019 could have an impact on Birchcliff's capital expenditures, production, adjusted funds flow, costs and total debt, which impact could be material. See "Advisories – Capital Expenditures".
- (8) Approximately 50% of Birchcliff's F&D capital expenditures are directed towards its Pouce Coupe area and approximately 45% towards its Gordondale area (previously 40%). Birchcliff expects that its F&D capital investment in 2019 will now be approximately \$122 million in Pouce Coupe (previously \$100 million) and \$109 million in Gordondale (previously \$84 million).

Wells Drilled and Brought on Production

The following tables summarize the wells that Birchcliff has drilled and brought on production year-to-date, as well as the remaining and total number of wells to be drilled and brought on production in 2019:

Wells Drilled – 2019

Area	Wells drilled year to-date	Remaining wells to be drilled in 2019	Total wells to be drilled in 2019
Pouce Coupe			
Montney D1 horizontal natural gas wells	6	3	9
Montney D2 horizontal natural gas wells	2	0	2
Montney C horizontal natural gas wells	1	0	1
Total – Pouce Coupe	9	3	12
Gordondale			
Montney D2 horizontal oil wells	7	0	7
Montney D1 horizontal oil wells	5	0	5
Total – Gordondale	12	0	12
TOTAL – COMBINED	21	3	24

Wells Bought on Production – 2019

Area	Wells brought on production year-to-date	Remaining wells to be brought on production in 2019	Total wells to be brought on production in 2019⁽¹⁾
Pouce Coupe			
Montney D1 horizontal natural gas wells	11	3	14
Montney D2 horizontal natural gas wells	2	0	2
Montney C horizontal natural gas wells	1	0	1
Total – Pouce Coupe	14	3	17
Gordondale			
Montney D2 horizontal oil wells	7	2	9
Montney D1 horizontal oil wells	5	2	7
Total – Gordondale	12	4	16
TOTAL – COMBINED	26	7	33

- (1) Includes 9 (9.0) net wells that were drilled and rig released in Q4 2018.

Pouce Coupe

Key focus areas for Pouce Coupe in 2019 are the drilling of condensate-rich natural gas wells and the further exploitation and delineation of condensate-rich trends in the Montney D1, D2 and C intervals. Birchcliff recently brought on production a six-well pad located at 14-06-079-12W6M on the lands that Birchcliff acquired pursuant to the Acquisition in Q1 2019. The six wells were drilled in three different intervals (4 in the Montney D1, 1 in the Montney D2 and 1 in the Montney C). During the initial 30 days of production, this six-well pad was flowing inline post-fracture treatment raw natural gas, condensate and frac water. The production rates of the wells have been stabilizing as the frac water flowing back to surface diminishes over time and during the initial 30 days of production, the stabilized flow of the wells had an aggregate average production rate of 6,350 boe/d (27.9 MMcf/d of raw natural gas and 1,690 bbls/d of condensate). For further details regarding these initial production rates, please see “*Advisories – Initial Production Rates*” and Birchcliff’s updated corporate presentation available on its website at www.birchcliffenergy.com/investors/corporate-presentation/.

Gordondale

Key focus areas for Gordondale in 2019 are the drilling of crude oil wells and the further exploitation and delineation of oil in the Montney D1 and D2 intervals, specifically in the southeastern part of the Gordondale field. Birchcliff recently brought on production a five-well pad located at 01-10-078-11W6M. The five wells were drilled in two different intervals (2 in the Montney D1 and 3 in the Montney D2). During the initial 30 days of production, this five-well pad was flowing inline post-fracture oil, raw natural gas and frac water. The production rates of the wells have been stabilizing as the frac water flowing back to surface diminishes over time and during the initial 30 days of production, the stabilized flow of the wells had an aggregate average production rate of 4,446 boe/d (2,114 bbls/d of oil and 14.0 MMcf/d of raw natural gas). For further details regarding these initial production rates, please see “*Advisories – Initial Production Rates*” and Birchcliff’s updated corporate presentation available on its website at www.birchcliffenergy.com/investors/corporate-presentation/.

OUTLOOK AND GUIDANCE

Birchcliff currently believes that it is well positioned to generate significant free funds flow in 2019 supported by its natural gas diversification and financial risk management contracts and its mix of long-life and low-decline assets, which provide it with a stable base of production. Birchcliff is committed to maintaining financial flexibility and a strong balance sheet and will allocate remaining free funds flow based on what it believes will provide the most value to its shareholders. Birchcliff expects to generate approximately \$335 million of adjusted funds flow and \$93 million of free funds flow in 2019.

Birchcliff has revised its 2019 guidance and commodity price assumptions to reflect the expansion to the 2019 Capital Program, the Corporation’s results year-to-date and current economic conditions. Significant changes include the following:

- Birchcliff has increased its 2019 annual average production guidance to 77,000 to 79,000 boe/d from 76,000 to 78,000 boe/d to reflect the expansion to the 2019 Capital Program and the strong production performance of its wells year-to-date.
- As a result of a lower commodity price forecast for natural gas in 2019, Birchcliff has reduced the range of its average royalty expense in 2019 to \$1.10/boe to \$1.30/boe.
- Birchcliff’s estimate of adjusted funds flow has increased to \$335 million from \$330 million and its estimate of free funds flow has decreased to \$93 million from \$126 million.
- F&D and total capital expenditures in 2019 are now estimated to be \$242 million and \$283 million, respectively.

The following table sets forth Birchcliff’s previous and revised guidance and commodity price assumptions for 2019:

	Previous 2019 Guidance and Assumptions ⁽¹⁾	Revised 2019 Guidance and Assumptions ⁽²⁾
Production		
Annual average production (boe/d)	76,000 – 78,000	77,000 – 79,000
% Light oil	7%	6%
% Condensate	6%	7%
% NGLs	8%	9%
% Natural gas	79%	78%
Average Expenses (\$/boe)		
Royalty	1.30 – 1.50	1.10 – 1.30
Operating	3.15 – 3.35	3.15 – 3.35
Transportation and other ⁽³⁾	4.65 – 4.85	4.65 – 4.85
Adjusted Funds Flow (MM\$)	330	335 ⁽⁴⁾
F&D Capital Expenditures (MM\$)	204	242 ⁽⁵⁾
Free Funds Flow (MM\$)⁽⁶⁾	126	93
Total Capital Expenditures (MM\$)	245	283 ⁽⁵⁾
Natural Gas Market Exposure⁽⁷⁾		
AECO exposure as a % of total natural gas production	35%	34%
Dawn exposure as a % of total natural gas production	39%	38%
NYMEX HH exposure as a % of total natural gas production	25%	25%
Alliance exposure as a % of total natural gas production	1%	3%
Commodity Prices		
Average WTI spot price (US\$/bbl)	56.00	57.50
Average WTI-MSW differential (CDN\$/bbl)	10.00	7.50
Average AECO 5A spot price (CDN\$/GJ)	1.65	1.50
Average Dawn spot price (CDN\$/GJ)	3.40	3.05
Average NYMEX HH spot price (US\$/MMBtu) ⁽⁸⁾	3.00	2.70
Exchange rate (CDN\$ to US\$1)	1.32	1.32

- (1) As previously disclosed on March 13, 2019, Birchcliff's previous guidance for its commodity mix, average expenses, funds flow, capital expenditures and natural gas market exposure in 2019 was based on an annual average production rate of 77,000 boe/d during 2019, which was the mid-point of Birchcliff's previous annual average production guidance for 2019.
- (2) Birchcliff's revised guidance for its commodity mix, average expenses, funds flow, capital expenditures and natural gas market exposure in 2019 is based on an annual average production rate of 78,000 boe/d during 2019, which is the mid-point of Birchcliff's revised annual average production guidance for 2019.
- (3) Includes transportation tolls for 150,000 GJ/d of natural gas sold at the Dawn price from January 1, 2019 to October 31, 2019 and 175,000 GJ/d from November 1, 2019 to December 31, 2019. Also includes any unused firm transportation costs associated with Birchcliff's commitments on the NGTL system.
- (4) Birchcliff's estimate of adjusted funds flow takes into account the settlement of financial and physical commodity risk management contracts outstanding as at August 13, 2019. Please see "Q2 2019 Financial and Operational Results – Financial Results – Risk Management".
- (5) Birchcliff's estimate of F&D capital expenditures corresponds to Birchcliff's revised 2019 capital budget of \$242 million. This estimate excludes the purchase price for the Acquisition and any other net potential acquisitions and dispositions. Birchcliff's estimate of total capital expenditures includes the purchase price for the Acquisition; however, this estimate does not take into account any other potential acquisitions or dispositions as these amounts are unbudgeted. The estimate of total capital expenditures also includes minor administrative assets. Please see "Advisories – Capital Expenditures".
- (6) Free funds flow is calculated as adjusted funds flow less F&D capital expenditures and is prior to administrative assets, acquisitions, dispositions, dividend payments and abandonment and reclamation obligations. Please see "Non-GAAP Measures".
- (7) Birchcliff's guidance regarding its natural gas market exposure in 2019 assumes: (i) 150,000 GJ/d being sold at the Dawn index price from January 1, 2019 to October 31, 2019 and 175,000 GJ/d from November 1, 2019 to December 31, 2019; (ii) 5 MMcf/d being sold at Alliance's Trading Pool daily index price; and (iii) 100,000 MMBtu/d being hedged at a fixed basis differential between the AECO 7A price and the NYMEX HH price.
- (8) \$1.00 per MMBtu equals \$1.00 per Mcf based on a standard heat value of 37.4 MJ/m³ or a heat uplift of 1.055 when converting from \$/GJ.

Birchcliff continues to be strategic and opportunistic in advancing its market access initiatives and its physical natural gas sales exposure currently consists of AECO, Dawn and Alliance markets, with additional exposure to NYMEX HH pricing through its outstanding financial instruments. Effective November 1, 2019, Birchcliff's level of firm service on TCPL's Canadian Mainline to Dawn will increase to 175,000 GJ/d from 150,000 GJ/d. Effectively 88% of Birchcliff's total revenue in 2019, representing 74% of its total production, is expected to be based on non-AECO benchmark prices after taking into account its commodity risk management contracts and expected sales from liquids and based on the commodity price assumptions set forth in the table above. This natural gas market diversification together with Birchcliff's financial risk management contracts will help to further strengthen Birchcliff's balance sheet and protect its cash flow and project economics.

The following table illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's estimate of adjusted funds flow for 2019 of \$335 million, after taking into account its financial instruments outstanding as at August 13, 2019:

	Estimated change to 2019 adjusted funds flow <i>(CDNMM\$)⁽¹⁾⁽²⁾</i>
Change in WTI US\$1.00/bbl	5.0
Change in NYMEX HH US\$0.10/MMBtu	3.4
Change in Dawn CDN\$0.10/GJ	5.6
Change in AECO 5A CDN\$0.10/GJ	6.4
Change in CDN/US exchange rate CDN\$0.01	2.6

(1) Please see the guidance table above.

(2) The calculated impact on adjusted funds flow is only applicable within the limited range of change indicated. Calculations are performed independently and may not be indicative of actual results. Actual results may vary materially when multiple variables change at the same time.

Changes in assumed commodity prices and variances in production estimates can have a significant impact on the Corporation's estimate of adjusted funds flow. For further information regarding Birchcliff's guidance, please see "Advisories – Forward-Looking Statements".

2018 CORPORATE RESPONSIBILITY REPORT

Birchcliff has released its 2018 Corporate Responsibility Report, a copy of which is available at http://birchcliffenergy.com/media/uploads/documents/birchcliff_corporate_responsibility_report_2018.pdf. This report has been designed to provide investors and stakeholders with additional information regarding Birchcliff's corporate responsibility initiatives, including environmental, social and governance (ESG) related topics.

ABBREVIATIONS

AECO	benchmark price for natural gas determined at the AECO 'C' hub in southeast Alberta
bbl	barrel
bbls	barrels
bbls/d	barrels per day
boe	barrel of oil equivalent
boe/d	barrel of oil equivalent per day
C3+	propane plus
condensate	pentanes plus (C5+)
DCCET	drill, case, complete, equip and tie-in
F&D	finding and development
G&A	general and administrative
GAAP	generally accepted accounting principles for Canadian public companies which are currently IFRS
GJ	gigajoule
GJ/d	gigajoules per day
HH	Henry Hub
HZ	horizontal
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board
liquids	light oil, condensate and NGLs
m ³	cubic metres
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
Mcfe	thousand cubic feet of gas equivalent
MJ	megajoule
MM	millions
MM\$	millions of dollars
MMBtu	million British thermal units
MMBtu/d	million British thermal units per day
MMcf	million cubic feet
MMcf/d	million cubic feet per day
MPa	megapascal
MSW	price for mixed sweet crude oil at Edmonton, Alberta
NGLs	natural gas liquids consisting of ethane (C2), propane (C3) and butane (C4) and specifically excluding condensate
NGTL	NOVA Gas Transmission Ltd.
NYMEX	New York Mercantile Exchange
TCPL	TransCanada PipeLines Limited

WTI West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma, for crude oil of standard grade
000s thousands
\$000s thousands of dollars

NON-GAAP MEASURES

This press release uses “adjusted funds flow”, “adjusted funds flow per common share”, “free funds flow”, “operating netback”, “adjusted funds flow netback”, “total cash costs”, “adjusted working capital deficit” and “total debt”. These measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Management believes that these non-GAAP measures assist management and investors in assessing Birchcliff’s profitability, efficiency, liquidity and overall performance. Each of these measures is discussed in further detail below.

“Adjusted funds flow” denotes cash flow from operating activities before the effects of decommissioning expenditures and changes in non-cash working capital and “adjusted funds flow per common share” denotes adjusted funds flow divided by the basic or diluted weighted average number of common shares outstanding for the period. Birchcliff eliminates changes in non-cash working capital and settlements of decommissioning expenditures from cash flow from operating activities as the amounts can be discretionary and may vary from period-to-period depending on its capital programs and the maturity of its operating areas. The settlement of decommissioning expenditures is managed with Birchcliff’s capital budgeting process which considers available adjusted funds flow. Management believes that adjusted funds flow and adjusted funds flow per common share assist management and investors in assessing Birchcliff’s profitability, as well as its ability to generate the cash necessary to fund future growth through capital investments, decommission its assets, pay dividends and repay debt. Investors are cautioned that adjusted funds flow should not be construed as an alternative to or more meaningful than cash flow from operating activities or net income or loss as determined in accordance with GAAP as an indicator of Birchcliff’s performance. “Free funds flow” denotes adjusted funds flow less F&D capital expenditures. Management believes that free funds flow assists management and investors in assessing Birchcliff’s ability to generate the cash necessary to repay debt, pay dividends, fund a portion of its future growth investments and/or fund share buybacks. The following table provides a reconciliation of cash flow from operating activities, as determined in accordance with GAAP, to adjusted funds flow and free funds flow for the periods indicated:

(\$000s)	Three months ended		Six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Cash flow from operating activities	97,857	71,825	192,601	163,678
Add back:				
Change in non-cash working capital	(24,351)	469	(3,320)	(8,148)
Funds flow	73,506	72,294	189,281	155,530
Adjustments:				
Decommissioning expenditures	451	75	1,324	497
Adjusted funds flow	73,957	72,369	190,605	156,027
F&D capital expenditures	(67,937)	(69,826)	(159,403)	(202,348)
Free funds flow	6,020	2,543	31,202	(46,321)

“Operating netback” denotes petroleum and natural gas revenue less royalty expense, less operating expense and less transportation and other expense. “Adjusted funds flow netback” denotes petroleum and natural gas revenue less royalty expense, less operating expense, less transportation and other expense, less net G&A expense, less interest expense and less any realized losses (plus realized gains) on financial instruments and plus any other cash income sources. All netbacks are calculated on a per unit basis, unless otherwise indicated. Management believes that operating netback and adjusted funds flow netback assist management and investors in assessing Birchcliff’s profitability and its operating results on a per unit basis to better analyze its performance against prior periods on a comparable basis. The following table provides a breakdown of Birchcliff’s operating netback and adjusted funds flow netback for the periods indicated:

	Three months ended				Six months ended			
	June 30,				June 30,			
	2019		2018		2019		2018	
	(\$000s)	(\$/boe)	(\$000s)	(\$/boe)	(\$000s)	(\$/boe)	(\$000s)	(\$/boe)
Petroleum and natural gas revenue	139,857	19.59	150,561	21.69	318,212	22.93	310,092	22.45
Royalty expense	(5,347)	(0.75)	(10,632)	(1.53)	(13,556)	(0.98)	(20,443)	(1.48)
Operating expense	(22,652)	(3.17)	(23,319)	(3.36)	(45,569)	(3.28)	(49,252)	(3.57)
Transportation and other expense	(30,599)	(4.29)	(25,239)	(3.64)	(61,676)	(4.45)	(49,779)	(3.60)
Operating netback	81,259	11.38	91,371	13.16	197,411	14.22	190,618	13.80
G&A, net	(6,220)	(0.87)	(6,079)	(0.88)	(12,308)	(0.89)	(12,119)	(0.88)
Interest expense	(6,596)	(0.92)	(6,658)	(0.96)	(13,532)	(0.97)	(13,290)	(0.96)
Realized gain (loss) on financial instruments	5,317	0.74	(6,462)	(0.93)	18,635	1.34	(9,581)	(0.69)
Other income	197	0.03	197	0.03	399	0.03	399	0.03
Adjusted funds flow netback	73,957	10.36	72,369	10.42	190,605	13.73	156,027	11.30

(1) All per boe amounts are calculated by dividing each aggregate financial amount by the production (boe) in the respective period.

The breakdown for the operating netback of the Pouce Coupe Gas Plant is provided under the heading “Q2 2019 Financial and Operational Results – Financial Results – Pouce Coupe Gas Plant Netbacks”.

“Total cash costs” are comprised of royalty, operating, transportation and other, G&A and interest expenses. Total cash costs are calculated on a per unit basis. Management believes that total cash costs assists management and investors in assessing Birchcliff’s efficiency and overall cash cost structure.

“Adjusted working capital deficit” is calculated as current assets minus current liabilities excluding the effects of any current portion of financial instruments and capital securities. Birchcliff’s capital securities were long-term in nature and therefore were excluded as a non-GAAP adjustment to adjusted working capital deficit in the comparative periods. Management believes that adjusted working capital deficit assists management and investors in assessing Birchcliff’s short-term liquidity. The following table reconciles working capital deficit (current assets minus current liabilities), as determined in accordance with GAAP, to adjusted working capital deficit:

As at, (\$000s)	June 30, 2019	December 31, 2018	June 30, 2018
Working capital deficit (surplus)	81,617	(15,611)	58,502
Financial instrument – current asset	1,927	36,798	5,037
Financial instrument – current liability	(1,427)	-	(19,421)
Capital securities – current liability	(49,690)	-	-
Adjusted working capital deficit	32,427	21,187	44,118

“Total debt” is calculated as the revolving term credit facilities plus adjusted working capital deficit. Management believes that total debt assists management and investors in assessing Birchcliff’s liquidity. The following table provides a reconciliation of the revolving term credit facilities, as determined in accordance with GAAP, to total debt:

As at, (\$000s)	June 30, 2019	December 31, 2018	June 30, 2018
Revolving term credit facilities	622,282	605,267	617,291
Adjusted working capital deficit	32,427	21,187	44,118
Total debt	654,709	626,454	661,409

ADVISORIES

Unaudited Information

All financial and operational information contained in this press release for the three and six months ended June 30, 2019 and 2018 is unaudited.

Currency

Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and all references to “\$” and “CDN\$” are to Canadian dollars and all references to “US\$” are to United States dollars.

MMBtu Pricing Conversions

\$1.00 per MMBtu equals \$1.00 per Mcf based on a standard heat value Mcf.

Boe and Mcfe Conversions

Boe amounts have been calculated by using the conversion ratio of 6 Mcf of natural gas to 1 bbl of oil and Mcfe amounts have been calculated by using the conversion ratio of 1 bbl of oil to 6 Mcf of natural gas. Boe and Mcfe amounts may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl and an Mcfe conversion ratio of 1 bbl: 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. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Oil and Gas Metrics

This press release contains metrics commonly used in the oil and natural gas industry, including netbacks. These oil and gas metrics do not have any standardized meanings or standard methods of calculation and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. As such, they should not be used to make comparisons. Management uses these oil and gas metrics for its own performance measurements and to provide investors with measures to compare Birchcliff's performance over time; however, such measures are not reliable indicators of Birchcliff's future performance, which may not compare to Birchcliff's performance in previous periods, and therefore should not be unduly relied upon. For additional information regarding netbacks, including how netbacks are calculated, please see *"Non-GAAP Measures"*.

Initial Production Rates

Any references in this press release to initial production rates or other short-term production rates are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will continue to produce and decline thereafter and are not indicative of the long-term performance or the ultimate recovery of such wells. In addition, such rates may also include recovered "load oil" or "load water" fluids used in well completion stimulation. While encouraging, readers are cautioned not to place undue reliance on such rates in calculating the aggregate production for Birchcliff. Such rates are based on field estimates and may be based on limited data available at this time.

With respect to the production rate for the Corporation's six-well pad in Pouce Coupe disclosed under the heading *"Operational Update – Pouce Coupe"*, such rate represents the cumulative volumes for each well measured at the wellhead separator for the initial 30 days of production divided by 30, which were then added together and divided by 6. The production rate excluded the hours and days when the wells did not produce. Approximate tubing and casing pressures for the six wells were stabilized between 5.4 to 6.4 MPa and 10.8 to 12.0 MPa, respectively. To-date, no pressure transient or well-test interpretation has been carried out on any of the wells. The natural gas volumes represent raw natural gas volumes as opposed to sales gas volumes.

With respect to the production rate for the Corporation's five-well pad in Gordondale disclosed under the heading *"Operational Update – Gordondale"*, such rate represents the cumulative volumes for each well measured at the wellhead separator for the initial 30 days of production divided by 30, which were then added together and divided by 5. The production rate excluded the hours and days when the wells did not produce. Approximate tubing pressures for the five wells were stabilized between 3.3 to 5.9 MPa. To-date, no pressure transient or well-test interpretation has been carried out on any of the wells. The natural gas volumes represent raw natural gas volumes as opposed to sales gas volumes.

Capital Expenditures

Unless otherwise stated, references in this press release to: (i) "F&D capital" denotes capital for land, seismic, workovers, drilling and completions and well equipment and facilities; and (ii) "total capital expenditures" denotes F&D capital plus acquisitions, less any dispositions, plus administrative assets. Birchcliff previously referred to total capital expenditures as "net capital expenditures" or "capital expenditures, net".

Forward-Looking Statements

Certain statements contained in this press release constitute forward-looking statements and forward-looking information (collectively referred to as “**forward-looking statements**”) within the meaning of applicable Canadian securities laws. The forward-looking statements contained in this press release relate to future events or Birchcliff’s future plans, operations or performance and are based on Birchcliff’s current expectations, estimates, projections, beliefs and assumptions. Such forward-looking statements have been made by Birchcliff in light of the information available to it at the time the statements were made and reflect its experience and perception of historical trends. All statements and information other than historical fact may be forward-looking statements. Such forward-looking statements are often, but not always, identified by the use of words such as “seek”, “plan”, “expect”, “project”, “intend”, “believe”, “anticipate”, “estimate”, “forecast”, “guidance”, “potential”, “proposed”, “predict”, “budget”, “continue”, “targeting”, “may”, “will”, “could”, “might”, “should”, “on track” and other similar words and expressions.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Accordingly, readers are cautioned not to place undue reliance on such forward-looking statements. Although Birchcliff 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 and Birchcliff makes no representation that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements.

In particular, this press release contains forward-looking statements relating to the following: Birchcliff’s plans and other aspects of its anticipated future financial performance, operations, focus, objectives, strategies, opportunities, priorities and goals; Birchcliff’s expectation that it would have achieved the mid-point of its previous 2019 annual average production guidance of 76,000 to 78,000 boe/d; Birchcliff’s guidance regarding its 2019 Capital Program (including the information set forth under the heading “*Operational Update – Expanded 2019 Capital Program*”) and its proposed exploration and development activities and the timing thereof (including: estimates of capital expenditures and capital allocation; the number and types of wells to be drilled and brought on production and the timing thereof; the focus of, the objectives of and the anticipated results from and the expected benefits of the expanded 2019 Capital Program; and the estimated average well costs in Pouce Coupe and Gordondale in 2019); Birchcliff’s market diversification and risk management activities and any anticipated benefits to be derived therefrom; Birchcliff’s transportation arrangements (including that effective November 1, 2019, Birchcliff’s level of firm service on TCPL’s Canadian Mainline to Dawn will increase by 25,000 GJ/d, bringing the total level of firm service to 175,000 GJ/d); the performance and other characteristics of Birchcliff’s oil and natural gas properties and expected results from its assets; that Birchcliff is focused on continuous improvements in all aspects of its business and the use of, and expected benefits from, new technologies; statements regarding the planned inlet liquids-handling facility at the Pouce Coupe Gas Plant (including the capacity of the facility, the anticipated timing for the completion of the facility and that the facility will give Birchcliff the ability to grow its condensate production to 10,000 bbls/d in Pouce Coupe); the information set forth under the heading “*Outlook and Guidance*” and elsewhere in this press release as it relates to Birchcliff’s 2019 guidance (including: Birchcliff’s estimates of annual average production, commodity mix, average expenses, adjusted and free funds flow, capital expenditures and natural gas market exposure in 2019; that Birchcliff’s capital expenditures in 2019 are still expected to be significantly less than its forecast of 2019 adjusted funds flow; that Birchcliff will generate significant free funds flow in 2019; that Birchcliff is committed to maintaining financial flexibility and a strong balance sheet and will allocate remaining free funds flow based on what Birchcliff believes will provide the most value to its shareholders; that effectively 88% of Birchcliff’s total revenue in 2019, representing 74% of its total production, is expected to be based on non-AECO benchmark prices; Birchcliff’s expectation that its natural gas market diversification together with its financial risk management contracts will help to further strengthen Birchcliff’s balance sheet and protect its cash flow and project economics; and the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff’s estimate of adjusted funds flow); and Birchcliff’s views on future commodity prices, including that higher natural gas prices at AECO are typically seen in the winter.

With respect to the forward-looking statements contained in this press release, assumptions have been made regarding, among other things: prevailing and future commodity prices and differentials, currency exchange rates, interest rates, inflation rates, royalty rates and tax rates; the state of the economy, financial markets and the exploration, development and production business; the political environment in which Birchcliff operates; the regulatory framework regarding royalties, taxes, environmental and other laws; the Corporation’s ability to comply with existing and future environmental, climate change and other laws; future cash flow, debt and dividend levels; future operating,

transportation, marketing, G&A and other expenses; Birchcliff's ability to access capital and obtain financing on acceptable terms; the timing and amount of capital expenditures and the sources of funding for capital expenditures and other activities; the sufficiency of budgeted capital expenditures to carry out planned operations; the successful and timely implementation of capital projects; results of future operations; Birchcliff's ability to continue to develop its assets and obtain the anticipated benefits therefrom; the performance of existing and future wells, well production rates and well decline rates; success rates for future drilling; reserves and resource volumes and Birchcliff's ability to replace and expand reserves through acquisition, development or exploration; the impact of competition on Birchcliff; the availability of, demand for and cost of labour, services and materials; the ability to obtain any necessary regulatory or other approvals in a timely manner; the satisfaction by third parties of their obligations to Birchcliff; the ability of Birchcliff to secure adequate processing and transportation for its products; Birchcliff's ability to successfully market natural gas and liquids; the availability of hedges on terms acceptable to Birchcliff; and Birchcliff's natural gas market exposure. In addition to the foregoing assumptions, Birchcliff has made the following assumptions with respect to certain forward-looking statements contained in this press release:

- Birchcliff's 2019 guidance (as updated August 14, 2019) assumes the following commodity prices and exchange rate during 2019: an average WTI spot price of US\$57.50/bbl; an average WTI-MSW differential of \$7.50/bbl; an average AECO 5A spot price of \$1.50/GJ; an average Dawn spot price of \$3.05/GJ; an average NYMEX HH spot price of US\$2.70/MMBtu; and an exchange rate (CDN\$ to US\$1) of 1.32.
- With respect to estimates of 2019 capital expenditures and the allocation thereof and Birchcliff's spending plans for 2019, such estimates and plans assume that the expanded 2019 Capital Program will be carried out as currently contemplated.
 - Birchcliff makes acquisitions and dispositions in the ordinary course of business. Any acquisitions and dispositions completed could have an impact on Birchcliff's capital expenditures, production, adjusted funds flow, free funds flow, costs and total debt, which impact could be material.
 - The amount and allocation of capital expenditures for exploration and development activities by area and the number and types of wells to be drilled and brought on production is dependent upon results achieved and is subject to review and modification by management on an ongoing basis throughout the year. Actual spending may vary due to a variety of factors, including commodity prices, economic conditions, results of operations and costs of labour, services and materials. Birchcliff will monitor economic conditions and commodity prices and may, if deemed prudent, further adjust its capital program to respond to changes in commodity prices and other material changes in the assumptions underlying such program.
- With respect to statements that the expanded 2019 Capital Program will result in a more efficient capital spending profile in 2020, reducing the amount of capital needed to be spent by Birchcliff in 2020, and result in a more consistent production profile in 2020 and allow Birchcliff to maintain annual average production in 2020 at or near current levels, such statements assume that Birchcliff will execute a capital program in 2020 that is designed to maintain production at or near current production levels and that production levels throughout 2020 will remain relatively stable.
- With respect to Birchcliff's production guidance for 2019, such guidance assumes that: the expanded 2019 Capital Program will be carried out as currently contemplated; no unexpected outages occur in the infrastructure that Birchcliff relies on to produce its wells and that any transportation service curtailments or unplanned outages that occur will be short in duration or otherwise insignificant; the construction of new infrastructure meets timing and operational expectations; existing wells continue to meet production expectations; and future wells scheduled to come on production meet timing, production and capital expenditure expectations. Birchcliff's production guidance may be affected by acquisition and disposition activity and acquisitions and dispositions could occur that may impact expected production.
- With respect to Birchcliff's estimates of adjusted and free funds flow for 2019, statements that Birchcliff will generate significant free funds flow during 2019 and statements that capital expenditures in 2019 are expected to be significantly less than Birchcliff's forecast of 2019 adjusted funds flow, such estimates and statements assume that: the expanded 2019 Capital Program will be carried out as currently contemplated and the level of capital spending for 2019 set forth herein will be achieved; and the production targets, commodity mix, natural gas market exposure and commodity price assumptions set forth herein are met. In addition, Birchcliff's estimate of adjusted

funds flow takes into account the settlement of financial and commodity risk management contracts outstanding as at August 13, 2019.

- With respect to statements of future wells to be drilled and brought on production, the key assumptions are: the continuing validity of the geological and other technical interpretations performed by Birchcliff's technical staff, which indicate that commercially economic volumes can be recovered from Birchcliff's lands as a result of drilling future wells; and that commodity prices and general economic conditions will warrant proceeding with the drilling of such wells.

Birchcliff's actual results, performance or achievements could differ materially from those anticipated in the forward-looking statements as a result of both known and unknown risks and uncertainties including, but not limited to: general economic, market and business conditions which will, among other things, impact the demand for and market prices of Birchcliff's products and Birchcliff's access to capital; volatility of crude oil and natural gas prices; fluctuations in currency exchange and interest rates; stock market volatility; loss of market demand; an inability to access sufficient capital from internal and external sources; fluctuations in the costs of borrowing; operational risks and liabilities inherent in oil and natural gas operations; the occurrence of unexpected events such as fires, equipment failures and other similar events affecting Birchcliff or other parties whose operations or assets directly or indirectly affect Birchcliff; an inability to access sufficient water or other fluids needed for operations; uncertainty that development activities in connection with Birchcliff's assets will be economical; uncertainties associated with estimating oil and natural gas reserves and resources; the accuracy of oil and natural gas reserves estimates and estimated production levels; geological, technical, drilling, construction and processing problems; uncertainty of geological and technical data; horizontal drilling and completions techniques and the failure of drilling results to meet expectations for reserves or production; uncertainties related to Birchcliff's future potential drilling locations; potential delays or changes in plans with respect to exploration or development projects or capital expenditures, including delays in the completion of gas plants and other facilities; the accuracy of cost estimates and variances in Birchcliff's actual costs and economic returns from those anticipated; incorrect assessments of the value of acquisitions and exploration and development programs; changes in tax laws, Crown royalty rates, environmental laws, carbon tax regimes, incentive programs and other regulations that affect the oil and natural gas industry and other actions by government authorities; an inability of the Corporation to comply with existing and future environmental, climate change and other laws; the cost of compliance with current and future environmental laws; political uncertainty and uncertainty associated with government policy changes; dependence on facilities, gathering lines and pipelines, some of which the Corporation does not control; uncertainties and risks associated with pipeline restrictions and outages to third-party infrastructure that could cause disruptions to production; the lack of available pipeline capacity and an inability to secure adequate processing and transportation for Birchcliff's products; an inability to satisfy obligations under Birchcliff's firm marketing and transportation arrangements; a failure to comply with covenants under Birchcliff's Credit Facilities; shortages in equipment and skilled personnel; the absence or loss of key employees; competition for, among other things, capital, acquisitions of reserves, undeveloped lands, equipment and skilled personnel; management of Birchcliff's growth; environmental risks, claims and liabilities; potential litigation; default under or breach of agreements by counterparties and potential enforceability issues in contracts; claims by indigenous peoples; the reassessment by taxing or regulatory authorities of the Corporation's prior transactions and filings; unforeseen title defects; third-party claims regarding the Corporation's right to use technology and equipment; uncertainties associated with the outcome of litigation or other proceedings involving Birchcliff; uncertainties associated with credit facilities and counterparty credit risk; risks associated with Birchcliff's risk management activities and the risk that hedges on terms acceptable to Birchcliff may not be available; risks associated with the declaration and payment of future dividends, including the discretion of Birchcliff's board of directors to declare dividends and change the Corporation's dividend policy; the failure to obtain any required approvals in a timely manner or at all; the failure to realize the anticipated benefits of acquisitions and dispositions and the risk of unforeseen difficulties in integrating acquired assets into Birchcliff's operations; negative public perception of the oil and natural gas industry and fossil fuels, including transportation and hydraulic fracturing involving fossil fuels; the Corporation's reliance on hydraulic fracturing; alternatives to and changing demand for petroleum products; the availability of insurance and the risk that certain losses may not be insured; breaches or failure of information systems and security (including risks associated with cyber-attacks); and risks associated with the ownership of the Corporation's securities.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other risk factors that could affect results of operations, financial performance or financial results are included in Birchcliff's most recent Annual Information Form and in other reports filed with Canadian securities regulatory authorities.

This press release contains information that may constitute future-orientated financial information or financial outlook information (collectively, “FOFI”) about Birchcliff’s prospective results of operations including, without limitation, adjusted funds flow and free funds flow, all of which is subject to the same assumptions, risk factors, limitations and qualifications as set forth above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise or inaccurate and, as such, undue reliance should not be placed on FOFI. Birchcliff’s actual results, performance and achievements could differ materially from those expressed in, or implied by, FOFI. Birchcliff has included FOFI in order to provide readers with a more complete perspective on Birchcliff’s future operations and management’s current expectations relating to Birchcliff’s future performance. Readers are cautioned that such information may not be appropriate for other purposes. FOFI contained herein was made as of the date of this press release. Unless required by applicable laws, Birchcliff does not undertake any obligation to publicly update or revise any FOFI statements, whether as a result of new information, future events or otherwise.

Management has included the above summary of assumptions and risks related to forward-looking statements provided in this press release in order to provide readers with a more complete perspective on Birchcliff’s future operations and management’s current expectations relating to Birchcliff’s future performance. Readers are cautioned that this information may not be appropriate for other purposes.

The forward-looking statements contained in this press release are expressly qualified by the foregoing cautionary statements. The forward-looking statements contained herein are made as of the date of this press release. Unless required by applicable laws, Birchcliff does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

About Birchcliff:

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 and cumulative redeemable preferred shares, Series A and Series C are listed for trading on the Toronto Stock Exchange under the symbols “BIR”, “BIR.PR.A” and “BIR.PR.C”, respectively.

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