The following table sets forth Birchcliff's guidance and commodity price assumptions for 2019:

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

(1) As previously disclosed on March 13, 2019. Birchcliff's 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 77,000 boe/d during 2019, which is the mid-point of Birchcliff's annual average production guidance for 2019.

(2) 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.

(3) Birchcliff's estimate of adjusted funds flow takes into account the settlement of financial and physical commodity risk management contracts outstanding as at March 13, 2019. Please see *"Q1 2019 Financial and Operational Results – Risk Management"*.

(4) Birchcliff's estimate of F&D capital expenditures corresponds to Birchcliff's 2019 capital budget of $204 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"*.

(5) 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"*.

(6) 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 price and the NYMEX HH price.

(7) $1.00 per MMBtu equals $1.00 per Mcf based on a standard heat value of 37.4 MJ/m^3 or a heat uplift of 1.055 when converting from $/GJ.

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 $330 million, after taking into account its commodity risk management contracts outstanding as at March 13, 2019:

	Estimated change to 2019 adjusted funds flow *(MM$)*(1)(2)
Change in WTI US$1.00/bbl	5
Change in NYMEX HH US$0.10/MMBtu	5
Change in Dawn CDN$0.10/MMBtu	5
Change in AECO CDN$0.10/MMBtu	5
Change in CDN/US exchange rate CDN$0.01	3

(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.

For further information regarding Birchcliff's guidance, please see *"Advisories – Forward-Looking Statements".*

Birchcliff has partnered with VRify Technology Inc. ("**VRify**") to provide Birchcliff's stakeholders with a virtual asset tour of its operations. VRify provides a platform that hosts virtual tours of global projects which are accessible through interactive 360° presentations and 3D models. The Birchcliff asset tour can be viewed beginning May 17, 2019 on the Birchcliff website at www.birchcliffenergy.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

This Management's Discussion and Analysis ("**MD&A**") for Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") dated May 15, 2019 is with respect to the three months ended March 31, 2019 (the "**Reporting Period**") as compared to the three months ended March 31, 2018 (the "**Comparable Prior Period**"). This MD&A has been prepared by management and approved by the Corporation's Audit Committee and Board of Directors and should be read in conjunction with the interim condensed financial statements of the Corporation and related notes for the Reporting Period, as well as the audited financial statements of the Corporation and the related notes for the year ended December 31, 2018 which have been prepared in accordance with IFRS. Birchcliff adopted IFRS 16: *Leases* ("**IFRS 16**") effective January 1, 2019 using the modified retrospective approach; therefore, comparative information has not been restated. For further information, see "*Changes In Accounting Policies"* in this MD&A. All dollar amounts are expressed in Canadian currency, unless otherwise stated.

This MD&A uses "adjusted funds flow", "adjusted funds flow per common share", "operating netback", "free funds flow", "total cash costs", "adjusted working capital deficit" and "total debt", which 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. For further information, see "*Non-GAAP Measures"* in this MD&A.

This MD&A contains forward-looking statements and information (collectively, "**forward-looking statements**") within the meaning of applicable Canadian securities laws. Such forward-looking statements are based upon certain expectations and assumptions and actual results may differ materially from those expressed or implied by such forward-looking statements. For further information regarding the forward-looking statements contained herein, see *"Advisories – Forward-Looking Statements"* in this MD&A.

All boe amounts have been calculated by using the conversion ratio of 6 Mcf of natural gas to 1 bbl of oil and all Mcfe amounts have been calculated by using the conversion ratio of 1 bbl of oil to 6 Mcf of natural gas. For further information, see "*Advisories – Boe and Mcfe Conversions"* in this MD&A.

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 (the "**TSX**") under the symbols "BIR", "BIR.PR.A" and "BIR.PR.C", respectively. Additional information relating to the Corporation, including its Annual Information Form for the financial year ended December 31, 2018, is available on the SEDAR website at www.sedar.com and on the Corporation's website at www.birchcliffenergy.com.

2019 FIRST QUARTER FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Production averaged 74,884 boe/d (6% light oil, 6% condensate, 9% NGLs and 79% natural gas), a 2% decrease from the Comparable Prior Period. Liquids production weighting increased by 24% from the Comparable Prior Period.
- Cash flow from operating activities of $94.7 million, a 3% increase from the Comparable Prior Period.
- Adjusted funds flow of $116.6 million, or $0.44 per basic common share, a 39% increase and a 42% increase, respectively, from the Comparable Prior Period.
- Net income to common shareholders of $15.8 million, or $0.06 per basic common share, a 12% increase and a 20% increase, respectively, from the Comparable Prior Period.
- Operating expense of $3.40/boe, a 10% decrease from the Comparable Prior Period.
- Operating netback of $17.23/boe, a 19% increase from the Comparable Prior Period.
- Birchcliff completed the acquisition of 18 gross (15.1 net) contiguous sections of Montney land located between its existing Pouce Coupe and Gordondale properties, as well as various other non-Montney lands and other assets, for total cash consideration of approximately $39 million (the "**Acquisition**"). Birchcliff commenced the drilling of a six-well pad on the acquired lands in the Reporting Period and expects that the wells will be completed and brought on production during the third quarter of 2019.

- Birchcliff drilled 13 (13.0 net) wells and brought 12 (12.0 net) wells on production.
- F&D capital expenditures of $91.5 million, which were approximately $25.1 million (22%) less than Birchcliff's adjusted funds flow in the Reporting Period. Total capital expenditures of $132.0 million, which includes the $39 million Acquisition.
- As at March 31, 2019, Birchcliff's long-term bank debt was $611.9 million and its total debt was $649.2 million, a 7% increase and a 1% decrease, respectively, from its long-term and total debt as at March 31, 2018.
- Birchcliff's average realized natural gas sales price was $3.55/Mcf, a 35% premium to the average AECO 5A benchmark price of $2.63/Mcf in the Reporting Period.

See *"Cash Flow from Operating Activities and Adjusted Funds Flow", "Net Income to Common Shareholders",* "*Discussion of Operations",* "*Capital Expenditures*" and "*Capital Resources and Liquidity*" in this MD&A for further information regarding the financial and operational results for the Reporting Period.

OUTLOOK

Birchcliff is pleased to reaffirm its 2019 guidance targeting an annual average production rate of 76,000 to 78,000 boe/d which is expected to generate approximately $330 million of adjusted funds flow, based on the assumptions set forth herein. Total F&D capital expenditures are estimated to be $204 million.

Based on the assumptions set forth in the table below, Birchcliff currently believes that it is well positioned to generate significant free funds flow in 2019 as supported by its natural gas diversification and financial risk management contracts and 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 any free funds flow based on what Birchcliff believes will provide the most value to its shareholders.

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 derivative contracts. 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. Effectively 87% of Birchcliff's total revenue in 2019, representing 65% of its natural gas 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 below. 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 sets forth Birchcliff's guidance and commodity price assumptions for 2019:

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

(1) As previously disclosed on March 13, 2019. Birchcliff's 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 77,000 boe/d during 2019, which is the mid-point of Birchcliff's annual average production guidance for 2019.

(2) 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.

(3) Birchcliff's estimate of adjusted funds flow takes into account the settlement of financial and physical commodity risk management contracts outstanding as at March 13, 2019. See *"Discussion of Operations – Risk Management"* in this MD&A.

(4) Birchcliff's estimate of F&D capital expenditures corresponds to Birchcliff's 2019 capital budget of $204 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. See *"Advisories – Capital Expenditures"* in this MD&A.

(5) 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. See *"Non-GAAP Measures"* in this MD&A.

(6) 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 price and the NYMEX HH price.

(7) $1.00 per MMBtu equals $1.00 per Mcf based on a standard heat value of 37.4 MJ/m^3 or a heat uplift of 1.055 when converting from $/GJ.

For further information regarding Birchcliff's guidance, see *"Advisories – Forward-Looking Statements"* in this MD&A.

CASH FLOW FROM OPERATING ACTIVITIES AND ADJUSTED FUNDS FLOW

The following table sets forth the Corporation's cash flow from operating activities and adjusted funds flow for the periods indicated:

	Three months ended March 31,	
($000s)	**2019**	**2018**
Cash flow from operating activities	94,744	91,853
Adjusted funds flow	**116,648**	**83,658**
Per common share – basic *($)*	0.44	0.31
Per common share – diluted *($)*	0.44	0.31

Adjusted funds flow in the Reporting Period increased by 39% from the Comparable Prior Period. The increase was primarily due to higher reported revenues and a realized gain on financial instruments as compared to a realized loss on financial instruments in the Comparable Prior Period, partially offset by an increase in transportation and other expense as a result of Birchcliff's increased Dawn and AECO firm service. Revenues received by the Corporation were higher mainly due to an increase in total liquids production from its Pouce Coupe and Gordondale properties and a higher average realized natural gas sales price, partially offset by lower natural gas production and lower average realized liquids pricing. As a result of the adoption of IFRS 16 which became effective January 1, 2019, Birchcliff's adjusted funds flow increased by approximately $0.5 million in the Reporting Period.

Cash flow from operating activities for the Reporting Period increased by 3% from the Comparable Prior Period. The reasons for the change are consistent with the explanation for adjusted funds flow as well as an increase in non-cash operating working capital, partially offset by higher decommissioning expenditures in the Reporting Period from the Comparable Prior Period.

The following table sets forth a breakdown of the Corporation's total cash costs on a per unit basis for the periods indicated:

	Three months ended March 31,		
($/boe)	**2019**	**2018**	**Change**
Royalty expense	1.22	1.43	(15%)
Operating expense	3.40	3.78	(10%)
Transportation and other expense	4.61	3.56	29%
G&A expense, net	0.90	0.88	2%
Interest expense	1.03	0.97	6%
Total cash costs	**11.16**	**10.62**	**5%**

See "*Discussion of Operations*" in this MD&A for further details regarding the period-over-period movement in total cash cost inputs.

NET INCOME TO COMMON SHAREHOLDERS

The following table sets forth the Corporation's net income and net income to common shareholders for the periods indicated:

	Three months ended March 31,	
($000s)	**2019**	**2018**
Net income	16,846	15,125
Net income to common shareholders(1)	**15,799**	**14,078**
Per common share – basic *($)*	0.06	0.05
Per common share – diluted *($)*	0.06	0.05

(1) Net income to common shareholders is calculated by adjusting net income for the dividends paid on the Series A Preferred Shares during the period. Per common share amounts are calculated by dividing net income to common shareholders by the weighted average number of basic or diluted common shares outstanding for the period.

Net income to common shareholders increased by 12% from the Comparable Prior Period. The increase was primarily due to higher adjusted funds flow as described above, partially offset by a $38.9 million unrealized mark-to-market loss on financial instruments recorded in the Reporting Period as compared to a $8.4 million unrealized mark-to-market loss on financial instruments in the Comparable Prior Period. The adoption of IFRS 16 resulted in a $0.1 million decrease to reported net income to common shareholders in the Reporting Period.

POUCE COUPE GAS PLANT NETBACKS

During the Reporting Period, Birchcliff processed approximately 69% of its total corporate natural gas production and 59% of its total corporate production through its 100% owned and operated natural gas processing plant in Pouce Coupe (the "**Pouce Coupe Gas Plant**") as compared to 67% and 58%, respectively, during the Comparable Prior Period. 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:

	Three months ended March 31, 2019		Three months ended March 31, 2018	
Average production:				
Light oil *(bbls/d)*		43		-
Condensate *(bbls/d)*		2,888		2,003
NGLs *(bbls/d)*		532		47
Natural gas *(Mcf/d)*		242,699		253,357
Total *(boe/d)*		**43,913**		**44,276**
Liquids-to-gas ratio *(bbls/MMcf)*		**14.3**		**8.1**
Netback and cost:	*$/Mcfe*	*$/boe*	*$/Mcfe*	*$/boe*
Petroleum and natural gas revenue(1)	4.07	24.42	3.18	19.10
Royalty expense	(0.12)	(0.71)	(0.10)	(0.62)
Operating expense(2)	(0.32)	(1.87)	(0.35)	(2.13)
Transportation and other expense	(0.78)	(4.71)	(0.55)	(3.24)
Operating netback	**$2.85**	**$17.13**	**$2.18**	**$13.11**
Operating margin(3)	**70%**	**70%**	**69%**	**69%**

(1) Excludes the effects of financial derivatives but includes the effects of physical delivery contracts. See *"Discussion of Operations – Risk Management"* in this MD&A.

(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.

The Corporation's liquids-to-gas ratio increased by 77% to 14.3 bbls/MMcf in the Reporting Period from 8.1 bbls/MMcf in the Comparable Prior Period primarily due to: (i) the re-configuration of Phases V and VI of the Pouce Coupe Gas Plant in the fourth quarter of 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 44%, to 2,888 bbls/d in the Reporting Period from 2,003 bbls/d in the Comparable Prior Period. The increase in the liquids-to-gas ratio in the Reporting Period improved Birchcliff's average realized sales price and operating netback at the Pouce Coupe Gas Plant.

Operating expense per boe at the Pouce Coupe Gas Plant decreased by 12% from the Comparable Prior Period largely due to reduced take-or-pay processing commitments in Pouce Coupe beginning in November 2018 that resulted in natural gas being redirected from third-party facilities to the Pouce Coupe Gas Plant.

Transportation and other expense per boe at the Pouce Coupe Gas Plant increased by 45% from the Comparable Prior Period mainly 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, which is available for future production growth.

DISCUSSION OF OPERATIONS

Petroleum and Natural Gas Revenues

The following table sets forth Birchcliff's P&NG revenues by product category for the Corporation's Pouce Coupe operating assets in the Montney/Doig Resource Play (the "**Pouce Coupe assets**"), the Corporation's Gordondale operating assets in the Montney/Doig Resource Play (the "**Gordondale assets**") and on a corporate basis for the periods indicated:

($000s)	Three months ended March 31, 2019 Pouce Coupe assets	Gordondale assets	Total corporate[(1)]	Three months ended March 31, 2018 Pouce Coupe assets	Gordondale assets	Total corporate[(1)]
Light oil	341	28,193	28,547	59	26,622	26,775
Condensate	18,369	7,645	26,013	16,233	11,243	27,495
NGLs	1,798	8,951	10,750	290	12,353	12,646
Natural gas	85,506	27,468	112,976	69,193	23,046	92,573
Total P&NG sales[(2)]	106,014	72,257	178,286	85,775	73,264	159,489
Royalty revenue	3	66	69	5	37	42
Total P&NG revenues	**106,017**	**72,323**	**178,355**	**85,780**	**73,301**	**159,531**
% of corporate revenues	**59%**	**41%**		**54%**	**46%**	

(1) Includes other minor oil and natural gas properties that were not individually significant during the respective periods.

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

On a corporate basis, P&NG revenues increased from the Comparable Prior Period largely due to a higher average realized sales price, partially offset by a decrease in production.

Production

The following table sets forth Birchcliff's production by product category for the Pouce Coupe assets, the Gordondale assets and on a corporate basis for the periods indicated:

	Three months ended March 31, 2019 Pouce Coupe assets	Gordondale assets	Total corporate[(1)]	Three months ended March 31, 2018 Pouce Coupe assets	Gordondale assets	Total corporate[(1)]
Light oil *(bbls/d)*	54	4,744	4,800	10	4,110	4,136
Condensate *(bbls/d)*	3,230	1,187	4,416	2,328	1,350	3,681
NGLs *(bbls/d)*	635	6,108	6,743	76	5,516	5,594
Natural gas *(Mcf/d)*	266,006	87,536	353,548	281,775	94,294	377,473
Total production *(boe/d)*	**48,253**	**26,628**	**74,884**	**49,376**	**26,692**	**76,323**
Liquids-to-gas ratio *(bbls/MMcf)*	**14.7**	**137.5**	**45.1**	**8.6**	**116.4**	**35.5**
% of corporate production	**64%**	**36%**		**65%**	**35%**	

(1) Includes other minor oil and natural gas properties that were not individually significant during the respective periods.

Corporate production averaged 74,884 boe/d in the Reporting Period, a 2% decrease from the Comparable Prior Period. The decrease was primarily attributable to the timing of bringing new production on-stream and natural production declines, partially offset by incremental production from new horizontal oil and natural gas wells brought on production.

The following table sets forth Birchcliff's production weighting by product category for its Pouce Coupe and Gordondale assets and on a corporate basis for the periods indicated:

	Three months ended March 31, 2019 Pouce Coupe assets	Gordondale assets	Total corporate[(1)]	Three months ended March 31, 2018 Pouce Coupe assets	Gordondale assets	Total corporate[(1)]
% Light oil production	-	18%	6%	-	15%	5%
% Condensate production	7%	4%	6%	5%	5%	5%
% NGLs production	1%	23%	9%	-	21%	7%
% Natural gas production	92%	55%	79%	95%	59%	83%

(1) Includes other minor oil and natural gas properties that were not individually significant during the respective periods.

Birchcliff's liquids production weighting grew by 24% from the Comparable Prior Period. 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 the Pouce Coupe Gas Plant, as well as a higher liquids-to-gas production ratio in Gordondale.

Commodity Prices

The following table sets forth the average benchmark index prices and exchange rate for the periods indicated:

	Three months ended March 31, 2019	2018	Change
Light oil – WTI Cushing *(US$/bbl)*	54.90	62.87	(13%)
Light oil – WTI Cushing *(CDN$/bbl)*	72.98	79.52	(8%)
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*(1)	66.07	71.86	(8%)
Natural gas – NYMEX HH *(US$/MMBtu)*(2)	3.15	2.84	11%
Natural gas – AECO 5A *(CDN$/GJ)*	2.49	1.97	26%
Natural gas – AECO 7A *(US$/MMBtu)*(2)	1.46	1.48	(1%)
Natural gas – Dawn Day Ahead *(US$/MMBtu)*(2)	2.91	3.01	(3%)
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	2.63	2.42	9%
Exchange rate *(CDN$ to US$1)*	1.3293	1.2649	5%
Exchange rate *(US$ to CDN$1)*	0.7523	0.7906	(5%)

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

(2) $1.00/MMBtu = $1.00/Mcf based on a standard heat value Mcf. See "*Advisories – MMBtu Pricing Conversions*" in this MD&A.

Birchcliff sold substantially all of its light crude oil based on the MSW price during the Reporting Period and Comparable Prior Period. Birchcliff sold substantially all of its natural gas production for prices based on the AECO and Dawn benchmark prices during the Reporting Period and Comparable Prior Period. Effective November 1, 2018, Birchcliff increased its firm service transportation to Dawn by 30,000 GJ/d, bringing the total natural gas production receiving Dawn benchmark prices to 150,000 GJ/d in the Reporting Period (see *"Discussion of Operations – Petroleum Natural Gas Revenues – Natural Gas Sales, Production and Average Realized Sales Price*" in this MD&A). Birchcliff has also financially diversified a portion of its AECO production to NYMEX-based pricing which became effective January 1, 2019 (see *"Discussion of Operations – Risk Management*" in this MD&A). The average realized sales prices the Corporation receives for its light crude oil and natural gas production depend on a number of factors, including the average benchmark prices for crude oil and natural gas, the US to Canadian dollar exchange rate, transportation costs, product quality differentials and the heat premium on its natural gas production.

The benchmark prices for crude oil are impacted by global and regional events that dictate the level of supply and demand for crude oil. The principal benchmark trading exchanges that Birchcliff compares its oil price to are the WTI oil price and the MSW price. The differential between the WTI oil price and the MSW price can widen due to a number of factors, including, but not limited to, downtime in North American refineries, rising domestic production, high inventory levels in North America and the lack of pipeline infrastructure connecting to key consuming oil markets. The MSW price decreased from the Comparable Prior Period largely due to lower WTI benchmark crude oil prices, partially offset by a narrowing differential between WTI and MSW prices that averaged CDN$6.91/bbl in the Reporting Period compared to CDN$7.66/bbl in the Comparable Prior Period.

Canadian natural gas prices are mainly influenced by North American supply and demand fundamentals which can be impacted by a number of factors, including, but not limited to, weather-related conditions in key consuming natural gas markets, changing demographics, economic growth, underground storage levels, net import and export markets, pipeline takeaway capacity, maintenance on key natural gas infrastructure, cost of competing renewable and non-renewable energy alternatives, drilling and completion rates and efficiencies in extracting natural gas from North American natural gas basins. AECO natural gas spot prices during the Reporting Period continued to receive a significant discount to Dawn and NYMEX HH prices primarily due to the high natural gas supplies in Western Canada relative to the limited economic transportation and egress solutions out of Western Canada.

The following table sets forth Birchcliff's average realized light oil, condensate, NGLs and natural gas sales prices for the periods indicated:

	Three months ended March 31, 2019	2018	Change
Light oil *($/bbl)*	66.08	71.92	(8%)
Condensate *($/bbl)*	65.45	83.00	(21%)
NGLs *($/bbl)*	17.71	25.12	(29%)
Natural gas *($/Mcf)*	3.55	2.72	31%
Average realized sales price *($/boe)*(1)	**26.45**	**23.22**	**14%**

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

During the Reporting Period, Birchcliff's average realized natural gas sales price was $3.55/Mcf, a 35% premium to the average AECO 5A benchmark price of $2.63/Mcf in the Reporting Period. The change in the average realized sales price from the Comparable Prior Period was primarily due to: (i) the movement in the average benchmark index price for each commodity in the respective period; and (ii) the effects of physical natural gas sales delivery contracts in place during the Reporting Period. Birchcliff's average realized natural gas sales price during the Reporting Period included physical delivery sales contracts at Dawn for 50,000 MMBtu/d at an average contract price of US$5.05/MMBtu.

The average realized sales price for the Pouce Coupe assets was $24.41/boe in the Reporting Period, a 26% increase from the Comparable Prior Period. The average realized sales price for the Gordondale assets was $30.15/boe in the Reporting Period, a 1% decrease from the Comparable Prior Period. The Gordondale assets received a higher average realized sales price compared to the Pouce Coupe assets, largely as a result of the higher volume weighting of liquids produced in the Gordondale area, which received a higher value on a per boe basis than Birchcliff's natural gas sales. The higher volume weighting of liquids in the total corporate production mix generally improves Birchcliff's overall average realized sales price.

For further production and average realized pricing details for Birchcliff's Pouce Coupe assets and Gordondale assets, see "*Discussion of Operations – Operating Netbacks*" in this MD&A.

Natural Gas Sales, Production and Average Realized Sales Price

During the Reporting Period, approximately 61% of Birchcliff's natural gas sales revenues, representing approximately 45% of its total natural gas production, was generated from the Dawn and Alliance markets with an average realized natural gas sales price of $4.76/Mcf, an 87% premium to Birchcliff's average realized AECO price of $2.55/Mcf in the Reporting Period.

The following table sets forth Birchcliff's sales, average daily production and average realized sales price by natural gas market for the periods indicated:

	Three months ended March 31, 2019					Three months ended March 31, 2018				
	Natural gas sales *($000s)*(1)	*(%)*	Natural gas production *(Mcf/d)*	*(%)*	Average realized natural gas price *($/Mcf)*(1)	Natural gas sales *($000s)*(1)	*(%)*	Natural gas production *(Mcf/d)*	*(%)*	Average realized natural gas price *($/Mcf)*(1)
AECO	44,682	39	194,058	55	2.55	43,630	47	219,539	58	2.21
Dawn(2)	62,861	56	137,978	39	5.06	39,626	43	110,183	29	4.00
Alliance(3)	5,433	5	21,512	6	2.81	9,317	10	47,751	13	2.17
Total	**112,976**	**100**	**353,548**	**100**	**3.55**	**92,573**	**100**	**377,473**	**100**	**2.72**

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

(2) 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, 2018 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. During the Reporting Period, Birchcliff had in place physical delivery sales contracts at Dawn for 50,000 MMBtu/d at an average contract price of US$5.05/MMBtu. There are no physical delivery sales contracts at Dawn outstanding subsequent to the end of the Reporting Period.

(3) 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.

Risk Management

Birchcliff maintains an ongoing risk management program generally to reduce the volatility in its financial results. As a part of this program, Birchcliff utilizes various financial derivative and physical delivery sales contracts by diversifying its sales points or fixing commodity prices and market interest rates from time to time. Subject to compliance with the Corporation's credit facilities, the Board of Directors has authorized the Corporation to execute a risk management strategy whereby Birchcliff is authorized to enter into agreements and financial or physical transactions with one or more counterparties from time to time that are intended to reduce the risk to the Corporation from volatility in future commodity prices, foreign exchange rates and/or interest rates.

Financial Derivative Contracts

Birchcliff has not designated its financial derivative contracts as effective accounting hedges, even though the Corporation considers all commodity price contracts to be effective economic hedges. As a result, all such financial derivative contracts are recorded on the statements of financial position on a mark-to-market fair value basis at March 31, 2019, with the changes in fair value being recognized as a non-cash unrealized gain or loss in profit or loss. These contracts are not entered into for trading or speculative purposes.

As at March 31, 2019, Birchcliff had the following financial derivative contracts in place in order to manage commodity price risk:

Product	Type of Contract	Notional Quantity	Remaining Term(1)	Contract Price
Natural gas	AECO 7A basis swap(2)	30,000 MMBtu/d	Apr. 1, 2019 – Dec. 31, 2023	NYMEX HH less US$1.298/MMBtu
Natural gas	AECO 7A basis swap(2)	10,000 MMBtu/d	Apr. 1, 2019 – Dec. 31, 2023	NYMEX HH less US$1.32/MMBtu
Natural gas	AECO 7Abasis swap(2)	30,000 MMBtu/d	Apr. 1, 2019 – Dec. 31, 2023	NYMEX HH less US$1.33/MMBtu
Natural gas	AECO 7A basis swap(2)	15,000 MMBtu/d	Apr. 1, 2019 – Dec. 31, 2024	NYMEX HH less US$1.185/MMBtu
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Apr. 1, 2019 – Dec. 31, 2024	NYMEX HH less US$1.20/MMBtu
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Apr. 1, 2019 – Dec. 31, 2024	NYMEX HH less US$1.20/MMBtu
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Jan. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.178/MMBtu
Natural gas	AECO 7A basis swap(2)	10,000 MMBtu/d	Jan. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.175/MMBtu
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Jan. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.190/MMBtu
Natural gas	AECO 7A basis swap(2)	25,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.135/MMBtu
Natural gas	AECO 7A basis swap(2)	20,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.119/MMBtu
Natural gas	AECO 7A basis swap(2)	10,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.02/MMBtu

(1) Transactions with common terms have been aggregated and presented at the weighted average price.

(2) Birchcliff sold AECO basis swap.

The following financial derivative contracts were entered into subsequent to March 31, 2019:

Product	Type of Contract	Notional Quantity	Remaining Term(1)	Contract Price
Natural gas	AECO 7A basis swap(2)	10,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.045/MMBtu
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$0.99/MMBtu

(1) Transactions with common terms have been aggregated and presented at the weighted average price.

(2) Birchcliff sold AECO basis swap.

Physical Delivery Sales Contracts

Birchcliff also enters into physical delivery sales contracts to manage commodity price risk. These contracts are considered normal executory sales contracts and are not recorded at fair value through profit or loss. At March 31, 2019, the Corporation had the following physical delivery sales contract in place:

Product	Type of Contract	Quantity	Remaining Term(1)	Contract Price
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Apr. 1, 2019 – Dec. 31, 2023	NYMEX HH less US$1.205/MMBtu

(1) Transactions with common terms have been aggregated and presented at the weighted average price.

(2) Birchcliff sold AECO basis swap.

There were no long-term physical delivery sales contracts entered into subsequent to March 31, 2019.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation's credit facilities are exposed to interest rate risk. The remainder of Birchcliff's financial assets and liabilities are not exposed directly to interest rate risk. As at March 31, 2019, Birchcliff had the following financial derivative contracts in place to manage interest rate risk:

Type of Contract	Index	Remaining Term(1)(2)	Notional value	Fixed Rate
Interest rate swap	One-month banker's acceptance – CDOR(3)	Apr. 1, 2019 – Mar. 1, 2024	$350,000,000	2.215%

(1) Transactions with common terms have been aggregated and presented at the weighted average price.

(2) Contract terms commenced on March 1, 2019.

(3) Canadian Dollar Offered Rate ("**CDOR**").

Realized and Unrealized Gains and Losses on Financial Derivatives

The following table provides a summary of the realized and unrealized gains (losses) on financial derivative contracts for the periods indicated:

	Three months ended March 31,			
	2019		2018	
	($000s)	*($/boe)*	*($000s)*	*($/boe)*
Realized gain (loss) on derivatives	13,318	1.98	(3,119)	(0.45)
Unrealized loss on derivatives	(38,875)	(5.77)	(8,398)	(1.22)

Birchcliff realized a cash gain on financial risk management contracts of $13.3 million in the Reporting Period as compared to a realized cash loss of $3.1 million in the Comparable Prior Period. The realized gain was primarily due to the settlement of financial NYMEX/AECO basis swap contracts with an average basis differential that was above the average contract price in the Reporting Period.

The unrealized loss of $38.9 million on financial risk management contracts in the Reporting Period was due to a decrease in the fair value of Birchcliff's NYMEX/AECO basis swap contracts from a net asset position of $60.2 million at December 31, 2018 to a net asset position of $21.3 million at March 31, 2019. The fair value of the net asset or liability is the estimated value to settle the outstanding financial contracts at a point in time. The decrease in the fair value of Birchcliff's financial contracts during the Reporting Period was primarily attributable to the decrease in the forward basis spread between NYMEX HH and AECO 7A for contracts outstanding at March 31, 2019 as compared to December 31, 2018 and the settlement of financial risk management contracts in the Reporting Period. The unrealized gains and losses on financial basis swap contracts can fluctuate materially from period to period due to subsequent movement in the forward NYMEX HH and AECO 7A strip prices. The unrealized gains and losses on financial risk management contracts do not impact adjusted funds flow and may differ materially from the actual gains or losses realized on eventual cash settlement of financial contracts in the period.

Royalties

The following table sets forth Birchcliff's royalty expense for the periods indicated:

	Three months ended March 31, 2019	2018
Royalty expense *($000s)*[(1)]	8,209	9,811
Royalty expense *($/boe)*	1.22	1.43
Effective royalty rate *(%)*[(2)]	5%	6%

(1) Royalties are paid primarily to the Government of Alberta.

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

During the Reporting Period, Birchcliff's aggregate and per unit royalties decreased from the Comparable Prior Period primarily due to a decrease in the average realized liquids sale prices and the effect these lower prices have on the sliding scale royalty calculation, partially offset by an increase in the average realized natural gas sales price. See "*Discussion of Operations – Operating Netbacks*" in this MD&A for details on royalties for the Corporation's Pouce Coupe and Gordondale assets.

Operating Expense

The following table sets forth a breakdown of Birchcliff's operating expense for the periods indicated:

	Three months ended March 31, 2019		2018	
	($000s)	*($/boe)*	*($000s)*	*($/boe)*
Field operating expense	23,567	3.50	26,496	3.86
Recoveries	(650)	(0.10)	(563)	(0.08)
Operating expense	**22,917**	**3.40**	**25,933**	**3.78**

On an aggregate and per unit basis, operating expense decreased primarily due to 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, as well as 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. See "*Discussion of Operations – Operating Netbacks*" in this MD&A for details on operating expense for the Pouce Coupe assets and Gordondale assets.

Transportation and Other Expense

The following table sets forth Birchcliff's transportation and other expense for the periods indicated:

	Three months ended March 31, 2019		2018	
	($000s)	*($/boe)*	*($000s)*	*($/boe)*
Transportation	29,917	4.44	23,266	3.37
Fractionation	1,126	0.17	1,244	0.18
Other	34	-	30	0.01
Transportation and other expense	**31,077**	**4.61**	**24,540**	**3.56**

The increase in the aggregate and per unit transportation and other expense from the Comparable Prior Period 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, which is available for future production growth. See "*Discussion of Operations – Operating Netbacks*" in this MD&A for details on transportation and other expense for the Pouce Coupe assets and Gordondale assets.

Operating Netback

The following table sets forth Birchcliff's net production and operating netback for the Corporation's assets in Pouce Coupe and Gordondale on the Montney/Doig Resource Play and on a corporate basis for the periods indicated:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Pouce Coupe Montney/Doig Resource Play:		
Average production:		
Light oil *(bbls/d)*	54	10
Condensate *(bbls/d)*	3,230	2,328
NGLs *(bbls/d)*	635	76
Natural gas *(Mcf/d)*	266,006	281,775
Total *(boe/d)*	**48,253**	**49,376**
% of corporate production	64%	65%
Liquids-to-gas ratio *(bbls/MMcf)*	14.7	8.6
Netback and cost ($/boe):		
Petroleum and natural gas revenue(1)	24.41	19.30
Royalty expense	(0.77)	(0.54)
Operating expense	(2.35)	(2.62)
Transportation and other expense	(4.73)	(3.28)
Operating netback	**16.56**	**12.86**
Gordondale Montney/Doig Resource Play:		
Average production:		
Light oil *(bbls/d)*	4,744	4,110
Condensate *(bbls/d)*	1,187	1,350
NGLs *(bbls/d)*	6,108	5,516
Natural gas *(Mcf/d)*	87,536	94,294
Total *(boe/d)*	**26,628**	**26,692**
% of corporate production	36%	35%
Liquids-to-gas ratio *(bbls/MMcf)*	137.5	116.4
Netback and cost ($/boe):		
Petroleum and natural gas revenue(1)	30.18	30.51
Royalty expense	(2.04)	(3.05)
Operating expense	(5.29)	(5.80)
Transportation and other expense	(4.39)	(4.11)
Operating netback	**18.46**	**17.55**
Total Corporate:		
Average production:		
Light oil *(bbls/d)*	4,800	4,136
Condensate *(bbls/d)*	4,416	3,681
NGLs *(bbls/d)*	6,743	5,594
Natural gas *(Mcf/d)*	353,548	377,473
Total *(boe/d)*(2)	**74,884**	**76,323**
Liquids-to-gas ratio *(bbls/MMcf)*	45.1	35.5
Netback and cost ($/boe):		
Petroleum and natural gas revenue(1)	26.46	23.22
Royalty expense	(1.22)	(1.43)
Operating expense	(3.40)	(3.78)
Transportation and other expense	(4.61)	(3.56)
Operating netback	**17.23**	**14.45**

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

(2) Includes other minor oil and natural gas properties which were not individually significant

Pouce Coupe Montney/Doig Resource Play

Birchcliff's average production from its Pouce Coupe assets was 48,253 boe/d in the Reporting Period, a 2% decrease from the Comparable Prior Period. The decrease in the Reporting Period was primarily attributable to the timing of bringing new production on-stream and natural production declines, partially offset by incremental production from new horizontal natural gas wells being brought on production.

Birchcliff's liquids-to-gas ratio for the Pouce Coupe assets was 14.7 bbls/MMcf in the Reporting Period as compared to 8.6 bbls/MMcf in the Comparable Prior Period. The increase in the liquids-to-gas ratio from the Comparable Prior Period was primarily due to: (i) the re-configuration of Phases V and VI of the Pouce Coupe Gas Plant 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.

Operating expense for the Pouce Coupe assets was $2.35/boe in the Reporting Period, an 11% decrease from the Comparable Prior Period. The decrease was largely due to reduced take-or-pay processing commitments in Pouce Coupe beginning in November 2018 that resulted in natural gas being redirected from third-party facilities to the Pouce Coupe Gas Plant.

Transportation and other expense for the Pouce Coupe assets was $4.73/boe in the Reporting Period, a 44% increase from the Comparable Prior Period. The increase was mainly 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, which is available for future production growth.

Birchcliff's operating netback for the Pouce Coupe assets was $16.56/boe in the Reporting Period, a 29% increase from the Comparable Prior Period. The increase in the Reporting Period was largely due to a higher average realized sales price received for Birchcliff's Pouce Coupe production and lower per boe operating expense, partially offset by higher per boe royalty and transportation and other expenses.

Gordondale Montney/Doig Resource Play

Birchcliff's average production from the Gordondale assets was 26,628 boe/d in the Reporting Period, which was in line with the Comparable Prior Period. Production in the Reporting Period was affected by the timing of bringing new incremental production from horizontal oil wells on-stream and natural production declines.

Birchcliff's liquids-to-gas ratio for the Gordondale assets was 137.5 bbls/MMcf in the Reporting Period as compared to 116.4 bbls/MMcf in the Comparable Prior Period. Birchcliff's liquids yield increased by 18% from the Comparable Prior Period largely as a result of the successful drilling of liquids-rich wells in Gordondale.

Operating expense for the Gordondale assets was $5.29/boe in the Reporting Period, a 9% decrease from the Comparable Prior Period. The decrease was primarily due to 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.

Transportation and other expense for the Gordondale assets was $4.39/boe in the Reporting Period, a 7% increase from the Comparable Prior Period. The increase was mainly due to additional firm service tolls for natural gas transported to Dawn and unused firm transportation costs associated with Birchcliff's commitments on the NGTL system, which is available for future production growth.

Birchcliff's operating netback for the Gordondale assets was $18.46/boe in the Reporting Period, a 5% increase from the Comparable Prior Period. The increase was largely due to lower per boe royalty and operating expenses, partially offset by higher transportation and other expense.

Administrative Expense

The following table sets forth the components of Birchcliff's net administrative expense for the periods indicated:

	Three months ended March 31, 2019		2018	
	($000s)	*(%)*	*($000s)*	*(%)*
Cash:				
Salaries and benefits[1]	6,210	64	6,381	68
Other[2][3]	3,432	36	3,013	32
	9,642	100	9,394	100
Operating overhead recoveries	(37)	-	(41)	-
Capitalized overhead[4]	(3,517)	(36)	(3,313)	(35)
G&A expense, net	6,088	64	6,040	65
G&A expense, net per boe	$0.90		$0.88	
Non-cash:				
Other compensation	1,747	100	1,914	100
Capitalized compensation[4]	(980)	(56)	(1,096)	(57)
Other compensation, net	767	44	818	43
Other compensation, net per boe	$0.11		$0.12	
Administrative expense, net	**6,855**		**6,858**	
Administrative expense, net per boe	**$1.01**		**$1.00**	

(1) Includes salaries and benefits paid to officers and employees of the Corporation and retainer fees, meeting fees and benefits paid to directors of the Corporation.

(2) Includes costs such as rent, legal, tax, insurance, minor computer hardware and software and other business expenses incurred by the Corporation.

(3) Other G&A expense excludes head office lease payments in the Reporting Period. As a result of Birchcliff's adoption of IFRS 16 effective January 1, 2019, approximately $0.5 million of head office lease payments have been applied against the lease liability on the statements of financial position and the interest portion of lease payment is included in finance expenses as accretion. Birchcliff applied IFRS 16 using the modified retrospective approach; therefore comparative information has not been restated.

(4) Includes a portion of gross G&A expenses and other compensation directly attributable to the exploration and development activities of the Corporation, which have been capitalized.

The following table sets forth the Corporation's outstanding stock options for the periods indicated:

	Three months ended March 31, 2019		Three months ended March 31, 2018	
	Number	**Exercise Price *($)*[2]**	**Number**	**Exercise Price *($)*[2]**
Outstanding, beginning of period	15,847,570	5.74	14,158,107	6.88
Granted[1]	4,732,200	3.54	4,330,900	3.10
Exercised	(13,000)	(3.07)	(8,666)	(3.35)
Forfeited	(40,000)	(4.59)	(67,002)	(7.01)
Expired	(1,911,334)	(8.66)	(1,466,267)	(7.29)
Outstanding, end of period	**18,615,436**	**4.89**	**16,947,072**	**5.88**

(1) Each stock option granted entitles the holder to purchase one common share at the exercise price.

(2) Exercise price is calculated on a weighted average basis.

At March 31, 2019, there were also 2,939,732 performance warrants outstanding with an exercise price of $3.00 which expire on January 31, 2020.

Depletion and Depreciation Expense

Depletion and depreciation ("**D&D**") expense is a function of the estimated proved plus probable reserve additions, the F&D costs attributable to those reserves, the associated future development costs required to recover those reserves and the actual production in the relevant period. The Corporation determines its D&D expense on a field area basis.

The following table sets forth Birchcliff's D&D expense for the periods indicated:

	Three months ended March 31,			
	2019		2018	
	($000s)	*($/boe)*	*($000s)*	*($/boe)*
Depletion and depreciation expense	**50,859**	**7.55**	**50,869**	**7.41**

D&D expense on an aggregate basis for the Reporting Period was comparable with the Comparable Prior Period.

Asset Impairment Assessment

The Corporation reviews its petroleum and natural gas assets for impairment in accordance with International Accounting Standards ("**IAS**") 36 under IFRS. Birchcliff's assets are grouped into cash generating units ("**CGU**") for the purpose of determining impairment. A CGU represents the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. In determining the Corporation's CGUs, the Corporation takes into consideration all available information, including, but not limited to: geographical proximity; geological similarities (i.e. reservoir characteristics and production profiles); degree of shared infrastructure; independent versus interdependent cash flows; operating structure; the regulatory environment; management decision-making; and overall business strategy.

The Corporation's CGUs are reviewed at each reporting date for both internal and external indicators of potential impairment. Potential CGU impairment indicators include, but are not limited to: changes to Birchcliff's business plan; deterioration in commodity prices; negative changes in the technological, economic, legal, capital or operating environment; adverse changes to the physical condition of a CGU; current expectations that a material CGU (or a significant component thereof) is more likely than not to be sold or otherwise disposed of before the end of its previously estimated useful life; non-compliance with the agreements governing the Corporation's bank credit facilities; deterioration in the financial and operational performance of a CGU; net assets exceeding market capitalization; and significant downward revisions of estimated proved plus probable reserves of a CGU. If impairment indicators exist, an impairment test is performed by comparing a CGU's carrying value to its recoverable amount.

Birchcliff performed an impairment assessment of its petroleum and natural gas assets on a CGU basis and determined that there were no impairment indicators identified at the end of the Reporting Period. As a result, an impairment test was not required at March 31, 2019. Birchcliff determined there were impairment indicators present at December 31, 2018. Birchcliff performed an impairment assessment on a CGU basis and determined that the carrying value of its P&NG properties and equipment was recoverable. Birchcliff's P&NG properties and equipment were not impaired at December 31, 2018.

Finance Expense

The following table sets forth the components of the Corporation's finance expense for the periods indicated:

	Three months ended March 31,			
	2019		2018	
	($000s)	*($/boe)*	*($000s)*	*($/boe)*
Cash:				
Interest expense on credit facilities[(1)]	6,936	1.03	6,632	0.97
Non-cash:				
Accretion[(2)]	1,047	0.16	794	0.12
Amortization of deferred financing fees	374	0.06	401	0.06
Finance expense	**8,357**	**1.25**	**7,827**	**1.15**

(1) At March 31, 2019, the Corporation's credit facilities consisted of extendible revolving credit facilities (the "**Credit Facilities**") in the aggregate principal amount of $950.0 million with maturity dates of May 11, 2021 which were comprised of: (i) an extendible revolving syndicated term credit facility (the "**Syndicated Credit Facility**") of $850.0 million; and (ii) an extendible revolving working capital facility (the "**Working Capital Facility**") of $100.0 million.

(2) Includes accretion on decommissioning obligations, lease obligations and post-employment benefits.

Birchcliff's aggregate interest expense increased due to a higher average outstanding drawn balance under its Syndicated Credit Facility, partially offset by a lower average effective interest rate in the Reporting Period. Birchcliff draws on its Syndicated Credit Facility using Canadian dollar denominated bankers' acceptances and US dollar denominated LIBOR loans. The average effective interest rate under the Syndicated Credit Facility is determined based on: (i) the market interest rate of its drawn bankers' acceptances and LIBOR loans; and (ii) Birchcliff's stamping fee.

Birchcliff's stamping fees are calculated using a pricing margin grid and will change as a result of the ratio of outstanding indebtedness to the trailing four quarter EBITDA as calculated in accordance with the Corporation's agreement governing the Credit Facilities. EBITDA is defined as earnings before interest and non-cash items, including (if any) income taxes, stock-based compensation, gains and losses on sale of assets, unrealized gains and losses on financial instruments and depletion, depreciation and amortization. The following table sets forth the Corporation's effective interest rates under its Credit Facilities for the periods indicated:

	Three months ended March 31,	
	2019	**2018**
Revolving working capital facility	5.20%	4.95%
Revolving syndicated credit facility	4.60%	4.81%

Birchcliff's average outstanding total credit facilities balance was approximately $616 million in the Reporting Period, as compared to $573 million in the Comparable Prior Period, calculated as the simple average of the month-end amounts.

Income Taxes

The components of the Corporation's income taxes for the periods indicated are set forth in the table below:

	Three months ended March 31,	
($000s)	**2019**	**2018**
Deferred income tax expense	6,236	5,610
Dividend income tax expense on preferred shares	769	768
Income tax expense	**7,005**	**6,378**
Income tax expense per boe	**$1.03**	**$0.92**

Birchcliff's income tax expense increased due to higher net income before tax recorded in the Reporting Period.

The Corporation's estimated income tax pools were $2.1 billion at March 31, 2019. Management expects that future taxable income will be available to utilize the accumulated tax pools. The components of the Corporation's estimated income tax pools are set forth in the table below:

($000s)	**Tax pools as at March 31, 2019**
Canadian oil and gas property expense	436,317
Canadian development expense	388,071
Canadian exploration expense	243,855
Undepreciated capital costs	352,306
Non-capital losses	643,116
SR&ED(1) & Investment tax credits	23,940
Financing costs and other	11,961
Estimated income tax pools(2)	**2,099,566**

(1) Scientific research and experimental development ("**SR&ED**") tax pools.

(2) Excludes Veracel tax pools of $39.3 million which were reassessed by the Canada Revenue Agency (the "**CRA**").

Veracel Tax Pools

Birchcliff's 2006 income tax filings were reassessed by the CRA in 2011 (the "**Reassessment**"). The Reassessment was based on the CRA's position that the tax pools available to Veracel Inc. ("**Veracel**"), prior to its amalgamation with Birchcliff, ceased to be available to Veracel after Birchcliff and Veracel amalgamated on May 31, 2005. The Veracel tax pools in dispute totalled $39.3 million. Birchcliff appealed the Reassessment to the Tax Court of Canada (the "**Trial Court**") and the trial of that appeal occurred in November 2013. On October 1, 2015, the Trial Court issued its decision (the "**Trial Decision**") and dismissed Birchcliff's appeal on the basis of the general anti-avoidance rule contained in the *Income Tax Act* (Canada). The Trial Decision was rendered by a judge based on the written record and not by the judge who conducted the trial. As a result of the Trial Decision, Birchcliff recorded a non-cash deferred income tax expense in the amount of $10.2 million in the fourth quarter of 2015.

Birchcliff appealed the Trial Decision to the Federal Court of Appeal (the "**FCA**"), which appeal was heard in January 2017. In April 2017 the FCA issued its decision and allowed the appeal and set aside the Trial Decision, based on the lack of jurisdiction by the judge who rendered the Trial Decision. In setting aside the Trial Decision, the FCA referred the matter back to the judge of the Trial Court who initially conducted the trial in 2013 to render a judgment. The judge of the Trial Court rendered a decision in November 2017 and dismissed the Corporation's appeal. The Corporation appealed that decision to the FCA, which appeal was heard on December 10, 2018 with judgment reserved.

CAPITAL EXPENDITURES

The following table sets forth a summary of the Corporation's capital expenditures for the periods indicated:

	Three months ended March 31,	
($000s)	**2019**	**2018**
Land	524	697
Seismic	3,324	596
Workovers	904	3,330
Drilling and completions	60,458	79,405
Well equipment and facilities	26,256	48,574
Finding and development capital	91,466	132,602
Acquisitions	39,260	-
Finding, development and acquisition capital	130,726	132,602
Administrative assets	1,232	542
Total capital expenditures(1)	**131,958**	**133,144**

(1) Birchcliff previously referred to total capital expenditures as "net capital expenditure" or "capital expenditures, net". See "*Advisories – Capital Expenditures*" in this MD&A.

During the Reporting Period, Birchcliff had total capital expenditures of $132.0 million which included approximately $34.2 million (26%) on the drilling and completion of Montney/Doig horizontal wells in Pouce Coupe, $30.1 million (23%) on the drilling and completion of Montney horizontal wells in Gordondale and approximately $39.3 million (30%) attributed to the Acquisition. The remaining capital during the Reporting Period was primarily attributed to land, seismic and infrastructure expansion projects in the Montney/Doig Resource Play and on other oil and gas exploration and development projects in the Peace River Arch.

Total capital expenditures were $91.1 million in Pouce Coupe and $39.5 million in Gordondale. During the Reporting Period, Birchcliff drilled a total of 13.0 (13.0 net) wells, consisting of 5.0 (5.0 net) Montney horizontal oil wells in Gordondale and 8.0 (8.0 net) Montney/Doig horizontal natural gas wells in Pouce Coupe.

CAPITAL RESOURCES AND LIQUIDITY

Liquidity and Capital Resources

The Corporation generally relies on its adjusted funds flow and available credit under its existing credit facilities to fund its capital requirements, including its dividend payments. In addition, the Corporation may from time to time seek additional capital in the form of debt and/or equity or dispose of non-core properties to fund its ongoing capital expenditure programs and protect its statements of financial position.

The following table sets forth a summary of the Corporation's capital resources for the periods indicated:

	Three months ended March 31,	
($000s)	**2019**	**2018**
Adjusted funds flow	116,648	83,658
Changes in non-cash working capital from operations	(21,031)	8,617
Decommissioning expenditures	(873)	(422)
Exercise of stock options	40	29
Lease payments	(537)	-
Dividends paid on common shares	(6,980)	(6,645)
Dividends paid on preferred shares	(1,922)	(1,922)
Net change in revolving term credit facilities	6,347	(13,515)
Deposit on acquisition	3,900	-
Changes in non-cash working capital from investing	36,366	63,344
Capital resources	**131,958**	**133,144**

Birchcliff's adjusted funds flow depends on a number of factors, including, but not limited to, commodity prices, production and sales volumes, royalties, operating and transportation expenses and foreign exchange rates. The Corporation closely monitors commodity prices and its capital spending and has taken proactive measures to ensure liquidity and financial flexibility in the current environment.

Birchcliff's market diversification initiatives have helped to reduce its exposure to volatility in commodity prices, including AECO prices. The average benchmark spot price at Dawn was 47% higher than the average AECO 5A benchmark spot price during the Reporting Period. 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. The last tranche of service (25,000 GJ/d) will become available on November 1, 2019. See *"Discussion of Operations – Petroleum and Natural Gas Revenues"* in this MD&A.

Birchcliff also has various financial and physical derivative contracts in place to 2025 to help reduce volatility to its adjusted funds flow and capital expenditure programs. Birchcliff benefited from its long-term NYMEX/AECO financial basis swap position which made up $13.3 million or 11% of its adjusted funds flow in the Reporting Period. See *"Discussion of Operations – Risk Management"* in this MD&A.

In addition to its adjusted funds flow, the Corporation's other main source of liquidity is its Credit Facilities in the aggregate principal amount of $950.0 million at March 31, 2019, of which $317.9 million remains available at March 31, 2019 after adjusting for outstanding letters of credit and unamortized interest and fees. The Corporation may each year, at its option, request an extension to the maturity date of the Syndicated Credit Facility and the Working Capital Facility, or either of them, for an additional period of up to three years from May 11 of the year in which the extension request is made. In the second quarter of 2019, Birchcliff's syndicate of lenders completed its regular semi-annual review of the borrowing base limit under the Credit Facilities. In connection therewith, the agreement governing the Credit Facilities was amended effective May 10, 2019 to: (i) extend the maturity dates of each of the Syndicated Credit Facility and 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 and the Working Capital Facility remaining at $100.0 million. The Credit Facilities do not contain any financial maintenance covenants.

Management believes that Birchcliff's adjusted funds flow will be sufficient to fund the Corporation's ongoing 2019 capital program (the "**2019 Capital Program**"). Should commodity prices deteriorate materially below Birchcliff's assumptions, Birchcliff may adjust the 2019 Capital Program, draw down on its Credit Facilities, seek additional equity financing and/or consider the potential sale of additional non-core assets to fund such program. The 2019 Capital Program was designed with financial and operational flexibility with the potential to accelerate or decelerate capital expenditures throughout the year, depending on commodity prices and industry conditions. See *"Advisories – Forward-Looking Statements"* in this MD&A.

Working Capital

The Corporation's adjusted working capital deficit increased to $37.3 million at March 31, 2019 from a $21.2 million deficit at December 31, 2018. The deficit at March 31, 2019 was largely comprised of costs incurred from the drilling and completion of new wells in Pouce Coupe and Gordondale.

At March 31, 2019, the major component of Birchcliff's current assets was revenue to be received from its marketers in respect of March 31, 2019 production (72%), which was subsequently received in April 2019. Current liabilities largely consisted of trade payables (70%) and accrued capital and operating expense (21%). Birchcliff monitors the financial strength of its marketers. At this time, Birchcliff expects that such counterparties will be able to meet their financial obligations.

Adjusted working capital includes items expected for normal operations, including trade receivables and payables, accruals, deposits and prepaid expenses, and excludes the fair value of financial instruments. The Corporation's adjusted working capital varies from quarter to quarter primarily due to the timing of such items, as well as due to the size and timing of the Corporation's capital expenditures, volatility in commodity prices and changes in revenue, among other things. Birchcliff manages any adjusted working capital deficit using adjusted funds flow and advances under its Credit Facilities. Any adjusted working capital deficit position will not reduce the amount available under the Credit Facilities.

Bank Debt

Management of debt levels continues to be a priority for Birchcliff given its long-term growth plans and the current volatility in the commodity price environment. Total debt, including the adjusted working capital deficit, was $649.2 million at March 31, 2019 as compared to $626.5 million at December 31, 2018. Total debt increased from December 31, 2018 primarily due to capital expenditures incurred in excess of adjusted funds flow and the payment of common share and preferred share dividends.

The following table sets forth the Corporation's unused Credit Facilities for the periods indicated:

As at, *($000s)*	**March 31, 2019**	**December 31, 2018**
Maximum borrowing base limit(1):		
Revolving term credit facilities	950,000	950,000
Principal amount utilized:		
Drawn revolving term credit facilities	(614,868)	(608,821)
Outstanding letters of credit(2)	(17,205)	(17,205)
	(632,073)	(626,026)
Unused credit	**317,927**	**323,974**
% unused credit	**33%**	**34%**

(1) The Credit Facilities are subject to a semi-annual review of the borrowing base limit, which is directly impacted by the value of Birchcliff's P&NG reserves. Effective May 10, 2019, the borrowing base limit under the Credit Facilities was increased to $1.0 billion from $950.0 million.

(2) Letters of credit are issued to various service providers. The letters of credit reduce the amount available under the Working Capital Facility.

Contractual Obligations & Commitments

The Corporation enters into various contractual obligations and commitments in the normal course of operations. The following table lists Birchcliff's estimated material contractual obligations and commitments at March 31, 2019:

($000s)	**2019**	**2020**	**2021-2023**	**Thereafter**
Accounts payable and accrued liabilities	111,063	-	-	-
Drawn revolving term credit facilities	-	-	614,868	-
Firm transportation and fractionation(1)	100,355	133,563	361,109	393,783
Natural gas processing(2)	12,925	17,202	51,465	154,536
Operating commitments(3)	1,695	2,260	6,780	19,963
Estimated contractual obligations(4)	**226,038**	**153,025**	**1,034,222**	**568,282**

(1) Includes firm transportation service arrangements with various terms on TCPL's Alberta NGTL System and on TCPL's Canadian Mainline to the AECO and Dawn trading hubs and fractionation commitments associated with NGLs production processed at third-party facilities.

(2) Includes natural gas processing commitments at third-party facilities.

(3) Includes variable operating components associated with Birchcliff's head office premises.

(4) Contractual obligations and commitments that are not material to Birchcliff are excluded from the above table. The Corporation's decommissioning obligations are excluded from the table as these obligations arose from a regulatory requirement rather than from a contractual arrangement. Birchcliff estimates the total undiscounted cash flow to settle its decommissioning obligations on its wells and facilities at March 31, 2019 to be approximately $280.5 million and are

estimated to be incurred as follows: 2019 - $2.7 million, 2020 - $0.6 million and $277.2 million thereafter. The estimate for determining the undiscounted decommissioning obligations requires significant assumptions on both the abandonment cost and timing of the decommissioning and therefore the actual obligation may differ materially.

Birchcliff's Series C Preferred Shares, which are redeemable by their holders after March 31, 2020, have not been included in this table as they are not contractual obligations of the Corporation at the end of the reporting period. Upon receipt of a notice of redemption, the Corporation has an obligation to redeem the Series C Preferred Shares, at its option, for cash or common shares.

OFF-BALANCE SHEET TRANSACTIONS

The Corporation has certain arrangements, all of which are reflected in the contractual obligations and commitments table above, which were entered into in the normal course of operations.

OUTSTANDING SHARE INFORMATION

At May 14, 2019, Birchcliff had common shares, Series A Preferred Shares and Series C Preferred Shares that were outstanding. Birchcliff's common shares are listed on the TSX under the symbol "BIR" and are included in the S&P/TSX Composite Index. Birchcliff's Series A Preferred Shares and Series C Preferred Shares are individually listed on the TSX under the symbols "BIR.PR.A" and "BIR.PR.C", respectively.

The following table sets forth the common shares issued by the Corporation:

	Common Shares
Balance at December 31, 2018	265,911,362
Exercise of options	13,000
Balance at March 31, 2019	265,924,362
Exercise of options	8,333
Balance at May 14, 2019	**265,932,695**

At May 14, 2019, the Corporation had the following securities outstanding: 265,932,695 common shares; 2,000,000 Series A Preferred Shares; 2,000,000 Series C Preferred Shares; 18,587,602 stock options to purchase an equivalent number of common shares; and 2,939,732 performance warrants to purchase an equivalent number of common shares.

Dividends

The following table sets forth the dividend distributions by the Corporation for each class of shares for the periods indicated:

	Three months ended March 31,	
	2019	**2018**
Common shares:		
Dividend distribution *($000s)*	6,980	6,645
Per common share *($)*	0.0263	0.0250
Preferred shares - Series A:		
Series A dividend distribution *($000s)*	1,047	1,047
Per Series A preferred share *($)*	0.5234	0.5234
Preferred shares - Series C:		
Series C dividend distribution *($000s)*	875	875
Per Series C preferred share *($)*	0.4375	0.4375

All dividends have been designated as "eligible dividends" for the purposes of the *Income Tax Act* (Canada).

Birchcliff increased its common share dividend by 5% for the quarter ended March 31, 2019.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth a summary of the Corporation's quarterly results for the eight most recently completed quarters:

Quarter ending,	Mar. 31, 2019	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017
Average production *(boe/d)*	74,884	76,408	79,331	76,296	76,323	80,103	65,276	64,636
Realized oil sales price *($/bbl)*(1)	66.08	41.39	80.16	79.55	71.92	68.58	55.62	60.38
Realized condensate sales price *($/bbl)* (1)	65.45	55.99	84.10	87.52	83.00	71.89	53.75	62.31
Realized NGLs sales price *($/bbl)*(1)	17.71	21.60	23.39	21.94	25.12	24.38	13.91	16.73
Realized natural gas sales price *($/Mcf)*(1)	3.55	3.03	2.06	2.01	2.72	2.64	2.11	3.13
Average realized sales price *($/boe)*	26.45	22.01	21.45	21.68	23.22	22.54	18.55	24.90
Total revenues *($000s)*(1)	178,355	154,720	156,609	150,561	159,531	166,149	111,488	146,597
Operating expense *($/boe)*	3.40	3.51	3.45	3.36	3.78	3.86	4.27	4.67
Total capital expenditures *($000s)*	131,958	52,886	45,524	66,464	133,144	18,669	12,136	120,782
Cash flow from operating activities *($000s)*	94,744	92,200	68,556	71,825	91,853	88,995	70,584	57,467
Adjusted funds flow *($000s)*	116,648	81,517	75,378	72,369	83,658	97,008	64,430	88,612
Per common share – basic *($)*	0.44	0.31	0.28	0.27	0.31	0.36	0.24	0.33
Per common share – diluted *($)*	0.44	0.30	0.28	0.27	0.31	0.36	0.24	0.33
Net income (loss) *($000s)*	16,846	71,947	7,703	7,437	15,125	25,820	(120,743)	18,015
Net income (loss) to common shareholders *($000s)*(2)	15,799	70,900	6,657	6,390	14,078	24,773	(121,743)	17,015
Per common share – basic *($)*	0.06	0.27	0.03	0.02	0.05	0.09	(0.46)	0.06
Per common share – diluted *($)*	0.06	0.27	0.02	0.02	0.05	0.09	(0.46)	0.06
Total assets *($ million)*	2,860	2,763	2,707	2,715	2,697	2,627	2,615	2,871
Long-term bank debt *($000s)*	611,911	605,267	635,120	617,291	573,935	587,126	585,323	628,401
Total debt *($000s)*	649,202	626,454	641,484	661,409	657,732	598,193	666,808	700,484
Dividends on common shares *($000s)*	6,980	6,648	6,647	6,646	6,645	6,644	6,635	6,635
Dividends on pref. shares – Series A *($000s)*	1,047	1,047	1,046	1,047	1,047	1,047	1,000	1,000
Dividends on pref. shares – Series C *($000s)*	875	875	875	875	875	875	875	875
Pref. shares outstanding – Series A *(000s)*	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Pref. shares outstanding – Series C *(000s)*	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Common shares outstanding *(000s)*								
Basic	265,924	265,911	265,885	265,845	265,805	265,797	265,789	265,417
Diluted	287,480	284,699	285,825	285,253	285,692	282,895	283,106	284,461
Wtd. avg. common shares outstanding *(000s)*								
Basic	265,914	265,910	265,877	265,820	265,797	265,792	265,490	265,326
Diluted	266,382	267,288	268,605	267,773	266,179	267,619	267,988	268,203

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

(2) Reduced for the Series A Preferred Share dividends paid in the period.

Average daily production volumes from the third quarter of 2017 to the fourth quarter of 2017 increased largely due to production volumes from new horizontal natural gas wells being brought on production in Pouce Coupe in connection with the start-up of Phase V of the Pouce Coupe Gas Plant and new horizontal oil wells being brought on production in Gordondale, partially offset by the Worsley asset disposition in August 2017 and natural production declines. Average daily production volumes in the four quarters of 2018 and first quarter of 2019 were impacted primarily by Birchcliff's successful drilling of new horizontal wells brought on production in Pouce Coupe and Gordondale, production curtailments due to temporary restrictions in pipeline and compressor station capacity on the Alberta NGTL system and natural production declines during those periods.

Quarterly variances in revenues, adjusted funds flow and net income (loss) are primarily due to fluctuations in commodity prices and production volumes. Oil and gas revenues and adjusted funds flow in the last eight quarters were largely impacted by incremental production additions in Pouce Coupe and Gordondale and the average realized sales price received for Birchcliff's production. Over the last eight quarters, Birchcliff's adjusted funds flow was also impacted by (i) lower trending operating expenses primarily due to the renegotiation of reduced third-party processing fees and the addition of Phases V & VI of the Pouce Coupe Gas Plant; and (ii) higher trending transportation and other expense primarily due to added market diversification initiatives.

Birchcliff recorded a net loss in the third quarter of 2017 primarily as a result of the after-tax book loss of $132.3 million in connection with the disposition of its assets in the Worsley area. Birchcliff's net income in the fourth quarter of 2018 included an unrealized mark-to-market gain on financial instruments of $77.5 million and in the first quarter of 2019 an unrealized loss of $38.9 million. Net income or loss in the last eight quarters was also impacted by certain non-cash adjustments, including depletion expense, unrealized gains and losses on financial instruments and gains and losses on the sale of non-core assets recognized in those periods.

The Corporation's capital expenditure programs fluctuate based on the outlook in commodity prices and market conditions, as well as the timing of acquisitions and dispositions. Quarterly variances in long-term debt and total debt are primarily due to fluctuations in adjusted funds flow and the amount and timing of capital expenditures (including acquisitions and dispositions).

POTENTIAL TRANSACTIONS

Within its focus area, the Corporation is continually reviewing potential asset acquisitions and dispositions and corporate mergers and acquisitions for the purpose of determining whether any such potential transaction is of interest to the Corporation, as well as the terms on which such a potential transaction would be available. As a result, the Corporation may from time to time be involved in discussions or negotiations with other parties or their agents in respect of potential asset acquisitions and dispositions and corporate merger and acquisition opportunities.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Corporation's internal control over financial reporting ("**ICFR**") that occurred during the period beginning on January 1, 2019 and ended on March 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of IFRS accounting policies, reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The Corporation's use of estimates, judgments and assumptions in preparing the interim condensed financial statements for the Reporting Period and the Comparable Prior Period is discussed in Note 3 of the annual audited financial statements for the year ended December 31, 2018.

CHANGES IN ACCOUNTING POLICIES

Accounting Pronouncements Adopted

On January 1, 2019, Birchcliff adopted IFRS 16 to replace IAS 17: *Leases* and IFRIC 4: *Determining whether an Arrangement contains a Lease*. IFRS 16 requires the recognition of a right-of-use asset and lease liability on the statements of financial position for all leases, where Birchcliff is acting as a lessee. For lessees applying IFRS 16, the dual classification model of leases as either operating leases or finance leases no longer exists, effectively treating all leases as finance leases. IFRS 16 allows lessors to continue with the dual classification model for recognized leases as either a finance or an operating lease. Birchcliff is the lessee in all of its lease arrangements effective January 1, 2019. The Corporation adopted IFRS 16 using the modified retrospective approach, which does not require restatement of prior period financial information and applies the standard prospectively.

The impact of applying IFRS 16 on the financial statements in the period was affected by multiple factors and conditions, including, but not limited to, the Corporation's incremental borrowing rate at January 1, 2019, the composition of the Corporation's lease portfolio at that date, the Corporation's latest assessment of whether it will exercise any lease renewal options, and the extent to which the Corporation chose to use practical expedients and recognition exemptions.

On initial adoption, Birchcliff had the following optional practical expedients available under IFRS 16:

- Certain short-term leases and leases of low-value assets that have been identified as a lease under IFRS 16 at January 1, 2019 have been excluded from recognition on the statements of financial position. Birchcliff has excluded certain low-value leases such as information technology, office equipment and other minor operating and capital assets used in its operations. Short-term and low-value leases are expensed in profit or loss in the period incurred.
- Certain classes of lease arrangements that transfer a separate good or service under the same contract that have been identified for recognition at January 1, 2019 can be recognized as a single lease component rather than separating between their lease and non-lease components. Birchcliff did not apply this practical expedient

on initial adoption of IFRS 16. Non-lease components such as operating costs and payment for services were separated from their lease component under the same contract and expensed in profit or loss in the period incurred.

- For leases having similar characteristics, a portfolio approach can be used by applying a single discount rate. Birchcliff has applied this practical expedient for leases having similar characteristic on recognition.

On initial adoption of IFRS 16, Birchcliff recognized a lease liability, herein referred to as a "lease obligation", and corresponding right-of-use asset, herein referred to as a "lease asset", for each identified lease effective January 1, 2019. The lease obligation was determined by discounting the remaining lease term payments using the interest rate implicit in the lease, or the Corporation's incremental borrowing rate. The lease obligation is reduced by actual cash lease payments made during the period. Lease obligations are presented as other liabilities on the statements of financial position. The lease assets are included in petroleum and natural gas properties and equipment on the statements of financial position. Lease assets are depreciated over the remaining term of the lease and included in depletion and depreciation expense in profit and loss. The unwinding of the present value of the lease obligation is recorded as accretion (interest) and included in finance expense in profit and loss. Cash lease payments are classified as a financing activity and accretion expense classified as an operating activity in the statements of cash flows. Any remeasurements based on changes in lease term, payment, or discount rate will increase or decrease the present value of the lease obligation and corresponding lease asset. Such changes will be accounted for through profit and loss.

Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16. Leases that are recognized are subject to further management judgment and estimation in various areas specific to the arrangement. In determining the lease term to be recognized, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Lease obligations that are recognized have been estimated using a discount rate equal to Birchcliff's incremental borrowing rate. This rate represents the rate that Birchcliff would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

RISK FACTORS AND RISK MANAGEMENT

Birchcliff's financial and operational performance is potentially affected by a number of factors, including, but not limited to, financial risks, risks relating to economic conditions, business and operational risks, environmental and regulatory risks and other risks. The impact of any risk or a combination of risks may adversely affect the Corporation's business, financial condition, results of operations, prospects, cash flow and reputation, which may reduce or restrict the Corporation's ability to pay common share and preferred share dividends and may materially affect the market price of the Corporation's securities. Birchcliff's approach to risk management includes an ongoing review of principal and emerging risks, an analysis of the severity and likelihood of each risk and an evaluation of the effectiveness of current mitigation procedures. A more detailed discussion of the risk factors affecting the Corporation is presented under the headings *"Risk Factors and Risk Management"* in the MD&A for the year ended December 31, 2018 and *"Risk Factors"* in the Annual Information Form for the year ended December 31, 2018.

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+)
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
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 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
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
P&NG	petroleum and natural gas
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 MD&A uses “adjusted funds flow”, “adjusted funds flow per common share”, “free funds flow”, “operating 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.

The following table provides a reconciliation of cash flow from operating activities, as determined in accordance with GAAP, to adjusted funds flow for the periods indicated:

	Three months ended March 31,	
($000s)	**2019**	**2018**
Cash flow from operating activities	94,744	91,853
Adjustments:		
Change in non-cash working capital	21,031	(8,617)
Funds flow	115,775	83,236
Adjustments:		
Decommissioning expenditures	873	422
Adjusted funds flow	**116,648**	**83,658**

"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.

"Operating netback" denotes petroleum and natural gas revenue less royalty expense, less operating expense and less transportation and other expense. All netbacks are calculated on a per unit basis, unless otherwise indicated. Management believes that operating netback assists 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 for the periods indicated:

	Three months ended March 31,			
		2019		**2018**
	($000s)	*($/boe)*	*($000s)*	*($/boe)*
Petroleum and natural gas revenue	178,355	26.46	159,531	23.22
Royalty expense	(8,209)	(1.22)	(9,811)	(1.43)
Operating expense	(22,917)	(3.40)	(25,933)	(3.78)
Transportation and other expense	(31,077)	(4.61)	(24,540)	(3.56)
Operating netback[1]	**116,152**	**17.23**	**99,247**	**14.45**

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

The reconciliation for the operating netback of the Pouce Coupe Gas Plant is provided under the heading *"Pouce Coupe Gas Plant Netbacks"* in this MD&A.

"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 financial instruments. Management believes that adjusted working capital deficit assists management and investors in assessing Birchcliff's 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)*	**March 31, 2019**	**December 31, 2018**	**March 31, 2018**
Working capital deficit (surplus)	20,805	(15,611)	95,005
Financial instrument – asset	17,470	36,798	418
Financial instrument – liability	(984)	-	(11,626)
Adjusted working capital deficit	**37,291**	**21,187**	**83,797**

"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)*	**March 31, 2019**	**December 31, 2018**	**March 31, 2018**
Revolving term credit facilities	611,911	605,267	573,935
Adjusted working capital deficit	37,291	21,187	83,797
Total debt	**649,202**	**626,454**	**657,732**

ADVISORIES

Unaudited Numbers

All financial amounts referred to in this MD&A for the Reporting Period and the Comparable Prior Period are management's best estimates and are 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 MD&A contains metrics commonly used in the oil and natural gas industry, including operating netback. 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 operating netbacks, see *"Non-GAAP Measures"* in this MD&A.

Capital Expenditures

Unless otherwise stated, references in this MD&A 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 MD&A constitute forward-looking statements within the meaning of applicable Canadian securities laws. The forward-looking statements contained in this MD&A 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”, “potential”, “proposed”, “predict”, “budget”, “continue”, “targeting”, “may”, “will”, “could”, “might”, “should” 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 MD&A 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; the information set forth under the heading “*Outlook*” 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; statements that Birchcliff’s targeted annual average production rate of 76,000 to 78,000 boe/d is expected to generate approximately $330 million of adjusted funds flow in 2019; Birchcliff’s belief that it is well positioned to generate significant free funds flow in 2019; that Birchcliff is committed to maintaining financial flexibility and a strong balance sheet and will allocate any free funds flow based on what Birchcliff believes will provide the most value to its shareholders; that effectively 87% of Birchcliff’s total revenue in 2019, representing 65% of its natural gas production, is expected to be based on non-AECO benchmark prices; and 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); Birchcliff’s marketing and 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); Birchcliff’s market diversification and hedging activities, risk management strategy and use of risk management techniques (including that Birchcliff maintains an ongoing risk management program to reduce the volatility in its financial results and utilizes various financial derivative and physical delivery sales contracts); the Corporation’s estimated income tax pools and management’s expectation that future taxable income will be available to utilize the accumulated tax pools; the Corporation’s liquidity (including: the Corporation’s financial flexibility; the sources of funding for the Corporation’s activities and capital requirements; that the Corporation generally relies on its adjusted funds flow and available credit under its existing credit facilities to fund its capital requirements; statements that the Corporation may from time to time seek additional capital in the form of debt and/or equity or dispose of non-core properties to fund its ongoing capital expenditure programs and protect its statements of financial position; management’s belief that Birchcliff’s adjusted funds flow will be sufficient to fund the 2019 Capital Program; statements that Birchcliff may adjust the 2019 Capital Program, draw down on its Credit Facilities, seek additional equity financing and/or consider the potential sale of additional non-core assets to fund such program should commodity prices deteriorate materially; that the 2019 Capital Program was designed with financial and operational flexibility to accelerate or decelerate capital expenditures throughout the year; the Corporation’s expectation that counterparties will be able to meet their financial obligations; and statements that management of debt levels continues to be a priority for Birchcliff); estimates of Birchcliff’s material contractual obligations and commitments and decommissioning obligations; and statements regarding potential transactions. Statements relating to reserves are forward-looking as they involve the implied assessment, based on certain estimates and assumptions, that the reserves exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

With respect to the forward-looking statements contained in this MD&A, 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 and environmental 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 market oil and gas; the availability of hedges on terms acceptable to Birchcliff; and 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 MD&A:

- Birchcliff's 2019 guidance assumes the following commodity prices during 2019: an average WTI price of US$56.00/bbl; an average WTI-MSW differential of $10.00/bbl; an average AECO price of $1.65/GJ; an average Dawn price of $3.40/GJ; an average NYMEX HH price of US$3.00/MMBtu; and an exchange rate (CDN$ to US$1) of 1.32.
- With respect to estimates of 2019 capital expenditures and statements that Birchcliff believes that its adjusted funds flow will be sufficient to fund the 2019 Capital Program, such estimates and statements are based on the following:
    - Estimates of capital expenditures assume that the 2019 Capital Program will be carried out as currently contemplated.
    - Statements that Birchcliff believes that its adjusted funds flow will be sufficient to fund the 2019 Capital Program assume that: the 2019 Capital Program will be carried out as currently contemplated; and the production targets, commodity mix, natural gas market exposure and commodity price assumptions set forth herein are met.
    - 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, where deemed prudent, will adjust its capital program to respond to changes in commodity prices and other material changes in the assumptions underlying such program.
- With respect to Birchcliff's production guidance for 2019, such guidance assumes that: the 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 and statements that Birchcliff believes that it is well positioned to generate significant free funds flow during 2019, such estimates and statements assume that: the 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 March 13, 2019.

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 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; uncertainty that development activities in connection with its 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; 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; the inability to satisfy obligations under Birchcliff's firm marketing and transportation arrangements or other agreements; 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; uncertainties associated with the outcome of litigation or other proceedings involving Birchcliff; unforeseen title defects; uncertainties associated with credit facilities and counterparty credit risk; non-performance or default by counterparties; risks associated with Birchcliff's risk management program and the risk that hedges on terms acceptable to Birchcliff may not be available; risks associated with the declaration and payment of 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, including transportation, hydraulic fracturing and fossil fuels; the Corporation's reliance on hydraulic fracturing; the availability of insurance and the risk that certain losses may not be insured; and breaches or failure of information systems and security (including risks associated with cyber-attacks).

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 MD&A 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, the FOFI. Birchcliff has included the FOFI in order to provide readers with a more complete perspective on Birchcliff's future operations and Birchcliff's current expectations relating to its future performance. Such information may not be appropriate for other purposes and readers are cautioned that any FOFI contained herein should not be used for purposes other than those for which it has been disclosed herein. FOFI contained herein was made as of the date of this MD&A. 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 MD&A in order to provide readers with a more complete perspective on Birchcliff's future operations. Readers are cautioned that this information may not be appropriate for other purposes.

The forward-looking statements contained in this MD&A are expressly qualified by the foregoing cautionary statements. The forward-looking statements contained herein are made as of the date of this MD&A. 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.

BIRCHCLIFF ENERGY LTD.
CONDENSED STATEMENTS OF FINANCIAL POSITION

Unaudited (Expressed in thousands of Canadian dollars)

As at,	March 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash	53	53
Accounts receivable	70,636	51,941
Prepaid expenses and deposits	3,083	3,386
Financial instruments *(Note 13)*	17,470	36,798
	91,242	92,178
Non-current assets:		
Deposit on acquisition	-	3,900
Investment in securities	10,005	10,005
Financial instruments *(Note 13)*	12,130	23,377
Petroleum and natural gas properties and equipment *(Note 4)*	2,746,519	2,633,460
	2,768,654	2,670,742
Total assets	**2,859,896**	**2,762,920**
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	111,063	76,567
Financial instruments *(Note 13)*	984	-
	112,047	76,567
Non-current liabilities:		
Revolving term credit facilities *(Note 5)*	611,911	605,267
Decommissioning obligations *(Note 6)*	142,875	129,264
Deferred income taxes	125,789	119,553
Capital securities	49,613	49,535
Other liabilities *(Note 10)*	24,980	7,844
Financial instruments *(Note 13)*	7,315	-
	962,483	911,463
Total liabilities	**1,074,530**	**988,030**
SHAREHOLDERS’ EQUITY		
Share capital *(Note 7)*		
Common shares	1,478,312	1,478,260
Preferred shares *(perpetual)*	41,434	41,434
Contributed surplus	78,352	76,747
Retained earnings	187,268	178,449
	1,785,366	1,774,890
Total shareholders’ equity and liabilities	**2,859,896**	**2,762,920**

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

BIRCHCLIFF ENERGY LTD.
CONDENSED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

Unaudited (Expressed in thousands of Canadian dollars, except per share information)

Three months ended,	March 31, 2019	March 31, 2018
REVENUE		
Petroleum and natural gas sales *(Note 9)*	178,355	159,531
Royalties	(8,209)	(9,811)
Net revenue from oil and natural gas sales	170,146	149,720
Other income	202	202
Realized gain (loss) on financial instruments *(Note 13)*	13,318	(3,119)
Unrealized loss on financial instruments *(Note 13)*	(38,875)	(8,398)
	144,791	138,405
EXPENSES		
Operating	22,917	25,933
Transportation and other	31,077	24,540
Administrative, net	6,855	6,858
Depletion and depreciation *(Note 4)*	50,859	50,869
Finance	8,357	7,827
Dividends on capital securities *(Note 7)*	875	875
	120,940	116,902
Net income before taxes	23,851	21,503
Income tax expense	(7,005)	(6,378)
NET INCOME AND COMPREHENSIVE INCOME	**16,846**	**15,125**
Net income per common share *(Note 8)*		
Basic	$0.06	$0.05
Diluted	$0.06	$0.05

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

BIRCHCLIFF ENERGY LTD.
CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Unaudited (Expressed in thousands of Canadian dollars)

	Share Capital				
	Common Shares	**Preferred Shares**	**Contributed Surplus**	**Retained Earnings**	**Total**
As at December 31, 2017	1,477,750	41,434	69,959	107,010	1,696,153
Dividends on common shares *(Note 7)*	-	-	-	(6,645)	(6,645)
Dividends on perpetual preferred shares *(Note 7)*	-	-	-	(1,047)	(1,047)
Exercise of stock options *(Note 11)*	38	-	(9)	-	29
Stock-based compensation	-	-	1,912	-	1,912
Net income and comprehensive income	-	-	-	15,125	15,125
As at March 31, 2018	**1,477,788**	**41,434**	**71,862**	**114,443**	**1,705,527**
As at December 31, 2018	1,478,260	41,434	76,747	178,449	1,774,890
Dividends on common shares *(Note 7)*	-	-	-	(6,980)	(6,980)
Dividends on perpetual preferred shares *(Note 7)*	-	-	-	(1,047)	(1,047)
Exercise of stock options *(Note 11)*	52	-	(12)	-	40
Stock-based compensation	-	-	1,617	-	1,617
Net income and comprehensive income	-	-	-	16,846	16,846
As at March 31, 2019	**1,478,312**	**41,434**	**78,352**	**187,268**	**1,785,366**

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

BIRCHCLIFF ENERGY LTD.
CONDENSED STATEMENTS OF CASH FLOWS

Unaudited (Expressed in thousands of Canadian dollars)

Three months ended,	March 31, 2019	March 31, 2018
Cash provided by (used in):		
OPERATING		
Net income and comprehensive income	16,846	15,125
Adjustments for items not affecting operating cash:		
Unrealized loss on financial instruments *(Note 13)*	38,875	8,398
Depletion and depreciation *(Note 4)*	50,859	50,869
Other compensation	767	818
Finance	8,357	7,827
Income tax expense	7,005	6,378
Interest paid	(6,936)	(6,632)
Dividends on capital securities *(Note 7)*	875	875
Decommissioning expenditures *(Note 6)*	(873)	(422)
Changes in non-cash working capital	(21,031)	8,617
	94,744	91,853
FINANCING		
Exercise of stock options *(Note 11)*	40	29
Lease payments *(Note 10)*	(537)	-
Dividends on common shares *(Note 7)*	(6,980)	(6,645)
Dividends on perpetual preferred shares *(Note 7)*	(1,047)	(1,047)
Dividends on capital securities *(Note 7)*	(875)	(875)
Net change in revolving term credit facilities *(Note 5)*	6,347	(13,515)
	(3,052)	(22,053)
INVESTING		
Petroleum and natural gas properties *(Note 4)*	(92,698)	(133,144)
Acquisition of petroleum and natural gas properties and equipment *(Note 4)*	(35,360)	-
Changes in non-cash working capital	36,366	63,344
	(91,692)	(69,800)
Net change in cash	-	-
Cash, beginning of period	53	48
CASH, END OF PERIOD	**53**	**48**

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

BIRCHCLIFF ENERGY LTD.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2019

Unaudited (Expressed In thousands Of Canadian Dollars, Unless Otherwise Stated)

1. NATURE OF OPERATIONS

Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") is domiciled and incorporated in Alberta, Canada. Birchcliff is engaged in the exploration for and the development, production and acquisition of petroleum and natural gas reserves in Western Canada. The Corporation's financial year end is December 31. The address of the Corporation's registered office is Suite 1000, 600 – 3rd Avenue S.W., Calgary, Alberta, Canada T2P 0G5. Birchcliff's common shares, Series A Preferred Shares and Series C Preferred Shares are listed for trading on the Toronto Stock Exchange under the symbols "**BIR**", "**BIR.PR.A**" and "**BIR.PR.C**", respectively.

These unaudited interim condensed financial statements were approved and authorized for issuance by the Board of Directors on May 15, 2019.

2. BASIS OF PREPARATION

These unaudited interim condensed financial statements present Birchcliff's financial results of operations and financial position under International Financial Reporting Standards ("**IFRS**") as at and for the three months ended March 31, 2019, including the 2018 comparative period. The financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 Interim Financial Reporting, as issued by the International Accounting Standards Board ("**IASB**").

These unaudited interim condensed financial statements have been prepared following the same IFRS accounting policies and methods of computation as disclosed in the annual audited financial statements for the year ended December 31, 2018, except as described in Note 3. Certain information and disclosures normally required to be included in the notes to the annual audited financial statements have been condensed, omitted or have been disclosed on an annual basis only. Accordingly, these financial statements should be read in conjunction with the annual audited financial statements and the notes thereto for the year ended December 31, 2018.

Birchcliff's unaudited interim condensed financial statements are prepared on a historical cost basis, except for certain financial and non-financial assets and liabilities which have been measured at fair value. The Corporation's unaudited interim condensed financial statements include the accounts of Birchcliff only and are expressed in Canadian dollars, unless otherwise stated. Birchcliff does not have any subsidiaries.

3. CHANGES IN ACCOUNTING POLICIES

Accounting Pronouncements Adopted

On January 1, 2019, Birchcliff adopted IFRS 16: *Leases* ("**IFRS 16**") to replace IAS 17: *Leases* and IFRIC 4: *Determining whether an Arrangement contains a Lease*. IFRS 16 requires the recognition of a right-of-use asset and lease liability on the statements of financial position for all leases, where Birchcliff is acting as a lessee. For lessees applying IFRS 16, the dual classification model of leases as either operating leases or finance leases no longer exists, effectively treating all leases as finance leases. IFRS 16 allows lessors to continue with the dual classification model for recognized leases as either a finance or an operating lease. Birchcliff is the lessee in all of its lease arrangements effective January 1, 2019. The Corporation adopted IFRS 16 using the modified retrospective approach, which does not require restatement of prior period financial information and applies the standard prospectively.

The impact of applying IFRS 16 on the financial statements in the period was affected by multiple factors and conditions, including, but not limited to, the Corporation's incremental borrowing rate at January 1, 2019, the composition of the Corporation's lease portfolio at that date, the Corporation's latest assessment of whether it will exercise any lease renewal options, and the extent to which the Corporation chose to use practical expedients and recognition exemptions.

On initial adoption, Birchcliff had the following optional practical expedients available under IFRS 16:

- Certain short-term leases and leases of low value assets that have been identified as a lease under IFRS 16 at January 1, 2019 have been excluded from recognition on the statements of financial position. Birchcliff has excluded certain low value leases such as information technology, office equipment and other minor operating and capital assets used in its operations. Short-term and low value leases are expensed in profit or loss in the period incurred.
- Certain classes of lease arrangements that transfer a separate good or service under the same contract that have been identified for recognition at January 1, 2019 can be recognized as a single lease component rather than separating between their lease and non-lease components. Birchcliff did not apply this practical expedient on initial adoption of IFRS 16. Non-lease components such as operating costs and payment for services were separated from their lease component under the same contract and expensed in profit or loss in the period incurred.
- For leases having similar characteristics, a portfolio approach can be used by applying a single discount rate. Birchcliff has applied this practical expedient for leases having similar characteristic on recognition.

On initial adoption of IFRS 16, Birchcliff recognized a lease liability, herein referred to as a “lease obligation”, and corresponding right-of-use asset, herein referred to as a “lease asset”, for each identified lease effective January 1, 2019. The lease obligation was determined by discounting the remaining lease term payments using the interest rate implicit in the lease, or the Corporation’s incremental borrowing rate. The lease obligation is reduced by actual cash lease payments made during the period. Lease obligations are presented as other liabilities on the statements of financial position. The lease assets are included in petroleum and natural gas properties and equipment on the statements of financial position. Lease assets are depreciated over the remaining term of the lease and included in depletion and depreciation expense in profit and loss. The unwinding of the present value of the lease obligation is recorded as accretion (interest) and included in finance expense in profit and loss. Cash lease payments are classified as a financing activity and accretion expense classified as an operating activity in the statements of cash flows. Any remeasurements based on changes in lease term, payment, or discount rate will increase or decrease the present value of the lease obligation and corresponding lease asset. Such changes will be accounted for through profit and loss. See Notes 4 and 10 to these interim condensed financial statements for further details on the financial effects of IFRS 16 on initial adoption.

Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16. Leases that are recognized are subject to further management judgment and estimation in various areas specific to the arrangement. In determining the lease term to be recognized, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Lease obligations that are recognized have been estimated using a discount rate equal to Birchcliff’s incremental borrowing rate. This rate represents the rate that Birchcliff would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

4. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

The continuity for petroleum and natural gas ("**P&NG**") properties and equipment are as follows:

($000s)	Exploration & Evaluation Assets	Developed & Producing Assets	Lease Assets[6]	Corporate Assets	Total
Cost:					
As at December 31, 2017	81	3,291,102	-	15,724	3,306,907
Additions	31	311,887	-	2,013	313,931
Acquisitions	-	2,173	-	-	2,173
Dispositions[1]	-	(55,636)	-	-	(55,636)
As at December 31, 2018	112	3,549,526	-	17,737	3,567,375
Additions	-	106,078	17,311	1,270	124,659
Acquisitions[3]	-	39,259	-	-	39,259
As at March 31, 2019[2]	112	3,694,863	17,311	19,007	3,731,293
Accumulated depletion and depreciation:					
As at December 31, 2017	-	(750,760)	-	(11,016)	(761,776)
Depletion and depreciation expense	-	(206,892)	-	(1,976)	(208,868)
Dispositions[1]	-	36,729	-	-	36,729
As at December 31, 2018	-	(920,923)	-	(12,992)	(933,915)
Depletion and depreciation expense	-	(49,816)	(476)	(567)	(50,859)
As at March 31, 2019	-	(970,739)	(476)	(13,559)	(984,774)
Net book value:					
As at December 31, 2018[4]	112	2,628,603	-	4,745	2,633,460
As at March 31, 2019[5]	**112**	**2,724,124**	**16,835**	**5,448**	**2,746,519**

(1) Consists mainly of two asset dispositions with a combined net book value of $18.9 million for total consideration of $5.3 million.

(2) The Corporation's P&NG properties and equipment were pledged as security for its credit facilities. Although the Corporation believes that it has title to its P&NG properties, it cannot control or completely protect itself against the risk of title disputes and challenges. There were no borrowing costs capitalized to P&NG properties and equipment.

(3) Birchcliff completed the acquisition of various Montney lands and assets on January 3, 2019 for total cash consideration of $35.4 million and assumed decommissioning obligations totalling $3.5 million (see Note 6).

(4) Birchcliff determined there were impairment indicators present at December 31, 2018. The Corporation performed an asset impairment test to ensure that the carrying value of its P&NG properties and equipment was recoverable. Birchcliff's P&NG properties and equipment were not impaired at December 31, 2018.

(5) Birchcliff performed an impairment assessment of its P&NG assets on a CGU basis and determined there were no impairment indicators present at March 31, 2019. As a result, no impairment test was required at March 31, 2019.

(6) Includes $17.3 million related to lease asset additions on initial adoption of IFRS 16 as at January 1, 2019 (see Notes 3 and 10). The carrying amount of lease assets at March 31, 2019 was $16.8 million after giving effect to depreciation.

5. REVOLVING TERM CREDIT FACILITIES

The components of the Corporation's revolving credit facilities include:

As at, *($000s)*	March 31, 2019	December 31, 2018
Syndicated credit facility	583,000	586,000
Working capital facility	31,868	22,821
Drawn revolving term credit facilities	614,868	608,821
Unamortized prepaid interest on bankers' acceptances	(721)	(1,021)
Unamortized deferred financing fees	(2,236)	(2,533)
Revolving term credit facilities	**611,911**	**605,267**

At March 31, 2019, the Corporation's credit facilities consisted of extendible revolving credit facilities (the "**Credit Facilities**") in the aggregate principal amount of $950.0 million with maturity dates of May 11, 2021 which were comprised of: (i) an extendible revolving syndicated term credit facility (the "**Syndicated Credit Facility**") of $850.0 million; and (ii) an extendible revolving working capital facility (the "**Working Capital Facility**") of $100.0 million.

The Credit Facilities are subject to a semi-annual review of the borrowing base limit by Birchcliff's syndicate of lenders, which limit is directly impacted by the value of Birchcliff's oil and natural gas reserves. In addition, pursuant to the terms of the credit agreement governing the Credit Facilities, the borrowing base of the Credit Facilities may be adjusted in certain other circumstances. Upon any change in or redetermination of the borrowing base limit which results in a borrowing base shortfall, Birchcliff must eliminate the borrowing base shortfall amount.

Birchcliff may each year, at its option, request an extension to the maturity date of the Syndicated Credit Facility and the Working Capital Facility, or either of them, for an additional period of up to three years from May 11 of the year in which the extension request is made. Birchcliff's syndicate of lenders recently completed its semi-annual review of the borrowing base limit under the Credit Facilities. In connection therewith, the agreement governing the Credit Facilities was amended effective May 10, 2019 to: (i) extend the maturity dates of each of the Syndicated Credit Facility and the Working Capital Facility from May 11, 2021 to May 11, 2022; and (ii) increase the borrowing base to $1.0 billion from $950.0 million, with the Syndicated Credit Facility being increased to $900.0 million and the Working Capital Facility remaining at $100.0 million. The Credit Facilities do not contain any financial maintenance covenants.

6. DECOMMISSIONING OBLIGATIONS

The Corporation estimates the total undiscounted (inflated) amount of cash flow required to settle its decommissioning obligations is approximately $272.1 million at March 31, 2019 (March 31, 2018 – $275.3 million). A reconciliation of the decommissioning obligations is set forth below:

As at, *($000s)*	**March 31, 2019**	**December 31, 2018**
Balance, beginning	129,264	124,825
Obligations incurred	1,911	3,930
Obligations acquired(1)	3,536	649
Obligations divested	-	(3,446)
Changes in estimated future cash flows	8,222	1,177
Accretion	815	3,208
Decommissioning expenditures	(873)	(1,079)
Balance, ending(2)	**142,875**	**129,264**

(1) Reflects the decommissioning obligations acquired from the acquisition of various Montney lands and assets on January 3, 2019.

(2) Birchcliff applied a risk-free rate of 1.92% and an inflation rate of 2.0% to calculate the present value of the decommissioning obligation at March 31, 2019 and a risk-free rate of 2.36% and an inflation rate of 2.0% at December 31, 2018.

7. CAPITAL STOCK

Share Capital

(a) Authorized:

Unlimited number of voting common shares, with no par value.

Unlimited number of preferred shares, with no par value.

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

(b) Number of common shares and perpetual preferred shares issued:

The following table sets forth the number of common shares and perpetual preferred shares issued:

As at, *(000s)*	**March 31, 2019**	**December 31, 2018**
Common shares:		
Outstanding at beginning of period	265,911	265,797
Exercise of stock options	13	114
Outstanding at end of period(1)	265,924	**265,911**
Series A preferred shares (perpetual):		
Outstanding at beginning of period	2,000	2,000
Outstanding at end of period	**2,000**	**2,000**

(1) On November 20, 2018, Birchcliff announced that the TSX had accepted the Corporation's notice of intention to make a normal course issuer bid (the "**NCIB**"). Pursuant to the NCIB, Birchcliff may purchase up to 18,767,520 of its outstanding common shares. The total number of common shares that Birchcliff is permitted to purchase is subject to a daily purchase limit of 320,520 common shares; provided, however, that the Corporation may make one block purchase per calendar week which exceeds the daily purchase restriction. The NCIB commenced on November 23, 2018 and will terminate on November 22, 2019, or such earlier time as the NCIB is completed or is terminated at the option of Birchcliff. Purchases under the NCIB will be effected through the facilities of the TSX and/or Canadian alternative trading systems at the prevailing market price at the time of such transaction. All common shares purchased under the NCIB will be cancelled. Birchcliff did not purchase any common shares pursuant to the NCIB in 2018 or in the three months ended March 31, 2019.

Capital Securities

The Corporation has outstanding 2,000,000 Series C Preferred Shares at March 31, 2019 (December 31, 2018 – 2,000,000).

Dividends

The following table sets forth the dividend distributions by the Corporation for each class of shares:

Three months ended,	March 31, 2019	March 31, 2018
Common shares:		
Dividend distribution *($000s)*	6,980	6,645
Per common share *($)*	0.0263	0.0250
Preferred shares - Series A:		
Series A dividend distribution *($000s)*	1,047	1,047
Per Series A preferred share *($)*	0.5234	0.5234
Preferred shares - Series C:		
Series C dividend distribution *($000s)*	875	875
Per Series C preferred share *($)*	0.4375	0.4375

All dividends have been designated as "eligible dividends" for the purposes of the *Income Tax Act* (Canada).

8. EARNINGS PER SHARE

The following table sets forth the computation of net income per common share:

Three months ended, *($000s, except for per share information)*	March 31, 2019	March 31, 2018
Net income	16,846	15,125
Dividends on Series A preferred shares	(1,047)	(1,047)
Net income to common shareholders	15,799	14,078
Weighted average common shares:		
Weighted average basic common shares outstanding	265,914	265,797
Effects of dilutive securities	468	382
Weighted average diluted common shares outstanding(1)	266,382	266,179
Net income per common share:		
Basic	**$0.06**	**$0.05**
Diluted	**$0.06**	**$0.05**

(1) The weighted average diluted common shares outstanding as of March 31, 2019 excludes 16,361,267 common shares issuable pursuant to outstanding stock options that were anti-dilutive.

9. PETROLEUM AND NATURAL GAS SALES

The following table sets forth Birchcliff's petroleum and natural gas sales:

Three months ended, *($000s)*	March 31, 2019	March 31, 2018
Light oil sales	28,547	26,775
Condensate(1)	26,013	27,495
NGLs sales(2)	10,750	12,646
Natural gas sales	112,976	92,573
Total P&NG sales(3)(4)	178,286	159,489
Royalty income	69	42
Total P&NG sales	**178,355**	**159,531**

(1) Includes pentanes plus.

(2) Includes ethane, propane and butane.

(3) Excludes the effects of financial derivatives but includes the effects of any physical delivery sales contracts outstanding during the period.

(4) Included in accounts receivable at March 31, 2019 was $69.5 million in P&NG sales to be received from its marketers in respect of March 2019 production, which was subsequently received in April 2019.

10. OTHER LIABILITIES

Post-Employment Benefit Obligations

Birchcliff's discounted post-employment benefit obligation at March 31, 2019 was $8.0 million. The Corporation estimates the total undiscounted (inflated) amount of cash flow required to settle its obligations for all participants meeting the eligibility requirements under the post-employment benefit plan is approximately $14.8 million at March 31, 2019 (March 31, 2018 – $nil). A reconciliation of the discounted post-employment benefit obligation is set forth below:

As at, *($000s)*	**March 31, 2019**	**December 31, 2018**
Balance, beginning	7,844	-
Obligations incurred(1)	130	7,844
Accretion	30	-
Balance, ending(2)	**8,004**	**7,844**
Current portion	-	-
Long-term portion	8,004	7,844

(1) Represents the current service costs associated with post-employment benefits.

(2) Birchcliff applied a discount rate of 2.8% and an inflation rate of 3.0% to calculate the present value of the post-employment benefit obligation at March 31, 2019 and December 31, 2018.

Lease Obligations

Effective January 1, 2019, Birchcliff recognized a discounted lease obligation of $17.3 million on initial adoption of IFRS 16. The Corporation's total undiscounted (inflated) amount of cash flow required to settle its lease obligations is approximately $21.0 million at March 31, 2019. A reconciliation of the discounted lease obligation is set forth below:

As at, *($000s)*	**March 31, 2019**
As at January 1, 2019 *(Note 3)*(1)(2)	17,311
Lease payments	(537)
Accretion	202
Balance, ending(2)	**16,976**
Current portion	1,380
Long-term portion	15,596

(1) Birchcliff recognized a lease obligation primarily related to its head office premises on initial adoption of IFRS 16.

(2) Birchcliff applied a discount rate of 4.7% to calculate the discounted value of the lease obligation on initial adoption of IFRS 16 and at March 31, 2019.

11. SHARE-BASED PAYMENTS

Stock Options

At March 31, 2019, the Corporation's stock option plan (the "**Option Plan**") permitted the grant of options in respect of a maximum of 26,592,436 (March 31, 2018 – 26,580,536) common shares. At March 31, 2019, there remained available for issuance options in respect of 7,977,000 (March 31, 2018 – 9,633,464) common shares. For stock options exercised during 2019, the weighted average common share trading price on the Toronto Stock Exchange was $3.46 (March 31, 2018 – $3.50) per common share.

A summary of the outstanding stock options is set forth below:

	Three months ended March 31, 2019	
	Number	**Price** *($)*(1)
Outstanding, beginning of period	15,847,570	5.74
Granted(2)	4,732,200	3.54
Exercised	(13,000)	(3.07)
Forfeited	(40,000)	(4.59)
Expired	(1,911,334)	(8.66)
Outstanding, March 31, 2019	**18,615,436**	**4.89**

(1) Calculated on a weighted average basis.

(2) Each stock option granted entitles the holder to purchase one common share at the exercise price.

The weighted average fair value per option granted during the three months ended March 31, 2019 was $1.18 (March 31, 2018 – $0.99). In determining the stock-based compensation expense for options issued during the three months ended March 31, 2019, the Corporation applied a weighted average estimated forfeiture rate of 9.9% (March 31, 2018 – 11%).

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

Three months ended,	March 31, 2019	March 31, 2018
Risk-free interest rate	1.8%	2.0%
Expected life *(years)*	4.1	4.0
Expected volatility	50.9%	49.6%
Dividend yield	2.93%	3.06%

A summary of the stock options outstanding and exercisable under the Option Plan at March 31, 2019 is set forth below:

Exercise Price *($)*		Awards Outstanding			Awards Exercisable		
Low	High	Quantity	Weighted Average Remaining Contractual Life *(years)*	Weighted Average Exercise Price *($)*	Quantity	Weighted Average Remaining Contractual Life *(years)*	Weighted Average Exercise Price *($)*
3.00	6.00	11,735,569	3.89	3.42	3,769,868	2.59	3.33
6.01	9.00	6,826,867	2.09	7.38	5,314,640	1.87	7.27
9.01	12.00	53,000	1.91	10.02	41,666	1.70	10.26
		18,615,436	**3.22**	**4.89**	**9,126,174**	**2.17**	**5.66**

Performance Warrants

On January 18, 2005, Birchcliff issued 4,049,665 performance warrants as part of the Corporation's initial restructuring to become a public entity. There are 2,939,732 performance warrants outstanding and exercisable at March 31, 2019 (March 31, 2018 – 2,939,732). Each performance warrant is exercisable at a price of $3.00 to purchase one common share of Birchcliff and expires on January 31, 2020.

12. CAPITAL MANAGEMENT

The Corporation's general policy is to maintain a sufficient capital base in order to manage its business in the most effective manner with the goal of increasing the value of its assets and thus its underlying share value. The Corporation's objectives when managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations (including potential obligations arising from additional acquisitions), to maintain a capital structure that allows Birchcliff to finance its business strategy using primarily internally-generated cash flow and its available debt capacity and to optimize the use of its capital to provide an appropriate investment return to its shareholders. There were no changes in the Corporation's approach to capital management during the three months ended March 31, 2019.

The following table sets forth the Corporation's total available credit:

As at, *($000s)*	March 31, 2019	December 31, 2018
Maximum borrowing base limit[(1)]:		
Revolving term credit facilities	950,000	950,000
Principal amount utilized:		
Drawn revolving term credit facilities	(614,868)	(608,821)
Outstanding letters of credit[(2)]	(17,205)	(17,205)
	(632,073)	(626,026)
Unused credit	**317,927**	**323,974**

(1) The Credit Facilities are subject to a semi-annual review of the borrowing base limit, which is directly impacted by the value of Birchcliff's petroleum and natural gas reserves. Effective May 10, 2019, the borrowing base limit under the Credit Facilities was increased to $1.0 billion from $950.0 million.

(2) Letters of credit are issued to various service providers. The letters of credit reduced the amount available under the Working Capital Facility.

The capital structure of the Corporation is as follows:

As at, *($000s)*	March 31, 2019	December 31, 2018	% Change
Shareholders' equity[(1)]	1,785,366	1,774,890	
Capital securities	49,613	49,535	
Shareholders' equity & capital securities	1,834,979	1,824,425	1%
Shareholders' equity & capital securities as a % of total capital[(2)]	74%	74%	
Working capital deficit[(3)]	37,291	21,187	
Drawn revolving term credit facilities	614,868	608,821	
Drawn debt	652,159	630,008	4%
Drawn debt as a % of total capital	26%	26%	
Total capital	**2,487,138**	**2,454,433**	1%

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

(2) Of the 74%, approximately 95% relates to common capital stock and 5% relates to preferred capital stock.

(3) Working capital is defined as current assets less current liabilities (excluding fair value of financial instruments).

13. RISK MANAGEMENT

Birchcliff is exposed to credit risk, liquidity risk and market risk as part of its normal course of business. The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's financial risk management framework and periodically reviews the results of all risk management activities and all outstanding positions.

The following table provides a summary of the realized and unrealized gains (losses) on financial risk management contracts:

Three months ended, *($000s)*	March 31, 2019	March 31, 2018
Realized gain (loss) on derivatives	13,318	(3,119)
Unrealized loss on derivatives	(38,875)	(8,398)

Commodity Price Risk

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

Financial Derivative Contracts

As of March 31, 2019, Birchcliff had certain financial derivative contracts outstanding in order to manage commodity price risk. These instruments are not used for trading or speculative purposes. Birchcliff has not designated its financial derivative contracts as effective accounting hedges, even though the Corporation considers all commodity contracts to be effective economic hedges. As a result, all such financial derivative contracts are recorded on the statements of financial position at fair value, with the changes in fair value being recognized as an unrealized gain or loss in profit or loss.

As at March 31, 2019, Birchcliff had the following financial derivative contracts in place in order to manage commodity price risk:

Product	Type of Contract	Notional Quantity	Remaining Term[1]	Contract Price	Fair Value Asset (Liability) *($000s)*
Natural gas	AECO 7A basis swap[2]	30,000 MMBtu/d	Apr. 1, 2019 – Dec. 31, 2023	NYMEX HH less US$1.298/MMBtu	7,936
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Apr. 1, 2019 – Dec. 31, 2023	NYMEX HH less US$1.32/MMBtu	2,258
Natural gas	AECO 7A basis swap[2]	30,000 MMBtu/d	Apr. 1, 2019 – Dec. 31, 2023	NYMEX HH less US$1.33/MMBtu	6,208
Natural gas	AECO 7A basis swap[2]	15,000 MMBtu/d	Apr. 1, 2019 – Dec. 31, 2024	NYMEX HH less US$1.185/MMBtu	7,635
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Apr. 1, 2019 – Dec. 31, 2024	NYMEX HH less US$1.20/MMBtu	2,209
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Apr. 1, 2019 – Dec. 31, 2024	NYMEX HH less US$1.20/MMBtu	2,281
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jan. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.178/MMBtu	320
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Jan. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.175/MMBtu	544
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jan. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.190/MMBtu	209
Natural gas	AECO 7A basis swap[2]	25,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.135/MMBtu	(1,463)
Natural gas	AECO 7A basis swap[2]	20,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.119/MMBtu	(1,067)
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.02/MMBtu	(23)
					27,047

(1) Transactions with common terms have been aggregated and presented at the weighted average price.

(2) Birchcliff sold AECO basis swap.

The following financial derivative contracts were entered into subsequent to March 31, 2019:

Product	Type of Contract	Notional Quantity	Remaining Term[1]	Contract Price
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.045/MMBtu
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$0.99/MMBtu

(1) Transactions with common terms have been aggregated and presented at the weighted average price.

(2) Birchcliff sold AECO basis swap.

At March 31, 2019, if the future AECO/NYMEX basis was US$0.10/MMBtu higher, with all other variables held constant, after tax net income in the three months ended March 31, 2019 would have increased by $24.5 million.

Physical Delivery Sales Contracts

Birchcliff also enters into physical delivery sales contracts to manage commodity price risk. These contracts are considered normal executory sales contracts and are not recorded at fair value through profit or loss. At March 31, 2019, the Corporation had the following physical delivery commodity sales contract in place:

Product	Type of Contract	Quantity	Remaining Term[1]	Contract Price
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Apr. 1, 2019 – Dec. 31, 2023	NYMEX HH less US$1.205/MMBtu

(1) Transactions with common terms have been aggregated and presented at the weighted average price.

(2) Birchcliff sold AECO basis swap.

There were no long-term physical delivery commodity sales contracts entered into subsequent to March 31, 2019.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation's credit facilities are exposed to interest rate risk. The remainder of Birchcliff's financial assets and liabilities are not exposed directly to interest rate risk. As at March 31, 2019, Birchcliff had the following financial derivative contracts in place in order to manage interest rate risk:

Type of Contract	Index	Remaining Term(1)(2)	Notional Amount *($million)*	Fixed Rate *(%)*	Fair Value Liability *($000s)*
Interest rate swap	One-month banker's acceptance – CDOR(3)	Apr. 1, 2019 – Mar. 1, 2024	350	2.215	5,746

(1) Transactions with common terms have been aggregated and presented at the weighted average price.

(2) Contract terms commenced on March 1, 2019.

(3) Canadian Dollar Offered Rate ("**CDOR**").

At March 31, 2019, if the one-month banker's acceptance CDOR index was 0.25% higher, with all other variables held constant, after-tax net income in the three months ended March 31, 2019 would have increased by $2.9 million.

Foreign Currency Risk

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The exchange rate effect cannot be quantified but generally an increase in the value of the CDN dollar as compared to the US dollar will reduce the CDN dollar prices received by Birchcliff for its petroleum and natural gas sales. The Corporation had no long-term forward exchange rate contracts in place as at or during the period ended March 31, 2019 and 2018.

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+)
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
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board
km^2	square kilometres
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 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 First Quarter Report uses "adjusted funds flow", "adjusted funds flow per common share", "free funds flow", "operating 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. For further information on these non-GAAP measures, see *"Non-GAAP Measures"* in management's discussion and analysis for the three months ended March 31, 2019 (the "**MD&A**").

In addition, this First Quarter Report uses "adjusted funds flow netback" which does not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. "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. Adjusted funds flow netback is calculated on a per unit basis, unless otherwise indicated. Management believes that adjusted funds flow netback assists 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 adjusted funds flow netback for the periods indicated:

	Three months ended March 31, 2019 ($000s)	2019 ($/boe)	2018 ($000s)	2018 ($/boe)
Petroleum and natural gas revenue	178,355	26.46	159,531	23.22
Royalty expense	(8,209)	(1.22)	(9,811)	(1.43)
Operating expense	(22,917)	(3.40)	(25,933)	(3.78)
Transportation and other expense	(31,077)	(4.61)	(24,540)	(3.56)
General & administrative expense, net	(6,088)	(0.90)	(6,040)	(0.88)
Interest expense	(6,936)	(1.03)	(6,632)	(0.97)
Realized gain (loss) on financial instruments	13,318	1.98	(3,119)	(0.45)
Other income	202	0.03	202	0.03
Adjusted funds flow netback[(1)]	**116,648**	**17.31**	**83,658**	**12.18**

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

ADVISORIES

Unaudited Information

All financial and operational information contained in this First Quarter Report for the three months ended March 31, 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 First Quarter Report 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, see *"Non-GAAP Measures"* in the MD&A.

Reserves and Drilling Locations

Birchcliff retained Deloitte LLP ("**Deloitte**") and McDaniel & Associates Consultants Ltd. ("**McDaniel**") to evaluate and prepare reports on 100% of Birchcliff's reserves effective December 31, 2018. Deloitte prepared an evaluation with an effective date of December 31, 2018 as contained in its report dated February 13, 2019 (the "**Deloitte Reserves Report**") and McDaniel prepared an evaluation with an effective date of December 31, 2018 as contained in its report dated February 13, 2019 (the "**McDaniel Reserves Report**"), which are contained in the consolidated report of Deloitte dated February 13, 2019 with an effective date of December 31, 2018 (the "**Consolidated Reserves Report**"). Deloitte prepared the Consolidated Reserves Report by consolidating the properties evaluated by Deloitte in the Deloitte Reserves Report with the properties evaluated by McDaniel in the McDaniel Reserves Report, in each case using Deloitte's forecast price and cost assumptions effective December 31, 2018. Estimates of reserves are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided and the differences may be material. There is no assurance that the forecast price and cost assumptions will be attained and variances could be material. For important additional information regarding the Corporation's reserves, see the Corporation's Annual Information Form for the year ended December 31, 2018 which is available on SEDAR.

This First Quarter Report discloses net existing horizontal wells and potential net future horizontal drilling locations in four categories: (i) proved locations; (ii) proved plus probable locations; (iii) unbooked locations; and (iv) an aggregate total of (ii) and (iii). Of the 6,746.4 net existing horizontal wells and potential net future horizontal drilling locations identified herein, 888.8 are proved locations, 1,121.8 are proved plus probable locations and 5,624.6 are unbooked locations. Proved locations and probable locations are proposed drilling locations identified in the Consolidated Reserves Report that have proved and/or probable reserves, as applicable, attributed to them in the Consolidated Reserves Report. Unbooked locations are internal estimates based on Birchcliff's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal technical analysis review. Unbooked locations have been identified by management as an estimate of Birchcliff's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. Unbooked locations do not have proved or probable reserves attributed to them in the Consolidated Reserves Report.

Birchcliff's ability to drill and develop these locations and the drilling locations on which Birchcliff actually drills wells depends on a number of uncertainties and factors, including, but not limited to, the availability of capital, equipment and personnel, oil and natural gas prices, costs, inclement weather, seasonal restrictions, drilling results, additional geological, geophysical and reservoir information that is obtained, production rate recovery, gathering system and transportation constraints, the net price received for commodities produced, regulatory approvals and regulatory changes. As a result of these uncertainties, there can be no assurance that the potential future drilling locations that Birchcliff has identified will ever be drilled and, if drilled, that such locations will result in additional production and, in the case of unbooked locations, additional reserves. As such, Birchcliff's actual drilling activities may differ materially from those presently identified, which could adversely affect Birchcliff's business. While certain of the unbooked drilling locations have been de-risked by drilling existing wells in relatively close proximity to such unbooked drilling locations, some of the other unbooked drilling locations are farther away from existing wells, where management has less information about the characteristics of the reservoir and there is therefore more uncertainty whether wells will be drilled in such locations and, if drilled, there is more uncertainty that such wells will result in additional proved or probable reserves, resources or production.

Initial Production Rates

Any references in this First Quarter Report 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 5-well pad in Pouce Coupe disclosed under the heading *"Operational Update – Pouce Coupe"* in this First Quarter Report, such rate represents the cumulative volumes for each well measured at the wellhead separator for the last 20 days of the initial 30 days of production divided by 20, 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 and casing pressures for the five wells were stabilized between 4.5 to 7.3 MPa and 11.2 to 13.1 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.

Capital Expenditures

Unless otherwise stated, references in this First Quarter Report 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 First Quarter Report 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 First Quarter Report 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", "potential", "proposed", "predict", "budget", "continue", "targeting", "may", "will", "could", "might", "should" 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 First Quarter Report 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 guidance regarding its 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, completed and brought on production and the timing thereof; and the focus of, the objectives of and the anticipated results from the program); Birchcliff's market diversification and hedging activities, strategies and use of risk management techniques (including statements that Birchcliff maintains an ongoing hedging program and engages in various risk management activities to reduce its exposure to volatility in commodity prices and utilizes various financial derivative and physical delivery sales contracts); Birchcliff's marketing and 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 (including statements regarding the potential or prospectivity of Birchcliff's properties); 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 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); estimates of potential future drilling locations; and the information set forth under the heading *"Outlook and Guidance"* in this First Quarter Report 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; statements that Birchcliff's targeted annual average production rate of 76,000 to 78,000 boe/d is expected to generate approximately $330 million of adjusted funds flow in 2019; Birchcliff's belief that it is well positioned to generate significant free funds flow in 2019; that Birchcliff is committed to maintaining financial flexibility and a strong balance sheet and will allocate any free funds flow based on what Birchcliff believes will provide the most value to its shareholders; that effectively 87% of Birchcliff's total revenue in 2019, representing 65% of its natural gas 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). In addition, forward-looking statements in this First Quarter Report include the forward-looking statements identified in the MD&A under the heading *"Advisories – Forward-Looking Statements".*

With respect to the forward-looking statements contained in this First Quarter Report, 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 and environmental 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 market oil and gas; the availability of hedges on terms acceptable to Birchcliff; and 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 First Quarter Report:

- Birchcliff's 2019 guidance assumes the following commodity prices during 2019: an average WTI price of US$56.00/bbl; an average WTI-MSW differential of $10.00/bbl; an average AECO price of $1.65/GJ; an average Dawn price of $3.40/GJ; an average NYMEX HH price of US$3.00/MMBtu; and an exchange rate (CDN$ to US$1) of 1.32.
  - With respect to estimates of 2019 capital expenditures and Birchcliff's spending plans for 2019, such estimates and plans assume that the 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, where deemed prudent, will adjust its capital program to respond to changes in commodity prices and other material changes in the assumptions underlying such program.
- With respect to Birchcliff's production guidance for 2019, such guidance assumes that: the 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 and statements that Birchcliff believes that it is well positioned to generate significant free funds flow during 2019, such estimates and statements assume that: the 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 March 13, 2019.

- With respect to statements of future wells to be drilled and brought on production and estimates of potential future drilling locations, 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.
- With respect to statements regarding the future potential and prospectivity of properties and assets, such statements assume: the continuing validity of the geological and other technical interpretations determined by Birchcliff's technical staff with respect to such properties; and that, over the long-term, commodity prices and general economic conditions will warrant proceeding with the exploration and development of such properties.

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 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; uncertainty that development activities in connection with its 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; 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; the inability to satisfy obligations under Birchcliff's firm marketing and transportation arrangements or other agreements; 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; uncertainties associated with the outcome of litigation or other proceedings involving Birchcliff; unforeseen title defects; uncertainties associated with credit facilities and counterparty credit risk; non-performance or default by counterparties; risks associated with Birchcliff's risk management program and the risk that hedges on terms acceptable to Birchcliff may not be available; risks associated with the declaration and payment of 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, including transportation, hydraulic fracturing and fossil fuels; the Corporation's reliance on hydraulic fracturing; the availability of insurance and the risk that certain losses may not be insured; and breaches or failure of information systems and security (including risks associated with cyber-attacks).

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 First Quarter Report 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, the FOFI. Birchcliff has included the FOFI in order to provide readers with a more complete perspective on Birchcliff's future operations and Birchcliff's current expectations relating to its future performance. Such information may not be appropriate for other purposes and readers are cautioned that any FOFI contained herein should not be used for purposes other than those for which it has been disclosed herein. FOFI contained herein was made as of the date of this First Quarter Report. 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 First Quarter Report in order to provide readers with a more complete perspective on Birchcliff's future operations. Readers are cautioned that this information may not be appropriate for other purposes.

The forward-looking statements contained in this First Quarter Report are expressly qualified by the foregoing cautionary statements. The forward-looking statements contained herein are made as of the date of this First Quarter Report. 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.

CORPORATE INFORMATION

EXECUTIVE OFFICERS

A. Jeffery Tonken
President & Chief Executive Officer

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

Chris A. Carlsen
Vice-President, Engineering

Bruno P. Geremia
Vice-President & Chief Financial Officer

David M. Humphreys
Vice-President, Operations

DIRECTORS

A. Jeffery Tonken (Chairman)
President & Chief Executive Officer
Calgary, Alberta

Dennis A. Dawson
Lead Independent Director
Calgary, Alberta

Debra A. Gerlach
Independent Director
Calgary, Alberta

Stacey E. McDonald
Independent Director
Calgary, Alberta

James W. Surbey
Non-Independent Director
Calgary, Alberta

MANAGEMENT

Gates Aurigemma
Manager, General Accounting

Robyn Bourgeois
General Counsel & Corporate Secretary

Jesse Doenz
Controller & Investor Relations Manager

George Fukushima
Manager of Engineering

Andrew Fulford
Surface Land Manager

Paul Messer
Manager of IT

Tyler Murray
Mineral Land Manager

Bruce Palmer
Manager of Geology

Brian Ritchie
Asset Manager – Gordondale

Michelle Rodgerson
Manager of Human Resources & Corporate Services

Jeff Rogers
Facilities Manager

Randy Rousson
Drilling & Completions Manager

Vic Sandhawalia
Manager of Finance

Ryan Sloan
Health, Safety & Environment Manager

Duane Thompson
Production Manager

Hue Tran
Business Development Manager

Theo van der Werken
Asset Manager – Pouce Coupe

BANKERS

The Bank of Nova Scotia
HSBC Bank Canada
National Bank of Canada
Canadian Imperial Bank of Commerce
Bank of Montreal
The Toronto-Dominion Bank
ATB Financial
Business Development Bank of Canada
Wells Fargo Bank, N.A., Canadian Branch
United Overseas Bank Limited
ICICI Bank Canada

AUDITORS

KPMG LLP, Chartered Professional Accountants
Calgary, Alberta

RESERVES EVALUATORS

Deloitte LLP
Calgary, Alberta

McDaniel & Associates Consultants Ltd.
Calgary, Alberta

HEAD OFFICE

Suite 1000, 600 – 3rd Avenue S.W.
Calgary, Alberta T2P 0G5
Phone: 403-261-6401
Fax: 403-261-6424

SPIRIT RIVER OFFICE

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

Email: info@birchcliffenergy.com

TRANSFER AGENT

Computershare Trust Company of Canada
Calgary, Alberta and Toronto, Ontario

TSX: BIR, BIR.PR.A, BIR.PR.C

WWW.BIRCHCLIFFENERGY.COM