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BIRCHCLIFF ENERGY LTD.

12-06 May 15, 2012

BIRCHCLIFF ENERGY LTD. ANNOUNCES STRONG FIRST QUARTER RESULTS

Calgary, Alberta - Birchcliff Energy Ltd. ("Birchcliff") (TSX: BIR) is pleased to announce its financial and operating results for the first quarter of 2012. The full text of Birchcliff's First Quarter Report containing the unaudited Condensed Financial Statements for the three month period ended March 31, 2012 and the related Management's Discussion and Analysis is available on Birchcliff's website at www.birchcliffenergy.com and will be available on SEDAR at www.sedar.com.

Current Update

- Current production is estimated at 21,900 boe per day based on field estimates. Production during the month of April averaged 21,500 boe per day.
- Birchcliff continues to expect its 2012 exit rate to be approximately 26,000 boe per day.
- Birchcliff's total unused credit under the $520 million of credit facilities at March 31, 2012 pro forma the equity financing was $176.4 million.

First Quarter Highlights:

- Record production averaged 21,061 boe per day, a 19% increase from the first quarter of 2011.
- Cash flow of $26.2 million ($0.21 per share), down 19% from the first quarter of 2011. Cash flow was impacted by one-time non-recurring administrative expenses of $2.8 million ($0.02 per share and $1.49 per boe) incurred during the first quarter of 2012 relating primarily to employee retention payments in connection with the corporate sales process.
- Net income of $3.7 million ($0.03 per share), down 61% from the first quarter of 2011.
- Operating expenses per boe of $6.17, down 11% from the first quarter of 2011 and 32% from the first quarter of 2010. Operating costs (net of recoveries) at the Pouce Coupe South Gas Plant (the "**PCS Gas Plant**") during the first quarter were $0.20 per mcf.
- Operating netback of $20.46 per boe and cash flow netback of $13.67 per boe.
- Net capital expenditures of $119.9 million.
- Drilled 14 (13.03 net) wells, including 8 (8.0 net) Montney/Doig horizontal natural gas wells, and 5 (5.0 net) Worsley horizontal light oil wells.
- Increased undeveloped land base to 533,642 gross (496,094 net) acres, all in the Peace River Arch area of Alberta.
- Increased land holdings and potential drilling locations on the Montney/Doig Natural Gas Resource Play.

SUBSEQUENT EVENTS

Equity Issue

Birchcliff completed an equity issue for gross proceeds of $110 million on April 19th, 2012. Mr. Seymour Schulich subscribed for 5 million common shares in the private placement portion of this equity issue. The proceeds of the equity issue together with our current credit facilities will provide Birchcliff with the financial flexibility to properly and conservatively manage its business in the current environment of extremely low natural gas prices.

We also note that Mr. Seymour Schulich recently purchased 2 million common shares of Birchcliff in the open market, bringing his total ownership to 40 million common shares (28% of BIR). These investments by Mr. Schulich represent a major vote of confidence in Birchcliff's assets and management. We very much appreciate the public support and financial commitment at a time when natural gas prices are very low.

Increased Syndicated Bank Credit Facilities

Birchcliff has arranged for an extension of the date for the annual renewal of the revolving credit facility from May 18, 2012 to June 27, 2012 as the Corporation seeks to add new banks into the banking syndicate and to increase the amount available under its revolving credit facilities.

The current credit facilities aggregate $520 million, of which $70 million is under a non-revolving five-year term credit facility with a maturity date of May 25, 2016 and $450 million is under the revolving credit facilities with a two-year term-out feature.

Pouce Coupe South Gas Plant Expansion

Birchcliff is pleased to announce that the Energy Resources Conservation Board has re-licenced the Pouce Coupe South Gas Plant to increase permitted processing volumes to 150 MMcf per day of raw inlet volume from 120 MMcf per day. This re-licencing recognizes the design processing capacity of the PCS Gas Plant once the Phase III expansion is completed. To operate the PCS Gas Plant at 150 MMcf per day will require twinning of the sales gas pipeline, but the capital involved is not material in amount.

Birchcliff's Phase III expansion of the PCS Gas Plant remains on schedule to commence processing natural gas by November 1, 2012 and Birchcliff is currently drilling and completing Montney/Doig horizontal natural gas wells that will produce to this plant.

Birchcliff expects the PCS Gas Plant to be processing approximately 100 MMcf per day of natural gas at the end of 2012. This leaves 50 MMcf per day of expected processing capacity available for significant future production growth when natural gas prices return to levels that warrant additional drilling activity.

Jeff Tonken, President and Chief Executive Officer of Birchcliff stated:

> *"In the first quarter we achieved record production levels for Birchcliff as our past infrastructure and development investments in the Montney/Doig natural gas resource play started to pay off.*
>
> *We are also very pleased to report earnings of $3.7 million during the first quarter in the face of extremely low natural gas prices and notwithstanding a one-time charge of $2.8 million related to our sales process. Extracting these earnings from low natural gas prices is a testament to our very low cost of operations.*

The re-licencing of our PCS Gas Plant provides extremely important flexibility to our development plans because we will soon be able to expand our production when natural gas prices warrant further drilling without investing material facilities capital.

The PCS Gas Plant is the cornerstone of our strategy to control and expand our production and further reduce our operating costs per boe. It will process our Montney/Doig natural gas for more than 30 years and once Phase III expansion is operating, we will be able to process a significant amount of incremental natural gas, without incurring further material facilities capital.

Our 2011 year-end independent Reserve Report and our independent Montney/Doig Resource Assessment that we announced in our recent press releases confirm the strength of our asset base on the Montney/Doig Natural Gas Resource Play."

The full text of the President's Message and the Financial and Operational Highlights from the 2012 First Quarter Report follows:

May 15, 2012

Fellow Shareholders,

Birchcliff is pleased to report its first quarter financial and operating results for the three months ended March 31, 2012. Our drilling results in 2012 continue to be very strong as confirmed by record average production of 21,061 boe per day in the first quarter. We continue to have success in controlling and reducing our operating costs per boe.

Our extremely low per boe operating costs at the Pouce Coupe South Gas Plant ("**PCS Gas Plant**"), which are discussed below, are the foundation of survival and growth in a very weak natural gas price environment. Our earnings, the 10th quarter in a row, prove that owning your infrastructure is one of the essential keys for success.

We recently announced the decision to terminate our corporate sale process as we were unable to obtain an offer representing fair value to our shareholders. We believe that the failure of the corporate sale process was primarily a result of the material decrease in natural gas prices as the sale process progressed.

Accordingly, I would like to focus on our excellent first quarter results and two recent positive material events that have taken place subsequent to the first quarter, being:

1. The issuance of equity for gross proceeds of $110.2 million on April 19, 2012. The net proceeds of the equity issuance were used to reduce the indebtedness outstanding under our revolving credit facilities. As a result, the total unused credit under the $520 million of credit facilities at March 31, 2012 pro forma the equity financing was $176.4 million.

2. The re-licensing by the Energy Resources Conservation Board ("**ERCB**") of the processing capacity of the PCS Gas Plant to 150 MMcf per day (raw inlet capacity) from the current licensed processing capacity of 120 MMcf per day. This re-licensing recognizes the design processing capacity of the PCS Gas Plant once the Phase III expansion is completed. To operate the PCS Gas Plant at 150 MMcf per day will require twinning of the sales gas pipeline, but the capital required is not material.

The Phase III expansion of the PCS Gas Plant is under construction and remains on schedule to commence processing natural gas by November 1, 2012. Birchcliff is currently drilling and completing Montney/Doig horizontal natural gas wells that will produce to the PCS Gas Plant.

As a result, Birchcliff expects the PCS Gas Plant to process approximately 100 MMcf per day of natural gas at the end of 2012. This leaves 50 MMcf per day of expected processing capacity available for future production growth **without incurring material facilities capital** when natural gas prices return to levels that warrant additional drilling activity.

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

Once the Phase III expansion is operational, Birchcliff's 2012 exit production is expected to be approximately 26,000 boe per day.

2012 FIRST QUARTER RESULTS

Production

Current production is 21,900 boe per day. Production during the month of April averaged 21,674 boe per day. First quarter 2012 production averaged 21,061 boe per day (75% natural gas and 25% light oil and natural gas liquids). Birchcliff continues to expect its 2012 exit rate to be approximately 26,000 boe per day.

Current production is very strong and reaching record levels, with additional new wells being tied-in during and after break-up.

Cash Flow and Earnings

Cash flow was $26.2 million or $0.21 per share for the first quarter of 2012 as compared to $32.3 million or $0.26 per share in the first quarter of 2011. Excluding one-time costs related to employee retention payments in connection with the corporate sale process, cash flow in the current quarter was $29.0 million or $0.23 per share.

Earnings were $3.7 million or $0.03 per share for the first quarter of 2012 as compared to $9.6 million or $0.08 per share in the first quarter of 2011. The earnings continue to be a very positive measure of our business efficiencies and low costs, notwithstanding the one-time costs referred to above and the very weak natural gas prices in the first quarter of 2012.

Capital Expenditures and Drilling Results

During the first quarter of 2012, net capital spending aggregated to $119.9 million. We are spending significant capital in the first quarter in order to bring Phase III of the PCS Gas Plant on production by November 1, 2012. We are prudently managing our capital expenditures under our 2012 capital budget of $292.0 million.

Drilling activities during the first quarter of 2012 resulted in 14 (13.03 net) wells, of which all were cased. Birchcliff drilled and cased 8 (8.0 net) Montney/Doig horizontal natural gas wells, 5 (5.0 net) Worsley horizontal light oil wells and 1 (0.03 net) Charlie Lake horizontal well. In addition, Birchcliff focused significant time and effort on evaluating and developing new resource plays in the Peace River Arch area of Alberta with a focus on oil plays.

Operating Costs

Operating costs during the first quarter of 2012 were $6.17 per boe. This is 11% lower than $6.97 per boe recorded for the corresponding quarter in 2011 and well below the $9.03 per boe in the first quarter of 2010. Operating costs per boe are expected to trend downwards as we expect that a larger portion of our future production volumes will be processed through our low cost, 100% owned PCS Gas Plant.

PCS GAS PLANT ECONOMICS

		Three months ending March 31, 2012
PRODUCTION PROCESSED THROUGH THE PCS GAS PLANT		
Average daily production, net to Birchcliff:		
Natural gas (Mcf)		50,982
NGLs (bbls)		145
Total boe (6:1)		**8,642**
NETBACK AND COST	*$/Mcfe*	*$/boe*
Petroleum and natural gas revenue	2.56[(1)]	15.35
Royalty expense	(0.12)	(0.74)
Operating expense, net of recoveries	(0.20)	(1.18)
Transportation and marketing expense	(0.23)	(1.35)
Estimated operating netback[(2)]	**2.01**	**12.08**

(1) Premium price resulting from the heat value of natural gas being processed at the PCS Gas Plant and the value of the recovered liquids. AECO natural gas spot averaged $2.15 per Mcf during the first quarter of 2012.

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

Land

Birchcliff continues to grow its undeveloped land base in the Peace River Arch. As at March 31, 2012, Birchcliff has increased its undeveloped land position to 533,642 gross (496,094 net) acres from its year end 2011 undeveloped land position of 531,903 gross (493,968 net) acres, resulting in a 93% average working interest. Birchcliff's very high average working interest in its undeveloped land base reflects the longstanding strategy of acquiring high working interest undeveloped land proximate to our operated high working interest production base.

Indebtedness

At March 31, 2012, the amount outstanding under Birchcliff's bank credit facilities was approximately $442.3 million. Birchcliff's working capital deficiency as at March 31, 2012 was $87.6 million, for total debt of $529.9 million at March 31, 2012. The working capital deficiency does not reduce the amount Birchcliff can draw under its credit facilities.

After giving effect to the proceeds of the recent equity offering, the March 31, 2012 pro forma total unused credit under the $520 million of credit facilities was $176.4 million.

2012 OPERATIONS UPDATE

Montney/Doig Natural Gas Resource Play Update

In the first quarter of 2012, Birchcliff's activities on the Montney/Doig Natural Gas Resource Play included the drilling of 8 (8.0 net) horizontal wells utilizing multi-stage fracture stimulation techniques. To date in 2012, Birchcliff has drilled and cased 12 (12.0 net) horizontal wells, of which 8 (8.0 net) have been completed and 6 (6.0 net) are on production.

In the current gas price environment, Birchcliff is very focused on cost control and is moving to a new development phase of its Montney/Doig Natural Gas Resource Play program. We are now about to realize the increased efficiencies of multi-well pad projects. Birchcliff has two rigs currently drilling on two multi-well (7 well and 5 well) pads that are drilling continuously through break-up. Once the drilling operations are finished on each pad, completion equipment will be mobilized and the wells will be completed consecutively. Following completion of all of the wells, the facility construction crews will move in and perform all of the equipping and tie-in operations for the entire pad, resulting in further cost efficiencies.

The multi-stage fracture stimulations that are used by Birchcliff require significant amounts of water. As a result, Birchcliff has undertaken an innovative water conservation project to reduce our fresh water requirements and our environmental impact. This project also lowers the capital costs associated with fracture stimulations; and has improved our operational efficiencies. This project includes a joint venture that utilizes proprietary technology to filter and treat our produced water, (which would otherwise be disposed of) and generate a brine for the purpose of blending with our completion fluids. We also recycle and reuse our completion flowback fluids for future hydraulic fracturing operations. Additionally Birchcliff has drilled (non-potable) water source wells and converted an existing wellbore into a (non-potable) water source well in an effort to significantly reduce our fresh water requirements for our completion operations.

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

As previously announced, Deloitte and Touche LLP ("**AJM Deloitte**"), independent qualified reserves evaluators of Calgary, Alberta, prepared a Reserves Assessment and Economic Evaluation effective December 31, 2011 in respect of Birchcliff's oil and natural gas properties, contained in a report dated February 21, 2012 (the "**AJM Deloitte Reserves Evaluation**"). AJM Deloitte attributed Montney/Doig reserves to 98.5 gross and 83.4 net sections of land. The AJM Deloitte Reserves Evaluation also attributed reserves to 176 net future horizontal well drilling locations for total proved and 296 net future horizontal well drilling locations for proved plus probable. AJM Deloitte estimates that Birchcliff had 227.7 MMboe of proved plus probable reserves attributed to the horizontal wells on the Montney/Doig Natural Gas Resource Play. This is an increase of 43.7% from the 158.4 MMboe proved plus probable reserves attributed to the horizontal wells on the Montney/Doig Natural Gas Resource Play at December 31, 2010.

Also as previously announced, AJM Deloitte prepared an independent Resource Assessment effective December 31, 2011 in respect of Birchcliff's lands that have potential for the Montney/Doig Natural Gas Resource Play, contained in a report dated March 8, 2012 (the "**AJM Deloitte Resource Assessment**"). The AJM Deloitte Resource Assessment is an important data point that independently confirms Birchcliff's lands hold significant resources to execute a large scale development program. Birchcliff is in the favorable position of having a very high working interest in a large land position on a world class natural gas resource play. The area assessed by AJM Deloitte is comprised of the Doig Phosphate, Basal Doig and Montney formations in the great Pouce Coupe, Elmworth and Bezanson regions of the Peace River Arch area of Alberta, ranging from Townships 69 to 81, Ranges 1 – 14W6 (the "**Study Area**").

The report identified that within the Study Area, Birchcliff held 290 (263 net) sections of land that includes Montney rights and has potential for the Middle/Lower Montney play and 245 (214 net) sections of land that include Doig rights and has potential for the Basal Doig/Upper Montney Play.

Highlights of the AJM Deloitte Resource Assessment include:

- A best estimate of Total Petroleum Initially-In-Place ("**TPIIP**") of 39.05 Tcfe, an increase of 1.92 Tcfe from the 2010 estimate of 37.13 Tcfe.
- A best estimate of recoverable **Contingent Resources of 2.15 Tcfe**, which is in addition to the **1.38 Tcfe of proved plus probable reserves** attributed to the lands in the Study Area in the AJM Deloitte Reserves Evaluation, an increase of 0.06 Tcfe from the 2010 estimate of 3.47 Tcfe of combined Contingent Resources and proved plus probable reserves. These Contingent Resources are of the same technical quality as the proved plus probable reserves attributed to lands in the Study Area, but are not included in such reserves because they are subject to contingencies that primarily relate to the forecasted timing of their development.
- Cumulative production at December 31, 2011 has increased to 63.9 Bcfe from 33.9 Bcfe at December 31, 2010.
- A best estimate of Total Discovered Petroleum Initially-In-Place ("**TDPIIP**") of **7.30 Tcfe** compared to the 2010 estimate of 6.97 Tcfe.
- A best estimate of Total Undiscovered Petroleum Initially-In-Place ("**TUPIIP**") of **31.74 Tcfe**, which includes a best estimate of recoverable **Prospective Resources of 15.51 Tcfe**, compared to the 2010 estimates of 30.15 Tcfe of TUPIIP and 14.53 Tcfe of Prospective Resources.

Birchcliff believes that full development of four wells per section per play would account for approximately 1,850 net future Montney/Doig horizontal natural gas drilling locations on its lands.

Worsley Light Oil Resource Play Update

The Worsley Light Oil Resource Play has demonstrated consistent and prolific production performance. Successful expansion of the pool, water flood performance and the application of horizontal drilling and multi-stage fracture stimulation technology have all contributed to its continued reserve growth, production growth and high netbacks.

To date in 2012, Birchcliff has drilled 5 (5.0 net) horizontal light oil wells. Four have been completed with multi-stage fracture stimulations and are now on production, with the fifth to be completed after break-up.

As previously announced, in the AJM Deloitte Reserves Evaluation, AJM Deloitte estimated that Birchcliff had proved plus probable reserves of 31.3 MMboe; and total proved reserves of 18.8 MMboe in the Worsley Charlie Lake Pool. This continues the growth trend for Birchcliff's Worsley reserves since July 1, 2007 (being the effective date of the acquisition), when proved plus probable reserves were estimated at 15.1 MMboe and total proved reserves were estimated at 11.3 MMboe. Both the original oil in place and the estimated reserves continue to grow.

Health, Safety and Environmental Performance

Birchcliff believes that careful attention to health, safety and environmental performance is fundamental to the success and sustainability of our company. Our executive and management teams have demonstrated their leadership and commitment to a safe and healthy workplace for our employees, contractors and for the communities in which we work by actively participating in scheduled safety meetings, our annual spring safety seminar, as well as "Safety Stand Down", which is held annually in our operating areas.

At Birchcliff, we know that a safe work environment cannot be achieved without an effective Health, Safety and Environmental Management System consisting of properly developed and maintained policies, procedures, standards, training and equipment that meet or exceed government regulations and industry best practices. We also recognize that continuous improvement is a must if we are to maintain and improve our health and safety performance. We are extremely proud of our Team for working so hard on these initiatives, which ultimately led to the achievement of our Certificate of Recognition through the Alberta Association for Safety Partnerships.

Our number one priority is ensuring our people make it home safely to their families after each day of work.

Syndicated Bank Credit Facilities

Birchcliff's total unused credit under the $520 million of credit facilities at March 31, 2012 pro forma the equity financing was $176.4 million.

Birchcliff has arranged for a 40 day extension of the deadline for the annual renewal of the revolving credit facility from May 18, 2012 to June 27, 2012 as the Corporation seeks to add new banks into the banking syndicate and to increase the amount available under its revolving credit facilities.

The current credit facilities aggregate $520 million, of which $70 million is under a non-revolving five-year term credit facility with a maturity date of May 25, 2016 and $450 million is under revolving credit facilities with a two-year term-out.

SHAREHOLDER SUPPORT

I am pleased to note that Mr. Seymour Schulich recently increased his share position to 40 million shares, representing 28% of the issued and outstanding shares of Birchcliff. Mr. Schulich's unwavering commitment to Birchcliff allows us to continue to focus on our business strategy and our long term goals, which we believe will create significant value for all Birchcliff shareholders. Further, Mr. Schulich's recent aggregate purchase of 7 million shares has shown his financial commitment to Birchcliff at a time when natural gas prices are at an all time low and investors in North America openly doubt investments in natural gas. We very much appreciate this show of public support for our team at Birchcliff.

OUTLOOK

Birchcliff is focused on the day to day running of its business. We are enjoying record production, record volumes of reserves and record low operating costs per boe. We have recently received a very impressive independent AJM Deloitte Resource Assessment for our Montney/Doig Natural Gas Resource Play. Our 2011 Finding and Development Costs were top decile, together with production and reserve growth. To date we have drilled and cased 81 (69.2 net) successful Montney/Doig horizontal natural gas wells, of which 76 (64.2 net) are on production. We continue to develop and expand our Worsley Light Oil Resource Play and have laid the foundation to exploit several New Tight/Shale Oil Resource Plays. **Our day to day business has been and continues to be very successful.**

Current weak natural gas prices have complicated our growth plans. We are fortunate to operate substantially all of our properties giving us the flexibility to expand or slow down our capital spending if we chose to do so.

Birchcliff has just over 5,100 boe per day of light oil and natural gas liquids, which are providing excellent netbacks. Fortunately, we continue to have positive operating cash flow from our natural gas properties, and certainly from those that go through our PCS Gas Plant, where the significant majority of our growth in gas production will come from. Accordingly, in the event that natural gas prices deteriorate we will make the appropriate financial decisions to ensure that Birchcliff continues to have the financial flexibility and the balance sheet required for long term viability.

Birchcliff remains very confident that its two highly focused, high working interest, low cost, repeatable, sustainable, long term growth resource plays in the Peace River Arch area of Alberta offer tremendous upside value to our shareholders. The Montney/Doig Natural Gas Resource Play continues to be one of the most active geological plays in North Western Alberta and Birchcliff is right in the heart of the play.

Our strategy has not changed, notwithstanding the weakness in natural gas prices. We believe that we can economically find, develop and produce natural gas from the Montney/Doig Natural Gas Resource Play at low costs. We also believe that technology advances will continue to reduce our finding costs and our operating costs and increase our recovery factors. We note that our 2010 and 2011 finding costs were in the top decile as compared to others in the industry and 2012 results to date continue to be very positive.

Our goal to be producing approximately 26,000 boe per day at year-end 2012 is firmly in our sights. We look forward to reporting our progress to you in the coming months.

We are committed to Birchcliff's success.

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

(signed) "*A. Jeffery Tonken*"

A. Jeffery Tonken

President and Chief Executive Officer

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended March 31, 2012	Three months ended March 31, 2011
OPERATING		
Average daily production		
Light oil – (barrels)	4,575	3,744
Natural gas – (thousands of cubic feet)	95,242	80,566
NGLs – (barrels)	612	570
Total – barrels of oil equivalent (6:1)	**21,061**	**17,742**
Average sales price ($ Canadian)		
Light oil – (per barrel)	90.10	87.03
Natural gas – (per thousand cubic feet)	2.32	4.02
NGLs – (per barrel)	93.08	82.61
Total – barrels of oil equivalent (6:1)	**32.77**	**39.28**
Undeveloped land		
Gross (acres)	533,642	538,791
Net (acres)	**496,094**	**497,236**
NETBACK AND COST		
($ per barrel of oil equivalent at 6:1)		
Petroleum and natural gas revenue	32.78	39.32
Royalty expense	(3.79)	(3.88)
Operating expense	(6.17)	(6.97)
Transportation and marketing expense	(2.36)	(2.52)
Netback	**20.46**	**25.95**
General & administrative expense, net	(4.11)	(2.70)
Interest expense	(2.68)	(3.01)
Cash Flow Netback	**13.67**	**20.24**
Stock-based compensation expense, net	(0.86)	(1.28)
Depletion and depreciation expense	(11.57)	(10.06)
Accretion expense	(0.22)	(0.27)
Amortization of deferred financing fees	(0.10)	(0.16)
Gain on sale of assets	2.02	-
Deferred income tax expense	(0.99)	(2.46)
Net Income	**1.95**	**6.01**
FINANCIAL		
Petroleum and natural gas revenue ($000)	62,833	62,793
Cash flow ($000)(1)	26,196	32,313
Per share – basic ($)(1)	0.21	0.26
Per share – diluted ($)(1)	0.20	0.25
Net income ($000)	3,731	9,593
Per share – basic ($)	0.03	0.08
Per share – diluted ($)	0.03	0.07
Common shares outstanding		
End of period – basic	127,005,577	126,127,244
End of period – diluted	140,152,250	139,963,084
Weighted average shares for period – basic	126,753,764	125,424,658
Weighted average shares for period – diluted	131,008,290	129,715,133
Capital expenditures, net ($000)	119,852	52,179
Working capital deficiency ($000)	87,552	17,584
Non-revolving term credit facility ($000)	68,267	-
Revolving credit facilities ($000)	374,064	335,220
Total debt ($000)	529,883	352,804

(1) Cash flow and cash flow per share amounts represent cash provided by operating activities as per the Condensed Statements of Cash Flows before the effects of changes in non-cash working capital and decommissioning expenditures related to operating activities.

ADVISORIES

Unaudited Numbers: *All 2012 financial amounts referred to in this Press Release are management's best estimates, which have not yet been audited.*

Non-GAAP Measures: *This Press Release uses "cash flow" and "netback", which do not have standardized meanings prescribed by IFRS and therefore may not be comparable to measures by other companies where similar terminology is used.*

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

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

Reserves For A Portion Of Properties: *Reserves disclosure contained in this Press Release relates to a portion of the Corporation's properties. Accordingly, the estimates of reserves for individual properties may not reflect the same confidence level as estimates of reserves for all properties due to the effects of aggregation.*

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

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

Forward Looking Information: *This Press Release contains forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking information relates to future events or future performance and is based upon the Corporation's current internal expectations, estimates, projections, assumptions and beliefs. All information other than historical fact is forward-looking information. Information relating to "reserves" or "resources" is forward-looking as it is a forecast of quantities of hydrocarbons that can be recovered and sold in the future. Words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words that convey certain events or conditions "may" or "will" occur are intended to identify forward-looking information. In particular, this Press Release contains forward-looking information relating to expected annual exit rate production, expected renewal of revolving credit facilities, planned 2012 capital spending and sources of funding; estimates of reserves and resource volumes; intention to drill and complete future wells; and expected processing capacity and commissioning date of the PCS Gas Plant.*

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

Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. Although the Corporation believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. As a consequence, actual results may differ materially from those anticipated.

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

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

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