BIRCHCLIFF
ENERGY

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BIRCHCLIFF ENERGY ANNOUNCES SOLID FIRST QUARTER 2018 RESULTS AND POSITIVE OIL PRODUCTION TEST RESULTS FROM GORDONDALE AND CONDENSATE PRODUCTION TEST RESULTS FROM POUCE COUPE

Calgary, Alberta – Birchcliff Energy Ltd. ("Birchcliff") (TSX: BIR) is pleased to announce its financial and operational results for the first quarter of 2018. The full text of Birchcliff's First Quarter 2018 Report containing the unaudited interim condensed financial statements for the three month period ended March 31, 2018 and the related management's discussion and analysis will be available on Birchcliff's website at www.birchcliffenergy.com and on SEDAR at www.sedar.com. In addition, Birchcliff is pleased to provide an operational update.

"Birchcliff had a strong first quarter in 2018, with production, operating costs and cash flow that were ahead of our internal budget. As a result, we are firmly on track to meet our 2018 guidance. We had strong quarterly average production of 76,323 boe/d, a 24% increase from the first quarter of 2017, notwithstanding the fact that no new wells were brought on production during the first quarter of 2018. Driven by strong production and lower operating costs, our adjusted funds flow for the quarter was $83.7 million, a 24% increase from the first quarter of 2017," commented Jeff Tonken, President and Chief Executive Officer of Birchcliff. "In addition, we have recently had positive production test results from our two oil well pads in Gordondale and our two liquids-rich natural gas well pads in Pouce Coupe, which results are described herein. These preliminary test results re-affirm our confidence in the strength of our resource base and our ability to add more oil and condensate to our commodity mix."

HIGHLIGHTS

- Production averaged 76,323 boe/d in the first quarter of 2018, a 24% increase from 61,662 boe/d in the first quarter of 2017. Production consisted of approximately 83% natural gas, 5% light oil and 12% NGLs in the first quarter of 2018, as compared to 79% natural gas, 9% light oil and 12% NGLs in the first quarter of 2017.
- Adjusted funds flow of $83.7 million, or $0.31 per basic common share, in the first quarter of 2018, a 24% increase and a 19% increase, respectively, from $67.6 million and $0.26 per basic common share in the first quarter of 2017.
- Net income to common shareholders of $14.1 million, or $0.05 per basic common share, in the first quarter of 2018, a 51% decrease and a 55% decrease, respectively, from $28.9 million and $0.11 per basic common share in the first quarter of 2017.
- Operating expense of $3.78/boe in the first quarter of 2018, a 28% decrease from $5.22/boe in the first quarter of 2017.
- Net capital expenditures of $133.1 million in the first quarter of 2018.
- At March 31, 2018, Birchcliff's long-term bank debt was $573.9 million and its total debt was $657.7 million.
- Birchcliff drilled a total of 20 (20.0 net) wells in the first quarter of 2018, consisting of 8 (8.0 net) Montney horizontal oil wells in the Gordondale area and 12 (12.0 net) Montney/Doig horizontal natural gas wells in the Pouce Coupe area.
- Subsequent to the end of the first quarter, Birchcliff and AltaGas Ltd. ("**AltaGas**") entered into a long-term natural gas processing arrangement (the "**Processing Arrangement**") effective January 1, 2018 for natural gas processed at AltaGas' deep-cut sour gas processing facility located in Gordondale, Alberta (the "**Gordondale Facility**"). As a result of the Processing Arrangement, Birchcliff's fees at the Gordondale Facility were reduced and Birchcliff will no longer be required to incur significant capital to build its own deep-cut facility in Pouce Coupe.
- Birchcliff and its syndicate of lenders recently agreed to an extension of the maturity dates of Birchcliff's credit facilities from May 11, 2020 to May 11, 2021 and to the borrowing base remaining unchanged at $950 million.
- Birchcliff continued with its natural gas market diversification efforts and entered into a series of financial and physical basis swaps commencing in 2019 for an aggregate of 100,000 MMBtu/d of natural gas in order to gain exposure to the NYMEX Henry Hub market price. During 2019, Birchcliff expects that approximately 63% of its natural gas production will be sold at prices that are not based on AECO.

FIRST QUARTER 2018 FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended March 31, 2018	Three months ended March 31, 2017
OPERATING		
Average daily production		
Light oil – *(bbls)*	4,136	5,294
Natural gas – *(Mcf)*	377,473	291,770
NGLs – *(bbls)*	9,274	7,740
Total – boe	**76,323**	**61,662**
Average sales price *(CDN$)*(1)		
Light oil – *(per bbl)*	71.92	62.59
Natural gas – *(per Mcf)*	2.72	3.06
NGLs – *(per bbl)*	48.09	32.09
Total – per boe	**23.22**	**23.90**
NETBACK AND COST *($/boe)*		
Petroleum and natural gas revenue(1)	23.22	23.91
Royalty expense	(1.43)	(1.98)
Operating expense	(3.78)	(5.22)
Transportation and other expense	(3.56)	(2.55)
Operating netback	**14.45**	**14.16**
General & administrative expense, net	(0.88)	(1.05)
Interest expense	(0.97)	(1.35)
Realized gain (loss) on financial instruments	(0.45)	0.43
Other income	0.03	-
Adjusted funds flow netback	**12.18**	**12.19**
Stock-based compensation expense, net	(0.12)	(0.14)
Depletion and depreciation expense	(7.41)	(7.59)
Accretion expense	(0.12)	(0.15)
Amortization of deferred financing fees	(0.06)	(0.06)
Gain on sale of assets	-	0.45
Unrealized gain (loss) on financial instruments	(1.22)	2.98
Dividends on Series C preferred shares	(0.13)	(0.16)
Income tax expense	(0.92)	(2.13)
Net income	**2.20**	**5.39**
Dividends on Series A preferred shares	(0.15)	(0.18)
Net income to common shareholders	**2.05**	**5.21**
FINANCIAL		
Petroleum and natural gas revenue *($000s)*(1)	159,531	132,708
Cash flow from operating activities *($000s)*	91,853	70,614
Adjusted funds flow *($000s)*	83,658	67,630
Per common share – basic *($)*	0.31	0.26
Per common share – diluted *($)*	0.31	0.25
Net income *($000s)*	15,125	29,928
Net income to common shareholders *($000s)*	14,078	28,928
Per common share – basic *($)*	0.05	0.11
Per common share – diluted *($)*	0.05	0.11
Common shares outstanding *(000s)*		
End of period – basic	265,805	264,442
End of period – diluted	285,692	284,160
Weighted average common shares for period – basic	265,797	264,099
Weighted average common shares for period – diluted	266,179	268,077
Dividends on common shares *($000s)*	6,645	6,604
Dividends on Series A preferred shares *($000s)*	1,047	1,000
Dividends on Series C preferred shares *($000s)*	875	875
Capital expenditures, net *($000s)*	133,144	124,538
Revolving term credit facilities *($000s)*	573,935	578,954
Adjusted working capital deficit *($000s)*	83,797	85,398
Total debt *($000s)*	657,732	664,352

(1) Excludes the effects of hedges using financial instruments but includes the effects of fixed price physical delivery contracts, if any.

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

FIRST QUARTER 2018 FINANCIAL AND OPERATIONAL RESULTS

Production

Birchcliff achieved strong quarterly average production of 76,323 boe/d in the first quarter of 2018, a 24% increase from 61,662 boe/d in the first quarter of 2017. The increase in production was primarily attributable to the success of Birchcliff's 2017 capital program. No new wells were brought on production in the first quarter of 2018.

Production consisted of approximately 83% natural gas, 5% light oil and 12% NGLs in the first quarter of 2018, as compared to 79% natural gas, 9% light oil and 12% NGLs in the first quarter of 2017. The changes in Birchcliff's commodity mix from the first quarter of 2017 were primarily due to the disposition of Birchcliff's oil-weighted assets in the Worsley area, as well as the start-up of Phase V of Birchcliff's 100% owned and operated natural gas processing plant located in the Pouce Coupe area (the "**Pouce Coupe Gas Plant**"), both of which occurred in the third quarter of 2017.

Adjusted Funds Flow and Net Income

Birchcliff had adjusted funds flow of $83.7 million, or $0.31 per basic common share, in the first quarter of 2018, a 24% increase and a 19% increase, respectively, from $67.6 million and $0.26 per basic common share in the first quarter of 2017. The increase in adjusted funds flow from the first quarter of 2017 was largely due to higher average realized oil and NGLs sales prices, higher corporate production and lower operating, royalty and interest expenses, partially offset by a lower average realized natural gas sales price, higher transportation and other expense, higher aggregate general and administrative expense and a realized loss on financial instruments of $3.1 million.

Birchcliff had net income of $15.1 million in the first quarter of 2018, a 49% decrease from net income of $29.9 million in the first quarter of 2017. Birchcliff recorded net income to common shareholders of $14.1 million, or $0.05 per basic common share, a 51% decrease and a 55% decrease, respectively, from net income to common shareholders of $28.9 million and $0.11 per basic common share in the first quarter of 2017. The decreases were primarily due to higher depletion expense resulting from higher production in the first quarter of 2018 and an unrealized mark-to-market loss on financial instruments of $8.4 million, partially offset by an increase in adjusted funds flow in the first quarter of 2018.

Operating Expense

Birchcliff's operating expense was $3.78/boe in the first quarter of 2018, a 28% decrease from $5.22/boe in the first quarter of 2017. The decrease was largely due to incremental production additions from Birchcliff's successful 2017 capital program, reduced processing fees at the Gordondale Facility (please see *"First Quarter 2018 Financial and Operational Results – Subsequent Events to Quarter End"*) and the disposition of the higher-cost Worsley assets and the start-up of Phase V of the Pouce Coupe Gas Plant which both occurred in the third quarter of 2017, as well as various cost reductions and infrastructure optimization initiatives implemented by Birchcliff. Birchcliff expects that its operating expense will decrease during 2018 and its annual average operating expense for 2018 is forecast to be between $3.40/boe to $3.60/boe. Please also see *"Outlook and Guidance".*

Transportation and Other Expense

Birchcliff's transportation and other expense was $3.56/boe in the first quarter of 2018, a 40% increase from $2.55/boe in the first quarter of 2017. The increase was primarily due to firm service transportation tolls for natural gas transported to Dawn during the first quarter of 2018. Birchcliff previously referred to transportation and other expense as "transportation and marketing expense".

General and Administrative Expense

Birchcliff's general and administrative expense was $0.88/boe in the first quarter of 2018, a 16% decrease from $1.05/boe in the first quarter of 2017. The decrease on a per boe basis was primarily due to higher production as compared to the first quarter of 2017.

Interest Expense

Birchcliff's interest expense was $0.97/boe in the first quarter of 2018, a 28% decrease from $1.35/boe in the first quarter of 2017. The decrease was primarily due to lower average effective interest rates.

Adjusted Funds Flow Netback and Total Cash Costs

During the first quarter of 2018, Birchcliff's adjusted funds flow netback was $12.18/boe, essentially remaining flat as compared to $12.19/boe in the first quarter of 2017.

During the first quarter of 2018, Birchcliff's total cash costs were $10.62/boe, a 13% decrease from $12.15/boe in the first quarter of 2017. The decrease was primarily due to lower royalty, operating, general and administrative and interest expenses on a per boe basis, partially offset by higher transportation and other expense.

Pouce Coupe Gas Plant Netbacks

During the first quarter of 2018, Birchcliff processed approximately 67% of its total corporate natural gas production and 58% of its total corporate production through the Pouce Coupe Gas Plant as compared to 59% and 48%, respectively, during the first quarter of 2017. These increases were primarily due to the incremental production from horizontal natural gas wells brought on production in Pouce Coupe in connection with the start-up of Phase V of the Pouce Coupe Gas Plant in the third quarter of 2017. The average plant and field operating expense for production processed through the Pouce Coupe Gas Plant for the first quarter of 2018 was $0.35/Mcfe ($2.13/boe) and the estimated operating netback at the Pouce Coupe Gas Plant was $2.18/Mcfe ($13.11/boe), resulting in an operating margin of 69%.

The following table sets forth Birchcliff's average daily production and estimated operating netback for wells producing to the Pouce Coupe Gas Plant for the periods indicated:

	Three months ended March 31, 2018		**Three months ended March 31, 2017**		**Three months ended March 31, 2016**	
Average daily production:						
Natural gas *(Mcf)*		253,357		171,605		171,659
Oil & NGLs *(bbls)*		2,050		1,052		991
Total *(boe/d)*[(1)]		**44,276**		**29,653**		**29,602**
Liquids-to-gas ratio *(bbls/MMcf)*[(2)]		**8.1**		**6.1**		**5.8**
Netback and cost:	*$/Mcfe*	*$/boe*	*$/Mcfe*	*$/boe*	*$/Mcfe*	*$/boe*
Petroleum and natural gas revenue[(3)]	3.18	19.10	3.37	20.24	2.16	12.94
Royalty expense	(0.10)	(0.62)	(0.13)	(0.77)	(0.10)	(0.60)
Operating expense[(4)]	(0.35)	(2.13)	(0.31)	(1.88)	(0.28)	(1.66)
Transportation and other expense[(5)]	(0.55)	(3.24)	(0.34)	(2.05)	(0.30)	(1.80)
Estimated operating netback	**$2.18**	**$13.11**	**$2.59**	**$15.54**	**$1.48**	**$8.88**
Operating margin	**69%**	**69%**	**77%**	**77%**	**69%**	**69%**

(1) The increase in production to the Pouce Coupe Gas Plant from the comparative prior periods was primarily due to the incremental production from wells being brought on production in connection with the start-up of Phase V of the Pouce Coupe Gas Plant in the third quarter of 2017.

(2) Liquids is comprised of light oil and NGLs (ethane, propane, butane, pentanes and condensate).

(3) Excludes the effects of hedges using financial instruments but includes the effects of fixed price physical delivery contracts, if any.

(4) Represents plant and field operating expense.

(5) The increase in transportation and other expense from the comparative prior periods was primarily due to transportation tolls for natural gas sold at the Dawn price from January 1, 2018 to March 31, 2018.

Capital Activities and Expenditures

Birchcliff's $255 million capital expenditure program for 2018 (the "**2018 Capital Program**") contemplates the drilling, completing, equipping and bringing on production of a total of 27 (27.0 net) wells during 2018, as well as the completion of the 80 MMcf/d Phase VI expansion of the Pouce Coupe Gas Plant. Approximately $149.9 million has been allocated for drilling and development and $66.9 million for facilities and infrastructure. The 2018 Capital Program is highly focused on the first half of the year, allowing Birchcliff to bring the new wells on production relatively early in the year in order to optimize producing days for the capital spent in 2018.

During the first quarter of 2018, Birchcliff drilled a total of 20 (20.0 net) wells, consisting of 8 (8.0 net) Montney horizontal oil wells in the Gordondale area and 12 (12.0 net) Montney/Doig horizontal natural gas wells in the Pouce Coupe area. During the first quarter of 2018, Birchcliff's total and net capital expenditures were $133.1 million. For further information regarding the 2018 Capital Program and Birchcliff's activities during the first quarter, please see *"Operations Overview and Update"*.

Credit Facilities and Debt

At March 31, 2018, Birchcliff's long-term bank debt was $573.9 million (March 31, 2017: $579.0 million) from available credit facilities of $950 million (March 31, 2017: $950 million), leaving $357.1 million of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized interest and fees. Total debt at March 31, 2018 was $657.7 million (March 31, 2017: $664.4 million). As planned capital spending under the 2018 Capital Program is highest during the first half of the year, Birchcliff expects that its total debt at year-end 2018 will be lower compared to March 31, 2018. As new wells are brought on production throughout 2018, the cash flow from such wells will be used to repay debt and to fund capital expenditures, as well as for general corporate purposes. Birchcliff expects that the entirety of the 2018 Capital Program will be fully funded out of its forecast 2018 adjusted funds flow as such adjusted funds flow is expected to exceed its 2018 capital expenditures on an annual basis.

During the first quarter of 2018, Birchcliff's extendible revolving credit facilities (the "**Credit Facilities**") had an aggregate principal amount of $950 million and were comprised of an extendible revolving syndicated term credit facility (the "**Syndicated Credit Facility**") of $900 million and an extendible revolving working capital facility ("**Working Capital Facility**") of $50 million, each with a maturity date of May 11, 2020.

Birchcliff does not currently require any additional credit capacity beyond its available credit limit of $950 million. In order to keep costs down with respect to renewal fees and standby fees, Birchcliff did not request an increase to the borrowing base under the Credit Facilities during its most recent semi-annual review. Subsequent to the end of the quarter, Birchcliff and its syndicate of lenders agreed to, among other things, the borrowing base remaining unchanged at $950 million. Please also see *"First Quarter 2018 Financial and Operational Results – Subsequent Events to Quarter End".*

Commodity Prices

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

	Three months ended March 31, 2018	Three months ended March 31, 2017
Average benchmark index prices:		
Light oil – WTI Cushing *(US$/bbl)*	62.87	51.91
Light oil – Edmonton Par *(CDN$/bbl)*	71.86	63.54
Natural gas – NYMEX Henry Hub *(US$/MMBtu)*(1)	2.84	3.32
Natural gas – AECO 5A *(CDN$/MMBtu)*(1)	2.07	2.69
Natural gas – Union-Dawn Day Ahead *(CDN$/MMBtu)*(1)	3.82	4.24
Natural gas – ATP 5A Day Ahead *(CDN$/MMBtu)*(1)	2.55	3.09
Natural gas – Chicago Citygate *(US$/MMBtu)*(1)	3.27	3.40
Exchange rate – *(US$/CDN$)*	1.26	1.32
Birchcliff's average realized sales price:(2)		
Light oil *($/bbl)*	71.92	62.59
Natural gas *($/Mcf)*	2.72	3.06
NGLs *($/bbl)*	48.09	32.09
Birchcliff's average realized sales price *($/boe)*	**23.22**	**23.90**

(1) $1.00/MMBtu = $1.00/Mcf based on a standard heat value Mcf. Please see *"Advisories – MMBtu Pricing Conversions"*.

(2) Excludes the effects of hedges using financial instruments but includes the effects of fixed price physical delivery contracts, if any.

The following table sets forth Birchcliff's natural gas sales, average daily production and average realized sales price by natural gas market for the first quarter of 2018:

	Three months ended March 31, 2018				
	Natural gas sales[1] *($000s)*	**Percentage of natural gas sales** *(%)*	**Natural gas production** *(Mcf/d)*	**Percentage of natural gas production** *(%)*	**Average realized natural gas sales price** *($/Mcf)*
AECO	43,630	47	219,539	58	2.21
Dawn[2]	39,626	43	110,183	29	4.00
Alliance[2]	9,317	10	47,751	13	2.17
Total	**92,573**	**100**	**377,473**	**100**	**2.72**

(1) Excludes the effects of hedges using financial instruments but includes the effects of fixed price physical delivery contracts, if any.

(2) Please see *"Risk Management and Market Diversification – Marketing and Transportation"*.

Subsequent Events to Quarter End

New Processing Arrangement for the Gordondale Facility

On April 3, 2018, Birchcliff and AltaGas announced that they had entered into a definitive agreement for the Processing Arrangement at the Gordondale Facility. The new Processing Arrangement is effective from January 1, 2018 and replaced the parties' previous Gordondale processing arrangement. Under the Processing Arrangement, Birchcliff's fees at the Gordondale Facility were reduced and Birchcliff is being provided with up to 120 MMcf/d of natural gas processing on a firm-service basis and its take-or-pay obligation is 100 MMcf/d. The term of the Processing Arrangement is for at least 15 years, subject to extension in accordance with the terms of the agreement.

Extension of Maturity Dates of Credit Facilities and Borrowing Base Unchanged

Birchcliff's syndicate of lenders recently completed its semi-annual review of Birchcliff's borrowing base limit under its Credit Facilities. In connection with such review, Birchcliff and its syndicate of lenders agreed to: (i) an extension of the maturity dates of each of the Syndicated Credit Facility and the Working Capital Facility from May 11, 2020 to May 11, 2021; (ii) the borrowing base remaining unchanged at $950 million; and (iii) increasing the Working Capital Facility to $100 million (from $50 million) with a corresponding reduction in the Syndicated Credit Facility to $850 million (from $900 million). These amendments to the Credit Facilities have provided Birchcliff with continued financial flexibility.

Pursuant to the terms of the agreement governing the Credit Facilities, 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. The Credit Facilities are subject to semi-annual reviews of the borrowing base limit by Birchcliff's syndicate of lenders, which reviews are typically completed in May and November of each year. The Credit Facilities do not contain any financial maintenance covenants.

OPERATIONS OVERVIEW AND UPDATE

Birchcliff's operations are concentrated within its one core area, the Peace River Arch of Alberta, which is centred northwest of Grande Prairie, Alberta. Within the Peace River Arch, Birchcliff is focused on its high-quality Montney/Doig Resource Play and the exploration and development of its low-cost natural gas, crude oil and liquids-rich assets on the play. Within the Montney/Doig Resource Play, Birchcliff's operations are primarily concentrated in the Pouce Coupe and Gordondale areas of Alberta where it owns large contiguous blocks of high working interest land.

Part of Birchcliff's long-term strategy is to continue to explore and delineate the Montney/Doig Resource Play, both geographically and stratigraphically. The Montney/Doig Resource Play exists in two geological formations (the Montney and the Doig) and Birchcliff has divided the geologic column in its areas of operations into six drilling intervals from the youngest (top) to the oldest (bottom): (i) the Basal Doig/Upper Montney; (ii) the Montney D4; (iii) the Montney D3; (iv) the Montney D2; (v) the Montney D1; and (vi) the Montney C. As at May 9, 2018, Birchcliff has successfully drilled and cased an aggregate of 367 (361.8 net) Montney/Doig horizontal wells (which includes 87 (81.8 net) wells that were acquired when Birchcliff initially purchased its assets in Gordondale in 2016), consisting of 73 (71.5 net) wells in the Basal Doig/Upper Montney interval, 12 (12.0 net) wells in the Montney D4 interval, 21 (21.0 net) wells in the Montney D2 interval, 259 (255.3 net) wells in the Montney D1 interval and 2 (2.0 net) wells in the Montney C interval. To date, Birchcliff has not drilled any wells in the Montney D3 interval.

Operational Update

Birchcliff has been very active with the execution of its 2018 Capital Program which is focused on the drilling of crude oil wells in Gordondale and liquids-rich and low-cost natural gas wells in Pouce Coupe, as well as the completion of its 80 MMcf/d Phase VI expansion of the Pouce Coupe Gas Plant. Year-to-date, Birchcliff has drilled a total of 23 (23.0 net) wells (20 wells during the first quarter and 3 wells subsequent to the end of the quarter), 100% of which were successful. The following tables summarize the wells that Birchcliff has drilled and brought on production year-to-date, as well as the remaining wells to be drilled and brought on production during 2018:

Wells Drilled – 2018

Area	Wells drilled to-date	Remaining wells to be drilled in 2018	Total wells to be drilled in 2018
Pouce Coupe			
Montney D1 HZ Gas Wells	10	2	12
Montney D2 HZ Gas Wells	1	0	1
Montney C HZ Gas Wells	1	0	1
Total – Pouce Coupe	**12**	**2**	**14**
Gordondale			
Montney D2 HZ Oil Wells	7	1	8
Montney D1 HZ Oil Wells	4	1	5
Total – Gordondale	**11**	**2**	**13**
TOTAL – COMBINED	**23**	**4**	**27**

Wells Brought on Production – 2018

Area	Wells brought on production to-date	Remaining wells to be brought on production in 2018	Total wells to be brought on production in 2018
Pouce Coupe			
Montney D1 HZ Gas Wells	4	8	12
Montney D2 HZ Gas Wells	0	1	1
Montney C HZ Gas Wells	0	1	1
Total – Pouce Coupe	**4**	**10**	**14**
Gordondale			
Montney D2 HZ Oil Wells	2	6	8
Montney D1 HZ Oil Wells	1	4	5
Total – Gordondale	**3**	**10**	**13**
TOTAL – COMBINED	**7**	**20**	**27**(1)

(1) The 2018 Capital Program also includes the capital associated with 1 Montney/Doig well in Pouce Coupe that was drilled in December 2017 and subsequently completed in 2018. This well is expected to be brought on production during the third quarter of 2018. Accordingly, a total of 28 (28.0 net) wells are expected to be brought on production during 2018.

All of the wells drilled to-date in 2018 were drilled on multi-well pads, which allows Birchcliff to reduce its per well costs and its environmental footprint. In addition, Birchcliff actively employs the evolving technology utilized by the industry regarding horizontal well drilling and the related multi-stage fracture stimulation technology. Birchcliff continues to spend significant time evolving its best practices for drilling and refining its engineered completions. The results of Birchcliff's 2018 drilling program to-date have been positive, with multiple wells exceeding expectations.

Birchcliff currently has one drilling rig working in the Gordondale area which has 2 Montney horizontal oil wells left to drill. A second rig is expected to start drilling on a pad in the Pouce Coupe area after break-up to drill 2 remaining wells. In total, Birchcliff has 4 wells left to drill under its 2018 Capital Program and anticipates that all wells will be brought on production by the end of the third quarter of 2018.

Recent Well Test Results

Birchcliff has recently had positive production test results from its two oil well pads in Gordondale and its two liquids-rich natural gas well pads in Pouce Coupe, which results are set forth in the table below. These preliminary test results re-affirm Birchcliff's confidence in the strength of its resource base and its ability to add more oil and condensate to its commodity mix.

Test Results(1)(2)(3)

Area, interval and well location	Average production rate – raw *(boe/d)*	Light oil *(bbls/d)*	Raw natural gas *(MMcf/d)*	Condensate *(bbls/d)*	CGR *(bbls/MMcf)*	Test *(# of days)*	Tubing or casing pressure *(MPa)*(6)(7)
Gordondale							
Montney D1 Oil – 100/09-02-078-11W6	1,258	700	3.3(4)	-(4)	-(4)	8	8.1
Montney D1 Oil – 100/08-02-078-11W6	1,644	1,113	3.2(4)	-(4)	-(4)	7	8.5
Montney D1 Oil – 102/05-11-078-11W6	991	724	1.6(4)	-(4)	-(4)	8	3.2
Montney D2 Oil – 102/09-02-078-11W6	1,013	441	3.4(4)	-(4)	-(4)	8	7.8
Montney D2 Oil – 103-09-02-078-11W6	1,520	784	4.4(4)	-(4)	-(4)	8	9.3
Montney D2 Oil – 104/16-02-078-11W6	1,431	543	5.3(4)	-(4)	-(4)	8	4.3
Montney D2 Oil – 100/05-11-078-11W6	1,153	693	2.7(4)	-(4)	-(4)	8	3.6
Pouce Coupe							
Montney D1 Gas – 102/13-05-079-12W6	1,380	-	7.0(5)	206(5)	29(5)	17	7.7
Montney D1 Gas – 103/13-05-079-12W6	1,654	-	8.0(5)	321(5)	40(5)	11	11.5
Montney D1 Gas – 100/05-28-078-12W6	1,439	-	7.6(5)	165(5)	22(5)	17	7.1
Montney D1 Gas – 100/06-28-078-12W6	1,349	-	6.8(5)	210(5)	31(5)	12	9.5
Montney D1 Gas – 100/09-23-078-13W6	1,341	-	7.3(5)	116(5)	16(5)	21	6.6
Montney D1 Gas – 100/10-23-078-13W6	1,115	-	6.2(5)	74(5)	12(5)	23	4.8
Montney D1 Gas – 102/16-23-078-13W6	1,114	-	6.1(5)	93(5)	15(5)	16	6.1
Montney D1 Gas – 100/01-26-078-13W6	697	-	3.9(5)	48(5)	12(5)	12	5.0

(1) The type of test conducted for each of the wells was a production test. The geological formation tested was the Montney formation and the specific intervals tested were the Montney D1 (in the case of Gordondale and Pouce Coupe) and the Montney D2 (in the case of Gordondale). The recovered fluid types were light crude oil (in the case of Gordondale), natural gas (in the case of Gordondale and Pouce Coupe) and condensate (in the case of Pouce Coupe). The light oil tested from the wells in Gordondale was analyzed at approximately 45 ºAPI and the condensate tested from the wells in Pouce Coupe was analyzed at approximately 54 ºAPI.

(2) "Load water" (i.e. water used in well completion stimulation) is still being produced and the test rates disclosed herein may include recovered load water fluids.

(3) The test results set forth above for each well disclose the average rate of production over the last two days of the test. The average rates of flow during each entire test period have not been provided because such data is not representative of the flow capability of the wells as early flow rates are not stabilized and are adversely affected by the frac sand and fluid injected in the stimulation process.

(4) The natural gas volumes recovered from the tests represent raw gas volumes as opposed to sales gas volumes. The raw gas volumes include condensate and other NGLs which were not measured separately. At Gordondale, condensate and other NGLs are extracted from the raw gas at the deep-cut Gordondale Facility. The raw gas volumes are prior to processing and accordingly do not take into account plant shrinkage or losses to the natural gas volumes during processing.

(5) The natural gas volumes recovered from the tests represent raw gas volumes as opposed to sales gas volumes. The raw gas volumes include NGLs which were not measured separately except in the case of condensate. At Pouce Coupe, some NGLs are extracted from the raw gas at the Pouce Coupe Gas Plant. Any NGLs not recovered from the raw gas stream increases the heat content of the natural gas. The raw gas volumes are prior to processing and accordingly do not take into account plant shrinkage or losses to the natural gas volumes during processing.

(6) The Gordondale pressures disclosed above represent the average flowing tubing pressures over the last two days of the test. There were no meaningful full flowing casing pressures due to packers being installed in the wellbores.

(7) The Pouce Coupe pressures disclosed above represent the average flowing casing pressures over the last two days of the test.

Birchcliff typically installs chokes in its new wells to constrain flow rates and production from these wells on a choked basis is expected to be less than the tested flow rates. These wells are expected to see high decline rates over the first two years of production and then transition to a terminal decline rate after approximately 4 years. These test results should be considered preliminary at this stage because no pressure transient analysis or well-test interpretation was carried out on any of the wells. Test results are not necessarily indicative of the long-term performance or ultimate recovery of the wells. Please also see *"Advisories – Test Results and Initial Production Rates"*.

Gordondale

Key focus areas for Gordondale in 2018 include the drilling of crude oil wells and the delineation of the Montney D1 and D2 intervals. Since Birchcliff acquired its assets in Gordondale in 2016, it has drilled, completed and brought on production a total of 29 (29.0 net) wells in Gordondale, consisting of 16 (16.0 net) Montney D2 horizontal oil wells, 11 (11.0 net) Montney D1 horizontal oil wells and 2 (2.0 net) Montney D1 liquids-rich horizontal natural gas wells. When Birchcliff first acquired its assets in Gordondale, the average production for such assets was approximately 22,000 boe/d at the date of the acquisition. The 29 horizontal wells that Birchcliff subsequently drilled and brought on production have replaced the natural production declines and have significantly increased the production on its Gordondale assets (currently approximately 29,000 boe/d).

The 16 Montney D2 horizontal wells that Birchcliff has drilled, completed and brought on production to-date have significantly delineated, de-risked and proven the commerciality of the Montney D2 play. When Birchcliff initially acquired its assets in Gordondale, only one Montney D2 well had been previously drilled on the acquired assets and there was only one offsetting competitor Montney D2 well. In an effort to continuously improve its well performance and optimize its completions strategy, Birchcliff has utilized three different completion systems on its Montney D2 wells drilled to-date, including open hole packers, cemented sleeves fractured with coil tubing and plug and perf technology. Birchcliff continues to evaluate the production results and cost efficiencies of each system in order to optimize field development in Gordondale.

Pouce Coupe

During 2018, Birchcliff is focused on the drilling of liquids-rich natural gas wells and the pursuit of condensate and other NGLs in several different Montney/Doig intervals, including the Montney D1, D2 and C, to take advantage of the prices for liquids which have been relatively strong. Other key focus areas for Pouce Coupe during 2018 include the completion of the Phase VI expansion of the Pouce Coupe Gas Plant, the addition of shallow-cut capability for Phases V and VI of the Pouce Coupe Gas Plant and Birchcliff's multi-well science and technology pad.

Pouce Coupe Gas Plant

Birchcliff has been actively working towards the completion of the Phase VI expansion of the Pouce Coupe Gas Plant, which will increase the processing capacity from 260 MMcf/d to 340 MMcf/d. Field construction commenced in January 2018 and it is currently expected that Phase VI will be brought on-stream in October 2018. In addition, Birchcliff is currently in the process of re-configuring Phases V and VI to provide for shallow-cut capability when Phase VI comes on-stream. This shallow-cut capability will allow Birchcliff to remove propane plus (C3+) liquids from the natural gas stream. As previously announced on April 3, 2018, Birchcliff currently has no plans to proceed with the Phase VII and VIII expansions in light of its new Processing Arrangement with AltaGas as discussed above under the heading *"First Quarter 2018 Financial and Operational Results – Subsequent Events to Quarter End"*.

Science and Technology Multi-Well Pad Program

Birchcliff has developed and executed upon its science and technology multi-well pad program in Pouce Coupe. The purpose of the program is to collect high value data to increase Birchcliff's understanding of the drilling, completion and production of wells drilled on the multi-layer Montney/Doig Resource Play.

As described in further detail below, the first phase of the program involved the drilling of a vertical science and technology observation well with a full diameter Montney core which was drilled in the third quarter of 2017. The second phase involved the drilling of four straddling horizontal wells in three different Montney intervals (one Montney D2 well, one Montney C well and two Montney D1 wells), as well as the use of a fibre optic cable for fracture and flow back imaging. Prior to this program, Birchcliff had only drilled one Montney C well and no Montney D2 wells in the area. By executing on this program and increasing its understanding of this multi-layer resource play, Birchcliff expects that it will be able to further optimize field development in Pouce Coupe.

The vertical science and technology observation well was drilled in Pouce Coupe to the top of the Montney where Birchcliff cut a full diameter core through the entire Montney section (approximately 300 metres). The extracted rock core provided analytical data to increase Birchcliff's knowledge of rock properties, which it incorporated into its petrophysical models, and has helped it to more accurately represent the geology of the area. In addition to conventional open hole logs, Birchcliff also ran advanced unconventional wireline logs. Birchcliff continues to compile all of the data from the vertical well. However, based on the initial results of such data, Birchcliff is confident that there are four different intervals on the Montney/Doig Resource Play that are prospective in the offsetting area where the vertical well was drilled (in the northern portion of Pouce Coupe), namely its two proven intervals (the Basal Doig/Upper Montney and the Montney D1) and its two relatively new intervals (the Montney D2 and the Montney C). Birchcliff is excited about the potential identified in the Montney D2 and the C intervals from the vertical well and has utilized the learnings from the vertical well to develop its engineered completion for the four horizontal wells.

In January 2018, Birchcliff commenced the drilling of the first of the four horizontal wells on the multi-well pad and completed the drilling of all four wells in March. Birchcliff recently finished the completions on all four of the wells on the pad and is at various stages of flow testing and equipping and tying in the wells. During completion of the 4 horizontal wells, Birchcliff used the vertical well as a micro-seismic and tilt meter monitoring well. In one of the two Montney D1 horizontal wells, Birchcliff installed a permanent fibre optic cable which was connected at the surface to Birchcliff's fracture data infrastructure. This cable was successful in capturing offsetting well fracture data, as well as fracture data along its own horizontal length. This data will be analyzed and interpreted over the next several months and will be tied back to the upcoming production data to further improve Birchcliff's understanding and help it to optimize the economics of its wells. Birchcliff expects that all four wells will be brought on production by the end of the second quarter of 2018.

Birchcliff is enthusiastic about the results from this science and technology multi-well pad program. As discussed above, the data collected during the program provides support for the prospectivity of the Montney D2 and C intervals in Birchcliff's Pouce Coupe area. The Montney D2 well was the first Montney D2 well drilled in Pouce Coupe and Birchcliff expects that it will be able to significantly expand its future opportunities on the play assuming this well is successful. In addition, this program has helped Birchcliff to significantly enhance its engineered completion designs in the development of its Montney D1 interval in the northern portion of Pouce Coupe.

RISK MANAGEMENT AND MARKET DIVERSIFICATION

Birchcliff actively looks for profitable opportunities to diversify its natural gas markets and reduce its exposure to prices at AECO. In addition, Birchcliff maintains an ongoing hedging program and engages in various risk management activities to reduce its exposure to volatility in commodity prices. In connection therewith, Birchcliff utilizes various financial derivative contracts, physical delivery sales contracts and marketing and transportation arrangements, as discussed in further detail below.

Risk Management Contracts and Hedging

With respect to 2018, Birchcliff has financial derivative contracts that are outstanding for an aggregate of 4,500 bbls/d of crude oil at an average WTI price of CDN$71.87/bbl for the period from April 1, 2018 to December 31, 2018, which represents approximately 29% of its forecast annual average oil and NGLs production and approximately 6% of its total 2018 forecast annual average production. With respect to 2019 and beyond, Birchcliff has entered into various risk management contracts, including AECO basis swaps which fix the basis differential between the AECO price and the NYMEX Henry Hub price.

During 2019, Birchcliff expects that approximately 63% of its natural gas production will be sold at prices that are not based on AECO. After taking into account Birchcliff's expected oil and NGLs production, approximately 30% of Birchcliff's total production in 2019 is expected to be exposed to AECO pricing, with the remaining 70% not exposed to AECO pricing. These statements are based on the following assumptions: (i) a flat production profile for 2019 with a production rate of 77,000 boe/d (which is the mid-point of Birchcliff's annual average production guidance for 2018) and a commodity mix of 80% natural gas and 20% oil and NGLs; (ii) 155,000 GJ/d being transported on TCPL's Canadian Mainline from January 1, 2019 to October 31, 2019 and 175,000 GJ/d from November 1, 2019 to December

31, 2019; (iii) 5 MMcf/d being sold at Alliance's Trading Pool daily index price; and (iv) the hedging arrangements described herein being effective. Please also see *"Advisories – Forward-Looking Statements".*

The following table sets forth the details regarding Birchcliff's current hedge positions at the date hereof:

Product	Type of contract	Quantity	Term(1)	Contract price
Crude oil	Financial swap	1,500 bbls/d	Apr. 1, 2018 – Dec. 31, 2018	WTI CDN$71.85/bbl
Crude oil	Financial swap	3,000 bbls/d	Apr. 1, 2018 – Dec. 31, 2018	WTI CDN$71.88/bbl
Crude oil	Financial swap	500 bbls/d	Jan. 1, 2019 – Mar. 31, 2019	WTI CDN$77.00/bbl
Crude oil	Financial swap	500 bbls/d	Jan. 1, 2019 – Mar. 31, 2019	WTI CDN$77.00/bbl
Crude oil	Financial swap	500 bbls/d	Jan. 1, 2019 – Jun. 30, 2019	WTI CDN$78.00/bbl
Crude oil	Financial swap	500 bbls/d	Jan. 1, 2019 – Jun. 30, 2019	WTI CDN$80.25/bbl

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

The following table sets forth the details regarding Birchcliff's market diversification positions at the date hereof:

Product	Type of contract	Quantity	Term(1)	Floating price
Natural gas	Physical AECO basis swap	5,000 MMBtu/d	Jan. 1, 2019 – Dec. 31, 2023	NYMEX Henry Hub less US$1.205/MMBtu
Natural gas	Financial AECO basis swap	20,000 MMBtu/d	Jan. 1, 2019 – Dec. 31, 2023	NYMEX Henry Hub less US$1.34/MMBtu
Natural gas	Financial AECO basis swap	10,000 MMBtu/d	Jan. 1, 2019 – Dec. 31, 2023	NYMEX Henry Hub less US$1.34/MMBtu
Natural gas	Financial AECO basis swap	10,000 MMBtu/d	Jan. 1, 2019 – Dec. 31, 2023	NYMEX Henry Hub less US$1.32/MMBtu
Natural gas	Financial AECO basis swap	10,000 MMBtu/d	Jan. 1, 2019 – Dec. 31, 2023	NYMEX Henry Hub less US$1.32/MMBtu
Natural gas	Financial AECO basis swap	20,000 MMBtu/d	Jan. 1, 2019 – Dec. 31, 2023	NYMEX Henry Hub less US$1.28/MMBtu
Natural gas	Financial AECO basis swap	15,000 MMBtu/d	Jan. 1, 2019 – Dec. 31, 2024	NYMEX Henry Hub less US$1.185/MMBtu
Natural gas	Financial AECO basis swap	5,000 MMBtu/d	Jan. 1, 2019 – Dec. 31, 2024	NYMEX Henry Hub less US$1.20/MMBtu
Natural gas	Financial AECO basis swap	5,000 MMBtu/d	Jan. 1, 2019 – Dec. 31, 2024	NYMEX Henry Hub less US$1.20/MMBtu
	Total	**100,000 MMBtu/d**		

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

Marketing and Transportation

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 from the Empress receipt point in Alberta to the Dawn trading hub located in Southern Ontario. The first tranche of this service (120,000 GJ/d) became available to Birchcliff on November 1, 2017, with additional tranches becoming available on November 1, 2018 (35,000 GJ/d) and November 1, 2019 (20,000 GJ/d). In addition, Birchcliff has a sales agreement with a third party marketer to sell and deliver approximately 5 MMcf/d of natural gas under contracts which commenced April 1, 2017 and expire October 31, 2020, which is sold at Alliance's Trading Pool daily index price. Birchcliff previously had sales agreements with a third party marketer to sell and deliver into the Alliance pipeline system approximately 40 MMcf/d of natural gas for the period from November 1, 2017 to March 31, 2018.

OUTLOOK AND GUIDANCE

Birchcliff had a strong first quarter in 2018, with production, operating costs and cash flow that were ahead of its internal budget. As a result, Birchcliff is firmly on track to meet its guidance for 2018 which is set forth in the table below.

Birchcliff's $255 million 2018 Capital Program reflects its long-term plan to continue the exploration and development of its low-cost natural gas, crude oil and liquids-rich assets on the Montney/Doig Resource Play. The program directs capital investment to those projects with the most favourable rates of return, including a combination of liquids-rich natural gas, crude oil and natural gas development opportunities and strategic infrastructure for future growth. In particular, the 2018 Capital Program focuses on the drilling of crude oil wells in Gordondale and a combination of liquids-rich and low-cost natural gas wells in Pouce. Birchcliff is focused on protecting its balance sheet and expects that the entirety of the 2018 Capital Program will be fully funded out of its forecast 2018 adjusted funds flow.

Birchcliff recently had positive production test results from its two oil well pads in Gordondale and its two liquids-rich natural gas well pads in Pouce Coupe. These preliminary test results re-affirm Birchcliff's confidence in the strength of its resource base and its ability to add more oil and condensate to its commodity mix. For further information regarding these test results, please see *"Operations Overview and Update – Operational Update – Recent Well Test Results".*

Birchcliff has been continuing with its natural gas market diversification efforts in order to reduce it exposure to prices at AECO. In connection therewith, Birchcliff has entered into a series of financial and physical basis swaps commencing in 2019 for an aggregate of 100,000 MMBtu/d of natural gas in order to gain exposure to the NYMEX Henry Hub market price. During 2019, Birchcliff expects that approximately 63% of its natural gas production will be sold at prices that are not based on AECO based on the assumptions contained herein. For further information regarding Birchcliff's market diversification efforts, please see *"Risk Management and Market Diversification".*

The following table sets forth Birchcliff's guidance and commodity price assumptions for 2018:

	2018 guidance and assumptions(1)
Production	
Annual average production *(boe/d)*	76,000 – 78,000
% Natural gas	80%
% Oil and NGLs	20%
Average Expenses *($/boe)*	
Royalty	1.20 – 1.40
Operating	3.40 – 3.60(2)
Transportation and other	3.80 – 4.10(3)
Capital Expenditures *(MM$)*	
Estimated total capital	255.0
Estimated drilling and development capital	149.9
Estimated facilities and infrastructure capital	66.9
Natural Gas Market Exposure(4)	
AECO production as a % of total natural gas production	66%
Dawn production as a % of total natural gas production	30%
Commodity Price Assumptions	
Average WTI oil price *(US$/bbl)*	61.00
Average AECO price *($/MMBtu)*(5)	1.58
Average Dawn price *($/MMBtu)*(5)	3.48
Average wellhead natural gas price *($/Mcf)*(6)	2.32

(1) For further information regarding Birchcliff's 2018 guidance, including the assumptions surrounding such guidance, please see *"Advisories – Forward-Looking Statements"*.

(2) Revised on April 3, 2018 from Birchcliff's initial guidance announced on February 14, 2018 of $3.75/boe to $4.00/boe.

(3) Includes transportation tolls for 120,000 GJ/d of natural gas sold at the Dawn price from January 1, 2018 to October 31, 2018 and 155,000 GJ/d from November 1, 2018 to December 31, 2018.

(4) Approximately 4% of total natural gas production is expected to be sold via the Alliance pipeline system in 2018.

(5) $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.

(6) Birchcliff receives premium pricing for its natural gas production due to the high heat content from its properties. The conversion from standard heat value in MMBtu to realized wellhead price in Mcf is based on an expected corporate average realized natural gas heat content value of 40.80 MJ/m^3 or a heat uplift of 1.091. The total conversion is $1.00/GJ = $1.15/Mcf at the wellhead.

The average wellhead natural gas price for 2018 of $2.32/Mcf is based upon an annual average AECO price of $1.58/MMBtu during 2018 ($2.11/MMBtu during the months of January, February, March, November and December and $1.20/MMBtu during the remaining months of 2018) and an annual average Dawn price of $3.48/MMBtu during 2018 ($4.22/MMBtu during the months of January and February and $3.33/MMBtu during the remaining months of 2018).

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

Birchcliff's annual and special meeting of shareholders will be held tomorrow, May 10, 2018, at 3:00 p.m. (MDT) in the McMurray Room at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta.

ABBREVIATIONS

AECO	benchmark price for natural gas determined at the AECO 'C' hub in southeast Alberta
ºAPI	the measure of the density or gravity of liquid petroleum products derived from a specific gravity
bbl	barrel
bbls	barrels
bbls/d	barrels per day
boe	barrel of oil equivalent
boe/d	barrel of oil equivalent per day
CGR	condensate gas ratio
F&D	finding and development
GAAP	generally accepted accounting principles for Canadian public companies which are currently International Financial Reporting Standards as issued by the International Accounting Standards Board
GJ	gigajoule
GJ/d	gigajoules per day
HZ	horizontal
m^3	cubic metres
Mcf	thousand cubic feet
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
NGLs	natural gas liquids
NYMEX	New York Mercantile Exchange
TCPL	TransCanada PipeLines
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma, for crude oil of standard grade
000s	thousands
$000s	thousands of dollars

NON-GAAP MEASURES

This press release uses "adjusted funds flow", "adjusted funds flow per common share", "operating netback", "estimated operating netback", "adjusted funds flow netback", "operating margin", "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 are 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. Birchcliff previously referred to adjusted funds flow as "funds flow from operations". The following table provides a reconciliation of cash flow from operating activities, as determined in accordance with GAAP, to adjusted funds flow:

($000s)	Three months ended March 31, 2018	Three months ended March 31, 2017
Cash flow from operating activities	91,853	70,614
Add back:		
Change in non-cash working capital	(8,617)	(3,285)
Funds flow	83,236	67,329
Adjustments:		
Decommissioning expenditures	422	301
Adjusted funds flow	**83,658**	**67,630**

"Operating netback" denotes petroleum and natural gas revenue less royalties, less operating expense and less transportation and other expense. "Estimated operating netback" of the Pouce Coupe Gas Plant (and the components thereof) is based upon certain cost allocations and accruals directly attributable to the Pouce Coupe Gas Plant and related wells and infrastructure. "Adjusted funds flow netback" denotes petroleum and natural gas revenue less royalties, less operating expense, less transportation and other expense, less net general and administrative expense, less interest expense and less any realized losses (plus realized gains) on financial instruments and plus any other cash income sources. Birchcliff previously referred to adjusted funds flow netback as "funds flow netback". All netbacks are calculated on a per unit basis, unless otherwise indicated. Management believes that operating netback, estimated operating netback and adjusted funds flow netback assist management and investors in assessing Birchcliff's profitability and its operating results on a per unit basis to better analyze its performance against prior periods on a comparable basis. The following table provides a breakdown of operating netback and adjusted funds flow netback:

	Three months ended March 31, 2018		Three months ended March 31, 2017	
	($000s)	*($/boe)*[1]	*($000s)*	*($/boe)*[1]
Petroleum and natural gas revenue	159,531	23.22	132,708	23.91
Royalty expense	(9,811)	(1.43)	(10,966)	(1.98)
Operating expense	(25,933)	(3.78)	(28,950)	(5.22)
Transportation and other expense	(24,540)	(3.56)	(14,206)	(2.55)
Operating netback	**99,247**	**14.45**	**78,586**	**14.16**
General & administrative expense, net	(6,040)	(0.88)	(5,853)	(1.05)
Interest expense	(6,632)	(0.97)	(7,514)	(1.35)
Realized gain (loss) on financial instruments	(3,119)	(0.45)	2,411	0.43
Other income	202	0.03	-	-
Adjusted funds flow netback	**83,658**	**12.18**	**67,630**	**12.19**

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

"Operating margin" for the Pouce Coupe Gas Plant is calculated by dividing the estimated operating netback for the period by the petroleum and natural gas revenue for the period. Management believes that operating margin assists management and investors in assessing the profitability and efficiency of the Pouce Coupe Gas Plant and Birchcliff's ability to generate operating cash flows (equal to petroleum and natural gas revenue less royalties, less operating expense and less transportation and other expense).

"Total cash costs" are comprised of royalty, operating, transportation and other, general and administrative 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, 2018	December 31, 2017	March 31, 2017
Working capital deficit	95,005	15,113	78,279
Financial instrument – asset	418	-	-
Financial instrument – liability	(11,626)	(4,046)	7,119
Adjusted working capital deficit	**83,797**	**11,067**	**85,398**

"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, 2018	December 31, 2017	March 31, 2017
Revolving term credit facilities	573,935	587,126	578,954
Adjusted working capital deficit	83,797	11,067	85,398
Total debt	**657,732**	**598,193**	**664,352**

ADVISORIES

Unaudited Information

All financial and operating information contained in this press release for the three months ended March 31, 2018 and 2017 is unaudited.

Currency

All amounts in this press release are stated in Canadian dollars unless otherwise specified.

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.

MMBtu Pricing Conversions

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

Oil and Gas Metrics

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

Test Results and Initial Production Rates

Any references in this press release to production test, initial production and 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. A pressure transient analysis or well-test interpretation has not been carried out in respect of any of the wells. Accordingly, Birchcliff cautions that the test results should be considered to be preliminary.

Capital Expenditures

Unless otherwise stated, references in this press release to: (i) "net capital expenditures" and "capital expenditures, net" denote F&D costs (which includes land, seismic, workovers, drilling and completions and well equipment and facilities) plus administrative assets, plus acquisition costs, less any dispositions; and (ii) "total capital expenditures" denotes F&D costs plus administrative assets. Birchcliff's guidance regarding its 2018 capital expenditures has been presented on a total basis. Birchcliff makes acquisitions and dispositions in the ordinary course of business. Any acquisitions and dispositions completed during 2018 could have an impact on Birchcliff's capital expenditures, production and adjusted funds flow for 2018, which impact could be material. Please also see *"Advisories – Forward-Looking Statements"*.

Forward-Looking Statements

Certain statements contained in this press release constitute forward-looking statements and forward-looking information (collectively referred to as "**forward-looking statements**") within the meaning of applicable Canadian securities laws. Such forward-looking statements 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. Birchcliff has made such forward-looking statements in light of 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 press release contains forward-looking statements relating to the following: Birchcliff's plans and other aspects of its anticipated future financial performance, operations, focus, objectives, strategies, opportunities, priorities and goals (including that Birchcliff is focused on its high-quality Montney/Doig Resource Play and the exploration and development of its low-cost natural gas, crude oil and liquids-rich assets on the play, that part of Birchcliff's long-term strategy is to continue to explore and delineate the Montney/Doig Resource Play and that Birchcliff is focused on protecting its balance sheet); Birchcliff's guidance regarding its 2018 Capital Program and its proposed exploration and development activities and the timing thereof (including its estimates of capital expenditures in 2018, planned capital expenditures and capital allocation, the focus of, the objectives of and the anticipated results from the 2018 Capital Program, the number and types of wells to be drilled and brought on production, Birchcliff's science and technology multi-well pad program and Birchcliff's expectation that the entirety of the 2018 Capital Program will be fully funded out of its forecast 2018 adjusted funds flow as such adjusted funds flow is expected to exceed its 2018 capital expenditures on an annual basis); Birchcliff's production and other guidance (including its estimates of its annual average production and commodity mix in 2018, its estimates of royalty, operating and transportation and other expenses in 2018, statements that Birchcliff expects that its operating expense will decrease during 2018, its estimates of its natural gas production that is expected to be sold at or via AECO, Dawn and Alliance during 2018, forecasts of 2018 commodity prices, statements that Birchcliff is firmly on track to meet its 2018 guidance and Birchcliff's expectation that its total debt at year-end 2018 will be lower compared to March 31, 2018); statements that as new wells are brought on production throughout 2018, the cash flow from such wells will be used to repay debt and to fund capital expenditures, as well as for general corporate purposes; statements regarding the proposed Phase VI expansion of the Pouce Coupe Gas Plant (including the anticipated processing capacity of the Pouce Coupe Gas Plant after such expansion and the anticipated timing of such expansion); statements regarding the re-configuring of Phases V and VI of the Pouce Coupe Gas Plant to provide for shallow-cut capability; statements regarding Birchcliff's plans for future facilities (including statements that Birchcliff currently has no plans to proceed with the Phase VII or Phase VIII expansions of the Pouce Coupe Gas Plant and that it will no longer be required to incur significant capital to build its own deep-cut facility in Pouce Coupe as a result of the Processing Arrangement); the production test results for Birchcliff's Gordondale and Pouce Coupe wells and the performance and other characteristics of Birchcliff's oil and natural gas properties and expected results from its assets (including statements regarding the characteristics of Birchcliff's Montney/Doig Resource Play, statements regarding the strength of Birchcliff's resource base and its ability to add more oil and condensate to its commodity mix, statements regarding well performance and decline rates, statements regarding the future potential and prospectivity of Birchcliff's properties or intervals and statements that Birchcliff expects that it will be able to significantly expand its future opportunities on the Montney/Doig Resource Play assuming the success of its Montney D2 well in Pouce Coupe); statements regarding Birchcliff's Credit Facilities (including the timing of semi-annual reviews and that the amendments to the Credit Facilities have provided Birchcliff with continued financial flexibility); Birchcliff's marketing and transportation arrangements (including that additional tranches of service on TCPL's Canadian Mainline will become available later in 2018 and 2019); and Birchcliff's market diversification and hedging activities, strategies and use of risk management techniques (including statements that Birchcliff actively looks for profitable opportunities to diversify its natural gas markets and reduce its exposure to prices at AECO, statements that it maintains an ongoing hedging program and engages in various risk management activities to reduce its exposure to volatility in commodity prices, the percentages of its forecast 2018 production that is hedged and Birchcliff's expectation that during 2019 approximately 63% of its natural gas production will be sold at prices that are not based on AECO and that after taking into account Birchcliff's oil and NGLs production, approximately 30% of Birchcliff's total production in 2019 is expected to be exposed to AECO pricing, with the remaining 70% not exposed to AECO pricing).

With respect to forward-looking information contained in this press release, assumptions have been made regarding, among other things: prevailing and future commodity prices and differentials, currency exchange rates, interest rates, inflation rates, royalty rates and tax rates; the state of the economy, financial markets and the exploration, development and production business; the political environment in which Birchcliff operates; the regulatory framework regarding royalties, taxes and environmental laws; future cash flow, debt and dividend levels; future operating, transportation, marketing, general and administrative 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 transportation for its products; Birchcliff's ability to market oil and gas; and the availability of hedges on terms acceptable to Birchcliff. In addition to the foregoing assumptions, Birchcliff has made the following assumptions with respect to certain forward-looking statements contained in this press release:

- With respect to statements regarding the 2018 Capital Program (including estimates of 2018 capital expenditures and statements that the entirety of the 2018 Capital Program will be fully funded from 2018 adjusted funds flow), such statements are based on the assumptions set forth in the table under the heading *"Outlook and Guidance".*
  - With respect to estimates of capital expenditures, such estimates assume that the 2018 Capital Program will be carried out as currently contemplated. Please also see *"Advisories – Capital Expenditures".*

  - With respect to statements that the entirety of the 2018 Capital Program is expected to be fully funded out of Birchcliff's forecast 2018 adjusted funds flow and that such adjusted funds flow is expected to exceed its 2018 capital expenditures on an annual basis, such statements assume that: the 2018 Capital Program will be carried out as currently contemplated; and the production targets, commodity mix and commodity price assumptions set forth herein are achieved.
  - The amount and allocation of capital expenditures for exploration and development activities by area and the number and types of wells to be drilled 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 the 2018 Capital Program to respond to changes in commodity prices and other material changes in the assumptions underlying the 2018 Capital Program. In addition, any acquisitions and dispositions completed during 2018 could have an impact on Birchcliff's capital expenditures, production, adjusted funds flow and costs for 2018, which impact could be material.
- With respect to Birchcliff's production guidance, the key assumptions are that: Birchcliff's capital expenditure 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. In addition, 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 statements of future wells to be drilled and brought on production, the key assumptions are: the continuing validity of the geological and other technical interpretations performed by Birchcliff's technical staff, which indicate that commercially economic volumes can be recovered from Birchcliff's lands as a result of drilling future wells; and that commodity prices and general economic conditions will warrant proceeding with the drilling of such wells.
- With respect to statements regarding the proposed Phase VI expansion of the Pouce Coupe Gas Plant, including the anticipated processing capacity of the Pouce Coupe Gas Plant after such expansion and the anticipated timing of such expansion, the key assumptions are that: future drilling is successful; there is sufficient labour, services and equipment available; Birchcliff will have access to sufficient capital to fund such project; the key components of the plant will operate as designed; and commodity prices and general economic conditions will warrant proceeding with the construction of the plant and the drilling of associated wells.

Birchcliff's actual results, performance or achievements could differ materially from those anticipated in the forward-looking statements as a result of both known and unknown risks and uncertainties including, but not limited to: general economic, market and business conditions which will, among other things, impact the demand for and market prices of Birchcliff's products and Birchcliff's access to capital; volatility of crude oil and natural gas prices; fluctuations in currency 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 Birchcliff's 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; 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 inability to secure adequate production 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; uncertainties associated with credit facilities and counterparty credit risk; non-performance or default by counterparties; risks associated with Birchcliff's hedging 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; 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 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; and the availability of insurance and the risk that certain losses may not be insured.

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.

Any future-orientated financial information and financial outlook information (collectively, "**FOFI**") contained in this press release, as such terms are defined by applicable securities laws, is provided for the purpose of providing information about management's current expectations and plans relating to the future and is subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. FOFI contained in this press release was made as of the date of this press release and Birchcliff disclaims any intention or obligation to update or revise any FOFI contained in this press release, whether as a result of new information, future events or otherwise, unless required by applicable law. Readers are cautioned that any FOFI contained herein should not be used for purposes other than those for which it has been disclosed herein.

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

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

About Birchcliff:

Birchcliff is a Calgary, Alberta based intermediate oil and natural gas company with operations concentrated within its one core area, the Peace River Arch of Alberta. Birchcliff's common shares and cumulative redeemable preferred shares, Series A and Series C are listed for trading on the Toronto Stock Exchange under the symbols "BIR", "BIR.PR.A" and "BIR.PR.C", respectively.

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