

# Birchcliff Energy Ltd. Announces Strong Third Quarter 2018 Results, Strategic Montney Land Acquisition in Pouce Coupe and Preliminary 2019 Plans

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CALGARY, Nov. 14, 2018 - [Birchcliff Energy Ltd.](#) ("Birchcliff" or the "Corporation") (TSX: BIR) is pleased to announce its financial and operational results for the third quarter of 2018, a strategic Montney land acquisition in Pouce Coupe and its preliminary plans for 2019. The full text of Birchcliff's Third Quarter 2018 Report, which contains the unaudited interim condensed financial statements for the three and nine months ended September 30, 2018 and the related management's discussion and analysis ("MD&A"), will be available on Birchcliff's website at [www.birchcliffenergy.com](http://www.birchcliffenergy.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## Area Map

"We had a solid third quarter in 2018 with average production of 79,331 boe/d, which represents a 22% increase from the third quarter of 2017 and was well ahead of our internal budget," commented Jeff Tonken, President and Chief Executive Officer of Birchcliff. "Subsequent to the end of the quarter, we entered into an agreement to acquire 18 gross (15.1 net) sections of Montney land contiguous with our existing Pouce Coupe and Gordondale properties, which is expected to close in early January 2019. In addition to consolidating our land position in the area, we believe that these lands are located on a significant liquids-rich trend in Pouce Coupe. During 2019, we anticipate that we will generate significant free funds flow which may be used to reduce debt, pursue additional growth, increase our common share dividend and/or to fund share buybacks."

## Q3 2018 Highlights

- Production averaged 79,331 boe/d, a 22% increase from 65,276 boe/d in Q3 2017. Production consisted of approximately 81% natural gas, 6% light oil and 13% NGLs, as compared to 79% natural gas, 10% light oil and 11% NGLs in Q3 2017.
- Adjusted funds flow of \$75.4 million, or \$0.28 per basic common share, a 17% increase from \$64.4 million and \$0.24 per basic common share in Q3 2017.
- Net income to common shareholders of \$6.7 million, or \$0.03 per basic common share, as compared to the net loss to common shareholders of \$121.7 million and \$0.46 per basic common share in Q3 2017.
- Operating expense of \$3.45/boe, a 19% decrease from \$4.27/boe in Q3 2017, a 9% decrease from \$3.78/boe in Q1 2018 and a 3% increase from \$3.36/boe in Q2 2018.
- Total capital expenditures of \$45.5 million in the quarter and \$245.1 million in the first nine months of 2018. During the quarter, Birchcliff completed and brought on production a total of 9 (9.0 net) wells, consisting of 6 (6.0 net) Montney horizontal oil wells in Gordondale and 3 (3.0 net) Montney/Doig horizontal natural gas wells in Pouce Coupe.
- At September 30, 2018, Birchcliff's long-term bank debt was \$635.1 million and its total debt was \$641.5 million, as compared to \$585.3 million and \$666.8 million, respectively, at September 30, 2017.
- The 80 MMcf/d Phase VI expansion of Birchcliff's 100% owned and operated natural gas processing plant in Pouce Coupe (the "Pouce Coupe Gas Plant") was brought on-stream during the quarter, increasing the total processing capacity of the plant to 340 MMcf/d.

For further information on Birchcliff's financial and operational results for the third quarter of 2018, please see *"Third Quarter 2018 Financial and Operational Results"* in this press release.

*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", "free funds flow", "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".*

### THIRD QUARTER 2018 FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
<b>OPERATING</b>				
Average production				
Light oil & (bbls/d)	4,959	6,316	4,901	6,247
Natural gas & (Mcf/d)	383,279	308,748	375,059	299,240
NGLs & (bbls/d)	10,492	7,503	9,916	7,751
Total & boe/d	79,331	65,276	77,327	63,871
Average sales price (CDN\$)( <sup>1</sup> )				
Light oil & (per bbl)	80.16	55.62	77.64	59.38
Natural gas & (per Mcf)	2.06	2.11	2.26	2.76
NGLs & (per bbl)	49.17	27.67	48.38	30.31
Total & per boe	21.45	18.55	22.10	22.40
<b>NETBACK AND COST (\$/boe)</b>				
Petroleum and natural gas revenue( <sup>1</sup> )	21.46	18.56	22.11	22.41
Royalty expense	(1.52)	(0.63)	(1.49)	(1.12)
Operating expense	(3.45)	(4.27)	(3.53)	(4.70)
Transportation and other expense	(3.46)	(2.65)	(3.55)	(2.60)
Operating netback (\$/boe)	13.03	11.01	13.54	13.99
General & administrative expense, net	(0.67)	(0.82)	(0.80)	(0.98)
Interest expense	(0.99)	(1.15)	(0.97)	(1.22)
Realized gain (loss) on financial instruments	(1.08)	1.69	(0.83)	0.87
Other income	0.04	-	0.02	-
Adjusted funds flow netback (\$/boe)	10.33	10.73	10.96	12.66
Stock-based compensation expense, net	(0.10)	(0.22)	(0.10)	(0.18)
Depletion and depreciation expense	(7.40)	(6.99)	(7.47)	(7.33)
Accretion expense	(0.11)	(0.13)	(0.11)	(0.14)
Amortization of deferred financing fees	(0.05)	(0.07)	(0.05)	(0.06)
Loss on sale of assets	-	(30.19)	(0.40)	(11.46)
Unrealized gain (loss) on financial instruments	(1.01)	(0.36)	(0.63)	1.10
Dividends on Series C preferred shares	(0.12)	(0.15)	(0.12)	(0.15)
Income tax recovery (expense)	(0.48)	7.27	(0.65)	1.39
Net income (loss) (\$/boe)	1.06	(20.11)	1.43	(4.17)
Dividends on Series A preferred shares	(0.15)	(0.16)	(0.15)	(0.18)
Net income (loss) to common shareholders (\$/boe)	0.91	(20.27)	1.28	(4.35)
<b>FINANCIAL</b>				
Petroleum and natural gas revenue (\$000s)( <sup>1</sup> )	156,609	111,488	466,701	390,793
Cash flow from operating activities (\$000s)	68,556	70,584	232,234	198,665
Adjusted funds flow (\$000s)	75,378	64,430	231,405	220,672
Per common share & basic (\$)	0.28	0.24	0.87	0.83
Per common share & diluted (\$)	0.28	0.24	0.87	0.82
Net income (loss) (\$000s)	7,703	(120,743)	30,265	(72,800)

Net income (loss) to common shareholders (\$000s)	6,657	(121,743 )	27,125	(75,800 )
Per common share &ndash; basic (\$)	0.03	(0.46 )	0.10	(0.29 )
Per common share &ndash; diluted (\$)	0.02	(0.46 )	0.10	(0.29 )
Common shares outstanding (000s)				
End of period &ndash; basic	265,885	265,789	265,885	265,789
End of period &ndash; diluted	284,825	283,106	284,825	283,106
Weighted average common shares for period &ndash; basic	265,877	265,490	265,832	264,976
Weighted average common shares for period &ndash; diluted	268,605	267,988	267,307	267,946
Dividends on common shares (\$000s)	6,647	6,635	19,938	19,874
Dividends on Series A preferred shares (\$000s)	1,046	1,000	3,140	3,000
Dividends on Series C preferred shares (\$000s)	875	875	2,625	2,625
Total capital expenditures (\$000s) <sup>(2)</sup>	45,524	12,136	245,132	257,456
Long-term debt (\$000s)	635,120	585,323	635,120	585,323
Adjusted working capital deficit (\$000s)	6,364	81,485	6,364	81,485
Total debt (\$000s)	641,484	666,808	641,484	666,808

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

(2) See *Advisories &ndash; Capital Expenditures*;

#### STRATEGIC MONTNEY LAND ACQUISITION IN POUCE COUPE

Birchcliff recently entered into a definitive purchase and sale agreement to acquire 18 gross (15.1 net) contiguous sections of Montney land located between the Corporation's existing Pouce Coupe and Gordondale properties, as well as various other non-Montney lands and other assets, for total cash consideration of \$39 million (before customary closing adjustments) (the "Acquisition"). Closing of the Acquisition is expected to occur on or about January 3, 2019 and will further consolidate Birchcliff's land position in the area. After giving effect to the Acquisition, Birchcliff will have approximately 217.2 gross (206.6 net) sections of mostly contiguous Montney lands in the Pouce Coupe and Gordondale areas.

A map accompanying this announcement is available at

<http://www.globenewswire.com/NewsRoom/AttachmentNg/d2a64459-67b3-4218-9034-576fadb3fac1>

Birchcliff believes that the lands are located on a significant liquids-rich trend in Pouce Coupe and are highly prospective for natural gas, oil, condensate and other liquids in the Montney D1, D2, C and Basal Doig/Upper Montney intervals. The lands are located near Birchcliff's science and technology pad in Pouce Coupe where Birchcliff drilled four successful wells in 2018 (two in the Montney D1, one in the Montney D2 and one in the Montney C intervals).

Current production from the lands is approximately 700 boe/d (approximately 14% oil and NGLs) and is predominantly from 9 Montney horizontal wells (8 Montney D1 and 1 Upper Montney D5) which were drilled and completed using older technology. The most recent wells were drilled in 2014. The existing production is currently processed at third party facilities; however, such production is expected to be redirected to Birchcliff's Pouce Coupe Gas Plant or AltaGas' deep-cut sour gas processing facility in Gordondale (the "Gordondale Gas Plant") in the future.

Birchcliff currently plans to drill 5 wells from one pad on the lands in Q1 2019. The production from new wells drilled by Birchcliff on the lands is expected to be processed at the Pouce Coupe Gas Plant.

The Acquisition will be funded through the Corporation's existing credit facilities. Closing of the Acquisition is subject to the satisfaction or waiver of customary closing conditions.

#### PRELIMINARY 2019 PLANS

## Preliminary 2019 Capital Spending Plans

Birchcliff is currently in the process of finalizing its strategy and capital spending plans for 2019, with a focus on generating free funds flow. Depending on market sentiment, economic conditions, commodity prices and other factors, preliminary F&D capital spending is currently expected to be approximately \$210 million, which is anticipated to generate annual average production of approximately 76,000 to 78,000 boe/d during 2019. F&D capital spending, plus the Acquisition, is currently expected to be approximately \$249 million. The following table sets forth Birchcliff's preliminary guidance for 2019, as well as its commodity price assumptions:

	2019 Preliminary Guidance <sup>(1)</sup>
Production	
Annual average production ( <i>boe/d</i> )	76,000 – 78,000
% Oil and NGLs	20%
Adjusted Funds Flow ( <i>MM\$</i> ) <sup>(2)</sup>	345
F&D Capital Expenditures ( <i>MM\$</i> ) <sup>(2)(3)(4)</sup>	210
Free Funds Flow ( <i>MM\$</i> ) <sup>(2)(5)</sup>	135
Acquisition Purchase Price ( <i>MM\$</i> ) <sup>(6)</sup>	39
F&D Capital Expenditures plus the Acquisition ( <i>MM\$</i> ) <sup>(2)(3)(4)</sup>	249
Natural Gas Market Exposure <sup>(2)(7)</sup>	
AECO exposure as a % of total natural gas production	38%
Dawn exposure as a % of total natural gas production	36%
NYMEX-Henry Hub exposure as a % of total natural gas production	25%
Commodity Price Assumptions	
Average WTI price ( <i>US\$/bbl</i> )	70.00
Average WTI-MSW differential ( <i>CDN\$</i> )	16.00
Average AECO price ( <i>CDN\$/MMBtu</i> ) <sup>(8)</sup>	1.85
Average Dawn price ( <i>CDN\$/MMBtu</i> ) <sup>(8)</sup>	3.69
Average NYMEX-Henry Hub price ( <i>US\$/MMBtu</i> ) <sup>(8)</sup>	3.00
Exchange rate ( <i>CDN\$ to US\$1</i> )	1.28

The Corporation intends to finalize its 2019 capital spending plans and guidance after the completion of its 2018 capital program. Birchcliff's 2019 capital expenditure budget will be subject to approval by its board of directors. The preliminary guidance set forth herein is subject to change and, except for the

(1) Acquisition, does not take into account any potential future acquisition and disposition activity during 2019 which could have an impact on such guidance. Certain numbers presented in the table above are approximate. See *“Advisories – Forward-Looking Statements”*.

(2) Based on 77,000 boe/d, which is the mid-point of Birchcliff's preliminary annual average production guidance for 2019.

(3) See *“Advisories – Capital Expenditures”*.

(4) Includes the capital required to bring on production 26 horizontal wells, which is approximately the number of wells required by Birchcliff to achieve an annual average production rate of 77,000 boe/d in 2019. These 26 horizontal wells include 9 wells that the Corporation plans to drill in Q4 2018. None of these 9 wells will be completed in 2018. See *“Operational Update – Acceleration of 2019 Capital”*.

(5) Free funds flow is calculated as adjusted funds flow less F&D capital expenditures and is prior to administrative assets, acquisitions, dispositions, dividend payments and abandonment and reclamation obligations. See *“Non-GAAP Measures”*. Free funds flow may be used by Birchcliff to reduce debt, pursue additional growth, pay dividends, increase its common share dividend and/or to fund share buybacks under its normal course issuer bid. Any prolonged or significant decrease in commodity prices may not leave sufficient free funds flow for debt reduction or the other foregoing purposes.

(6) Represents the purchase price for the Acquisition of \$39 million (before adjustments).

- (7) Approximately 1% of total natural gas production is expected to be sold via the Alliance pipeline system in 2019. See *“2019 Risk Management Contracts and Market Diversification”*.
- (8) \$1.00 per MMBtu equals \$1.00 per Mcf based on a standard heat value of 37.4 MJ/m<sup>3</sup> or a heat uplift of 1.055 when converting from \$/GJ.

Based on the assumptions set forth in the table above, Birchcliff currently expects that it will be in a position to generate significant free funds flow during 2019. Given this anticipated free funds flow and Birchcliff's strong balance sheet, the Corporation will be well positioned to reduce debt, pursue additional growth, increase its common share dividend and/or consider share buybacks under its normal course issuer bid. The 2019 capital program will be designed with flexibility to accelerate expansion capital should economic conditions improve and defer capital should conditions deteriorate. If economic conditions and commodity prices improve, Birchcliff has the ability to increase its natural gas production as a result of available capacity at its Phase VI Pouce Coupe Gas Plant. If economic conditions and commodity prices remain the same or deteriorate, Birchcliff expects that it will choose to focus on debt reduction.

The following table illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's preliminary estimate of adjusted funds flow for 2019 of \$345 million, after taking into account its commodity risk management contracts outstanding as at September 30, 2018:

	Estimated change to 2019 preliminary adjusted funds flow (MM\$)(1)(2)
Change in WTI US\$1.00/bbl	4
Change in NYMEX US\$0.10/MMBtu	5
Change in Dawn CDN\$0.10/MMBtu	5
Change in AECO CDN\$0.10/MMBtu	5
Change in CDN/US exchange rate CDN\$0.01	3

(1) See 2019 preliminary guidance table above.

The calculated impact on adjusted funds flow is only applicable within a limited range of change indicated.

(2) Calculations are performed independently and may not be indicative of actual results. Actual results may vary materially when multiple variables change at the same time.

Birchcliff expects to release the details regarding its 2019 capital expenditure plans and guidance along with its 2018 unaudited financial results, reserves and F&D costs on February 13, 2019.

## 2019 Risk Management Contracts 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.

Birchcliff has agreements for the firm service transportation of an aggregate of 175,000 GJ/d of natural gas on TCPL's Canadian Mainline for a 10-year term, whereby natural gas is transported to the Dawn trading hub located in Southern Ontario. The first tranche of this service (120,000 GJ/d) became available to Birchcliff on November 1, 2017 and the second tranche became available on November 1, 2018 (30,000 GJ/d), with the final additional tranche becoming available on November 1, 2019 (25,000 GJ/d). Birchcliff also has a sales agreement with a third party marketer to sell and deliver approximately 5 MMcf/d of natural gas from April 1, 2017 to October 31, 2020, which is sold at Alliance's Trading Pool daily index price. In addition, Birchcliff has entered into various risk management contracts with respect to 2019 and beyond, including NYMEX basis swaps which fix the basis differential between the AECO price and the NYMEX Henry Hub price.

Birchcliff currently expects that approximately 62% of its natural gas production during 2019 will effectively be sold at prices that are not based on AECO. The following table sets forth the details regarding Birchcliff's expected 2019 natural gas market exposure as a result of its market diversification

initiatives undertaken at the date hereof:

Market diversification	Preliminary 2019 natural gas production guidance <sup>(1)</sup>			Percentage of total 2019 natural gas production guidance
	GJ/d	MMBtu/d <sup>(2)</sup>	Mcf/d <sup>(3)</sup>	%
Dawn sales	154,167	146,183	134,205	36%
NYMEX basis swaps <sup>(4)</sup>	105,462	100,000	91,806	25%
Alliance sales	5,560	5,273	5,001	1%
Natural gas sales not sold at AECO	265,189	251,456	231,012	62%
AECO sales	157,876	149,700	137,434	38%
Total natural gas sales	423,065	401,156	368,446	100%

- (1) Assumes an annual average production rate of 77,000 boe/d (80% natural gas and 20% oil and NGLs) in 2019.
- (2) The conversion from GJ to standard heat value in MMBtu is based on a heat content value of 37.4 MJ/m<sup>3</sup> or a heat conversion factor of 1 MMBtu = 1.055 GJ.
- The conversion from standard heat value in MMBtu to Mcf is based on Birchcliff's 2019 expected corporate average natural gas heat content value from its properties of 40.6 MJ/m<sup>3</sup> or a heat conversion factor of 1 Mcf = 1.089 MMBtu. The total heat content conversion factor is 1 Mcf = 1.15 GJ at the wellhead.
- (3) corporate average natural gas heat content value from its properties of 40.6 MJ/m<sup>3</sup> or a heat conversion factor of 1 Mcf = 1.089 MMBtu. The total heat content conversion factor is 1 Mcf = 1.15 GJ at the wellhead.
- (4) See the *"Commodity Price Risk Management"* section in the MD&A for further details.

Effectively, 86% of Birchcliff's total revenue in 2019 is expected to be based on non-AECO benchmark prices, after taking into account Birchcliff's commodity risk management contracts and expected sales from oil and NGLs and based on the commodity price assumptions set forth in the table above under the heading *"Preliminary 2019 Capital Spending Plans"*.

The foregoing guidance regarding Birchcliff's 2019 natural gas market exposure is based on the following assumptions: (i) an annual average production rate of 77,000 boe/d (which represents the mid-point of Birchcliff's preliminary annual average production guidance for 2019) and a commodity mix of 80% natural gas and 20% oil and NGLs; (ii) 150,000 GJ/d being sold at the Dawn index price from January 1, 2019 to October 31, 2019 and 175,000 GJ/d from November 1, 2019 to December 31, 2019; (iii) 5 MMcf/d being sold at Alliance's Trading Pool daily index price; and (iv) 100,000 MMBtu/d being hedged at a fixed basis differential between the AECO price and the NYMEX Henry Hub price.

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

### THIRD QUARTER 2018 FINANCIAL AND OPERATIONAL RESULTS

#### Production

Birchcliff achieved strong average production of 79,331 boe/d during the quarter, a 22% increase from 65,276 boe/d in Q3 2017. The increase was primarily attributable to the success of Birchcliff's capital programs which resulted in incremental production from new horizontal wells brought on production in Pouce Coupe and Gordondale, partially offset by the sale of the Corporation's oil-weighted assets in the Worsley area in Q3 2017, temporary restrictions in pipeline and compressor station capacity on the Alberta NGTL system during Q3 2018 and natural production declines.

Production consisted of approximately 81% natural gas, 6% light oil and 13% NGLs, as compared to 79% natural gas, 10% light oil and 11% NGLs in Q3 2017. Of the NGLs produced in Q3 2018, approximately 56% were high-value C4+ liquids. The change in commodity mix from Q3 2017 was primarily due to the disposition of Birchcliff's oil-weighted Worsley assets and the start-up of Phase V of the Pouce Coupe Gas Plant, both of which occurred in Q3 2017, as well as the start-up of Phase VI of the Pouce Coupe Gas Plant which occurred in Q3 2018.

## Adjusted Funds Flow and Net Income to Common Shareholders

Birchcliff had adjusted funds flow of \$75.4 million, or \$0.28 per basic common share, a 17% increase from \$64.4 million and \$0.24 per basic common share in Q3 2017. The increase was primarily due to higher corporate production, higher average realized oil and NGLs sales prices and lower operating expense, partially offset by a lower average realized natural gas sales price, higher aggregate royalty and transportation and other expenses and a realized loss on financial instruments.

Birchcliff recorded net income to common shareholders of \$6.7 million, or \$0.03 per basic common share, as compared to the net loss to common shareholders of \$121.7 million and \$0.46 per basic common share in Q3 2017. The change from a net loss to a net income position was primarily due to a \$132.3 million after-tax loss from the sale of the Worsley assets which was recorded in Q3 2017 and higher adjusted funds flow, partially offset by an increase in depletion and income tax expenses and an unrealized mark-to-market loss on financial instruments in Q3 2018.

## Operating Expense

Birchcliff's operating expense was \$3.45/boe, a 19% decrease from \$4.27/boe in Q3 2017. The decrease was primarily due to an incremental increase in natural gas production processed at the Pouce Coupe Gas Plant, reduced processing fees at the Gordondale Gas Plant and the sale of the higher-cost Worsley assets in Q3 2017.

## Transportation and Other Expense

Birchcliff's transportation and other expense was \$3.46/boe, a 31% increase from \$2.65/boe in Q3 2017. The increase was primarily due to firm service transportation tolls for natural gas transported to Dawn during Q3 2018, which service commenced on November 1, 2017. The natural gas price at Dawn was significantly higher than at AECO during Q3 2018 (see *"Third Quarter 2018 Financial and Operational Results &dash; Commodity Prices"*).

## G&A Expense

Birchcliff's G&A expense was \$0.67/boe, an 18% decrease from \$0.82/boe in Q3 2017. The decrease was primarily due to higher production without a corresponding increase in aggregate G&A expense as compared to Q3 2017.

## Interest Expense

Birchcliff's interest expense was \$0.99/boe, a 14% decrease from \$1.15/boe in Q3 2017. The decrease was primarily due to higher corporate production, partially offset by a higher average effective interest rate and a higher average outstanding credit facilities balance in Q3 2018.

## Adjusted Funds Flow Netback and Total Cash Costs

Birchcliff's adjusted funds flow netback was \$10.33/boe, a 4% decrease from \$10.73 in Q3 2017. The decrease was primarily due to higher total cash costs and a realized loss on financial instruments, partially offset by an increase in Birchcliff's total corporate average realized sales price.

Birchcliff's total cash costs were \$10.09/boe, a 6% increase from \$9.52/boe in Q3 2017. The increase was primarily due to higher royalty and transportation and other expenses on a per boe basis, partially offset by lower operating, G&A and interest expenses on a per boe basis.

## Pouce Coupe Gas Plant Netbacks

During the first nine months of 2018, Birchcliff processed approximately 68% of its total corporate natural gas production and 58% of its total corporate production through the Pouce Coupe Gas Plant as compared to 58% and 47%, respectively, during the first nine months of 2017. These increases were primarily due to the incremental production from horizontal natural gas wells brought on production in Pouce Coupe. The average plant and field operating expense for production processed through the Pouce Coupe Gas Plant in the first nine months of 2018 was \$0.35/Mcfe (\$2.08/boe) and the operating netback at the Pouce Coupe Gas Plant was \$1.91/Mcfe (\$11.46/boe), resulting in an operating margin of 67% in the first nine months of 2018. The following table sets forth Birchcliff's average daily production and operating netback for wells producing to the Pouce Coupe Gas Plant for the periods indicated:

	Nine months ended September 30, 2018		Nine months ended September 30, 2017	
<i>Average production:</i>				
Natural gas (Mcf/d)		253,360		173,351
Condensate (bbls/d) <sup>(1)</sup>		2,438		1,146
Total (boe/d)		44,665		30,038
Liquids <sup>(1)</sup> -to-gas ratio (bbls/MMcf)		9.6		6.6
<i>Netback and cost:</i>	<i>\$/Mcfe</i>	<i>\$/boe</i>	<i>\$/Mcfe</i>	<i>\$/boe</i>
Petroleum and natural gas revenue <sup>(2)</sup>	2.87	17.20	3.05	18.28
Royalty expense	(0.05)	(0.29)	(0.08)	(0.48)
Operating expense <sup>(3)</sup>	(0.35)	(2.08)	(0.35)	(2.07)
Transportation and other expense <sup>(4)</sup>	(0.56)	(3.37)	(0.34)	(2.08)
Operating netback	\$1.91	\$11.46	\$2.28	\$13.65
Operating margin	67%	67%	75%	75%

(1) Primarily condensate.

(2) Includes revenue from natural gas production sold at AECO and Dawn spot prices. Excludes the effects of hedges using financial instruments but includes the effects of fixed price physical delivery contracts, if any.

(3) Represents plant and field operating expense.

The increase in transportation and other expense from the comparative prior period was primarily due to (4) transportation tolls for natural gas sold at the Dawn price during the nine months ended September 30, 2018. Birchcliff began selling natural gas at the Dawn price on November 1, 2017.

## Capital Activities and Expenditures

During the quarter, Birchcliff completed and brought on production a total of 9 (9.0 net) wells, consisting of 6 (6.0 net) Montney horizontal oil wells in Gordondale and 3 (3.0 net) Montney/Doig horizontal natural gas wells in Pouce Coupe. No new wells were drilled in Q3 2018. Birchcliff's total capital expenditures for the quarter were \$45.5 million and \$245.1 million for the nine months ended September 30, 2018. For further information regarding Birchcliff's activities year-to-date, please see *"Operational Update"*.

## Debt and Credit Facilities

At September 30, 2018, Birchcliff's long-term bank debt was \$635.1 million (September 30, 2017: \$585.3 million) from available credit facilities of \$950 million (the "Credit Facilities") (September 30, 2017: \$950 million), leaving \$276.1 million of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized interest and fees. Total debt at September 30, 2018 was \$641.5 million (September 30, 2017: \$666.8 million).

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 November semi-annual review of the borrowing base is currently underway. Birchcliff currently has no plans to increase its borrowing base under the Credit Facilities.

## Risk Management



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 October 1, 2018 to December 31, 2018, which represents approximately 30% of its 2018 forecast annual average oil and NGLs production and approximately 6% of its total 2018 forecast annual average production.

## Commodity Prices

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

	Three months ended September 30, 2018	Three months ended September 30, 2017
<i>Average benchmark index prices:</i>		
Light oil &ndash; WTI Cushing (US\$/bbl)	69.50	48.21
Light oil &ndash; WTI Cushing (CDN\$/bbl)	90.85	60.35
Light oil &ndash; MSW (Mixed Sweet) Edmonton (CDN\$/bbl) <sup>(1)</sup>	81.59	56.44
Natural gas &ndash; NYMEX Henry Hub (US\$/MMBtu) <sup>(2)</sup>	2.86	2.96
Natural gas &ndash; AECO 5A (CDN\$/MMBtu) <sup>(2)</sup>	1.19	1.45
Natural gas &ndash; Dawn Day Ahead (CDN\$/MMBtu) <sup>(2)</sup>	3.81	3.63
Natural gas &ndash; ATP 5A Day Ahead (CDN\$/MMBtu) <sup>(2)</sup>	1.92	1.27
Natural gas &ndash; Chicago City Gate (US\$/MMBtu) <sup>(2)</sup>	2.77	2.84
Exchange rate (CDN\$ to US\$1)	1.3070	1.2524
<i>Birchcliff's average realized sales prices:<sup>(3)</sup></i>		
Light oil (\$/bbl)	80.16	55.62
Natural gas (\$/Mcf)	2.06	2.11
NGLs (\$/bbl)	49.17	27.67
Birchcliff's average realized sales price (\$/boe)	21.45	18.55

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

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

(3) 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 Q3 2018:

	Three months ended September 30, 2018						
	Natural gas sales <sup>(1)</sup> (\$000s)	Percentage of natural gas sales (%)	Natural gas production (Mcf/d)	Percentage of natural gas production (%)	Average realized natural gas sales price <sup>(1)(2)</sup> (\$/Mcf)	Natural gas transportation costs <sup>(3)</sup> (\$/Mcf)	Natural gas sales netb (\$/Mcf)
AECO	29,935	41	254,819	66	1.27	0.27	1.00
Dawn	40,248	56	109,614	29	3.99	1.30	2.69
Alliance	2,355	3	18,846	5	1.42	-(4)	1.42
Total	72,538	100	383,279	100	2.06	0.55	1.51

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

(2) Reflects the average realized natural gas wellhead price after adjusting for fuel to move natural gas from the field receipt point to the delivery sales trading hub.

- (3) Reflects transportation tolls incurred for the delivery of natural gas from the field receipt point to the delivery sales trading hub.
- (4) Alliance transportation tolls are recorded net of sales price.

## OPERATIONAL UPDATE

### Update on the 2018 Capital Program

Year-to-date, 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 a combination of liquids-rich and low-cost natural gas wells in Pouce Coupe. The 2018 capital program was strategically front-end loaded and highly focused on the first half of the year, allowing Birchcliff to bring new wells on production relatively early in the year in order to optimize producing days for the capital spent in 2018. As discussed in further detail below under *“Acceleration of 2019 Capital”*, Birchcliff is drilling an additional 9 (9.0 net) horizontal wells in Gordondale and Pouce Coupe in Q4 2018 in order to help ensure the efficient execution of its 2019 capital program. None of these additional wells will be completed or brought on production in 2018.

During the first nine months of 2018, Birchcliff drilled, completed and brought on production all 27 (27.0 net) wells that were originally planned under the 2018 capital program as detailed in the table set forth below:

Area	Total wells drilled, completed and brought on production in 2018 <sup>(1)(2)</sup>
Pouce Coupe	
Montney D1 horizontal natural gas wells	12
Montney D2 horizontal natural gas wells	1
Montney C horizontal natural gas wells	1
Total &dash; Pouce Coupe	14
Gordondale	
Montney D2 horizontal oil wells	8
Montney D1 horizontal oil wells	5
Total &dash; Gordondale	13
TOTAL &dash; COMBINED	27

- The 2018 capital program also included the capital associated with 1 Montney/Doig well in Pouce Coupe that
- (1) was drilled in December 2017 and subsequently completed and brought on production in 2018. Accordingly, a total of 28 (28.0 net) wells have been brought on production in 2018.
  - (2) Does not include the additional 9 wells to be drilled under the expanded 2018 capital program.

All of the wells drilled 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.

### Gordondale

During 2018, the Corporation has been focused on the drilling of crude oil wells and the delineation of the Montney D1 and D2 intervals in Gordondale. Since Birchcliff acquired its assets in Gordondale in 2016, it has drilled a total of 36 (36.0 net) wells in Gordondale, consisting of 20 (20.0 net) Montney D2 horizontal oil wells, 11 (11.0 net) Montney D1 horizontal oil wells, 4 (4.0 net) Montney D1 liquids-rich horizontal natural gas wells and 1 (1.0 net) water disposal well. 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 horizontal wells that Birchcliff has subsequently drilled and brought on production have replaced the natural production declines and significantly increased the production on its Gordondale assets (currently approximately 30,000 boe/d). The 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.

### *Pouce Coupe*

During 2018, Birchcliff has been 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, as well as the completion of infrastructure to allow for future growth. The 80 MMcf/d Phase VI expansion of the Pouce Coupe Gas Plant was brought on-stream during Q3 2018, bringing the total processing capacity of the plant to 340 MMcf/d from 260 MMcf/d. In addition, Birchcliff completed the re-configuration of Phases V and VI in Q4 2018 to provide for shallow-cut capability, allowing Birchcliff to remove propane plus (C3+) from the natural gas stream.

As part of Birchcliff's commitment to continuous performance improvement, it designed and executed on its science and technology pad in 2018, which involved the drilling of one vertical well and four horizontal wells in three different intervals (one Montney C, one Montney D2 and two Montney D1 wells). Using the pad, Birchcliff was able to acquire high-quality subsurface and operational data. The data for the vertical well included 313 metres of core, high-resolution vertical logs, tilt meters and micro seismic. The data for the four horizontal wells included horizontal high-resolution well logs, permanent fibre optics, tracers, geochemical fluid and rock sampling and significant production flow, build up and interference testing.

Using the data, Birchcliff has been able to gain important insights into reservoir behaviour, including fracture initiation and propagation, inter-well fracture communication, well productivity by cluster, the role of natural fractures on production and optimal well spacing by and between zones. In addition, Birchcliff was also able to increase its knowledge regarding field development, including well landing depths, well spacing both laterally and vertically and completion, cluster and stage spacing. In addition, a permanent fibre optic cable installed in one of the horizontal wells allows Birchcliff to observe how wells interact in the subsurface over time. Ultimately, the knowledge gained from the science and technology pad has helped Birchcliff to improve and refine its best practices at the well, pad and field levels in order to optimize field development.

### *Acceleration of 2019 Capital*

Given the success of its 2018 capital program and the efficiencies associated with commencing field activities outside of the most active season, Birchcliff is proceeding with the drilling of an additional 9 (9.0 net) horizontal wells in Q4 2018 that were originally targeted for 2019. As a result, Birchcliff has increased its 2018 capital expenditure budget by \$33 million from \$255 million to \$288 million. Birchcliff expects that this additional capital investment in 2018 will positively impact 2019 by allowing for a more efficient capital spending profile and reduced capital spending in 2019, as well as providing for a more consistent production profile in 2019. This acceleration will also allow the Corporation's 2018 annual average production guidance remains unchanged at 76,000 to 78,000 boe/d.

Of the nine additional wells, five will be drilled in Pouce Coupe and four will be drilled in Gordondale. Birchcliff currently has two rigs at work drilling on two pads, one 4-well pad in Gordondale (two Montney D2 and two Montney D1 wells) and one 3-well pad in Pouce Coupe (all of which are Montney D1 wells).

None of these wells will be completed this year and no new production or reserves will be added in 2018. It is expected that these wells will be completed and brought on production in Q1 2019. Accordingly, as no new production will be added in 2018, the Corporation's 2018 annual average production guidance remains unchanged at 76,000 to 78,000 boe/d.

### **2018 GUIDANCE**

Birchcliff is focused on protecting its balance sheet and expects that its 2018 adjusted funds flow will exceed its 2018 capital expenditures, based on the assumptions set forth herein. Birchcliff is maintaining its 2018 average production guidance of 76,000 to 78,000 boe/d (80% natural gas and 20% oil and NGLs) and has updated its capital expenditure guidance to reflect the acceleration of 2019 capital into 2018. The following table sets forth Birchcliff's previous and revised guidance for 2018, as well as its commodity price assumptions:

	Previous 2018 guidance and assumptions <sup>(1)</sup>	Revised 2018 guidance and assumptions
Production		
Annual average production ( <i>boe/d</i> )	76,000 &ndash; 78,000	76,000 &ndash; 78,000
% Natural gas	80%	80%
% Oil and NGLs	20%	20%
Average Expenses ( <i>\$/boe</i> )		
Royalty	1.60 &ndash; 1.80	1.60 &ndash; 1.80
Operating	3.40 &ndash; 3.60	3.40 &ndash; 3.60
Transportation and other <sup>(2)</sup>	3.80 &ndash; 4.10	3.80 &ndash; 4.10
Capital Expenditures ( <i>MM\$</i> )		
Total F&D capital expenditures	255.0	288.0 <sup>(3)</sup>
Drilling and development capital expenditures	149.9	179.0
Facilities and infrastructure capital expenditures	66.9	70.8
Natural Gas Market Exposure <sup>(4)</sup>		
AECO exposure as a % of total natural gas production	66%	66%
Dawn exposure as a % of total natural gas production	30%	30%
Commodity Price Assumptions		
Average WTI price ( <i>US\$/bbl</i> )	66.67	66.67
Average AECO price ( <i>CDN\$/MMBtu</i> ) <sup>(5)</sup>	1.63	1.63
Average Dawn price ( <i>CDN\$/MMBtu</i> ) <sup>(5)</sup>	3.70	3.70
Average wellhead natural gas price ( <i>CDN\$/Mcf</i> ) <sup>(6)</sup>	2.41	2.41

(1) As disclosed on August 14, 2018.

(2) 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 150,000 GJ/d from November 1, 2018 to December 31, 2018.

(3) Includes the capital required for the drilling of 9 additional wells under the Corporation's expanded 2018 capital program, as well as related capital for multi-well pad and water reservoir construction and equipment and tie-in activities. See *"Operational Update &ndash; Acceleration of 2019 Capital"*.

(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<sup>3</sup> 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<sup>3</sup> or a heat uplift of 1.091. The total conversion is \$1.00/GJ = \$1.15/Mcf at the wellhead.

Birchcliff has made an application to the Toronto Stock Exchange (the "TSX") to renew its normal course issuer bid (the "NCIB") which currently expires on November 19, 2018. The NCIB has been approved by the Corporation's board of directors; however, it is subject to the acceptance of the TSX and, if accepted, will be made in accordance with the applicable rules and policies of the TSX and securities laws. A further press release will be issued by Birchcliff if and when the TSX accepts the renewal of the NCIB.

For further information regarding Birchcliff's guidance, including the assumptions surrounding such guidance, please see *"Advisories &ndash; Forward-Looking Statements"*.

#### Abbreviations

AECO	benchmark price for natural gas determined at the AECO "C" hub in southeast Alberta
bbl	barrel
bbls	barrels
bbls/d	barrels per day

boe	barrel of oil equivalent
boe/d	barrel of oil equivalent per day
C4+	butanes plus
F&D	finding and development
G&A	general and administrative
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
m <sup>3</sup>	cubic metres
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
Mcfe	thousand cubic feet of gas equivalent
MJ	megajoule
MM\$	millions of dollars
MMBtu	million British thermal units
MMBtu/d	million British thermal units per day
MMcf	million cubic feet
MMcf/d	million cubic feet per day
MSW	price for mixed sweet crude oil at Edmonton, Alberta
NGLs	natural gas liquids
NGTL	NOVA Gas Transmission Ltd.
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", "free funds flow", "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 for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
(\$000s)	2018	2017	2018	2017
Cash flow from operating activities	68,556	70,584	232,234	198,665
Add back:				
Change in non-cash working capital	6,395	(6,484)	(1,753)	21,306
Funds flow	74,951	64,100	230,481	219,971
Adjustments:				
Decommissioning expenditures	427	330	924	701
Adjusted funds flow	75,378	64,430	231,405	220,672

“Free funds flow” denotes adjusted funds flow less F&D capital expenditures. Management believes that free funds flow assists management and investors in assessing Birchcliff’s ability to generate the cash necessary to repay debt, pay dividends, fund a portion of its future growth investments and/or fund share buybacks.

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

	Three months ended September 30,				Nine months ended September 30,			
	2018		2017		2018		2017	
	(\$000s)	(\$/boe)	(\$000s)	(\$/boe)	(\$000s)	(\$/boe)	(\$000s)	(\$/boe)
Petroleum and natural gas revenue	156,609	21.46	111,488	18.56	466,701	22.11	390,793	22.4
Royalty expense	(11,100)	(1.52)	(3,779)	(0.63)	(31,543)	(1.49)	(19,456)	(1.1)
Operating expense	(25,175)	(3.45)	(25,623)	(4.27)	(74,427)	(3.53)	(82,026)	(4.7)
Transportation and other expense	(25,201)	(3.46)	(15,960)	(2.65)	(74,980)	(3.55)	(45,341)	(2.6)
Operating netback <sup>(1)</sup>	95,133	13.03	66,126	11.01	285,751	13.54	243,970	13.9
G&A expense, net	(4,865)	(0.67)	(4,914)	(0.82)	(16,984)	(0.80)	(17,053)	(0.9)
Interest expense	(7,241)	(0.99)	(6,885)	(1.15)	(20,531)	(0.97)	(21,243)	(1.2)
Realized gain (loss) on financial instruments	(7,848)	(1.08)	10,103	1.69	(17,429)	(0.83)	14,998	0.87
Other income	199	0.04	-	-	598	0.02	-	-
Adjusted funds flow netback <sup>(1)</sup>	75,378	10.33	64,430	10.73	231,405	10.96	220,672	12.6

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

The reconciliation for the operating netback of the Pouce Coupe Gas Plant is provided under the heading “Third Quarter 2018 Financial and Operational Results – Pouce Coupe Gas Plant Netbacks”.

“Operating margin” for the Pouce Coupe Gas Plant is calculated by dividing the 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, G&A and interest expenses. Total cash costs are calculated on a per unit basis. Management believes that total cash costs assists management and investors in assessing Birchcliff’s efficiency and overall cash cost structure.

“Adjusted working capital deficit” is calculated as current assets minus current liabilities excluding the effects of any financial instruments. Management believes that adjusted working capital deficit assists management and investors in assessing Birchcliff’s liquidity. The following table reconciles working capital deficit (current assets minus current liabilities), as determined in accordance with GAAP, to adjusted working capital deficit:

As at, (\$000s)	September 30, 2018	December 31, 2017	September 30, 2017
Working capital deficit (surplus)	11,372	15,113	53,566
Financial instrument – asset	8,616	-	9,666
Financial instrument – liability	(13,624)	(4,046)	-
Assets held for sale including associated liabilities -	-	-	18,253
Adjusted working capital deficit	6,364	11,067	81,485

“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)	September 30, 2018	December 31, 2017	September 30, 2017
Revolving term credit facilities	635,120	587,126	585,323
Adjusted working capital deficit	6,364	11,067	81,485
Total debt	641,484	598,193	666,808

## ADVISORIES

### Unaudited Information

All financial and operating information contained in this press release for the three and nine months ended September 30, 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*.

## Capital Expenditures

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

## Forward-Looking Statements

Certain statements contained in this press release constitute forward-looking statements and forward-looking information (collectively referred to as "forward-looking statements") within the meaning of applicable Canadian securities laws. The forward-looking statements contained in this press release relate to future events or Birchcliff's future plans, operations or performance and are based on Birchcliff's current expectations, estimates, projections, beliefs and assumptions. Such forward-looking statements have been made by Birchcliff in light of the information available to it at the time the statements were made and reflect its experience and perception of historical trends. All statements and information other than historical fact may be forward-looking statements. Such forward-looking statements are often, but not always, identified by the use of words such as "seek", "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "forecast", "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 protecting its balance sheet and generating free funds flow); the Acquisition (including the anticipated closing date of the Acquisition, the expected characteristics of the assets, the expected benefits of the Acquisition, Birchcliff's land position after giving effect to the Acquisition, Birchcliff's plans for drilling and processing arrangements and the funding of the Acquisition); Birchcliff's preliminary plans and guidance for 2019 (including Birchcliff's estimates of capital spending, annual average production, natural gas production, commodity mix, adjusted and free funds flow, and natural gas market exposure during 2019, the number of wells required to achieve an annual average production rate of 77,000 boe/d in 2019, Birchcliff's expectation that it will generate significant free funds flow during 2019, the possible uses of such free funds flow and that Birchcliff will be well positioned to reduce debt, pursue additional growth, increase its common share dividend and/or consider share buybacks under its NCIB, the flexibility of the 2019 capital program should economic conditions improve or deteriorate, that Birchcliff has the ability to increase its natural gas production as a result of available capacity at its Phase VI Pouce Coupe Gas Plant, Birchcliff's expectation that it will choose to focus on debt reduction if economic conditions and commodity prices remain the same or deteriorate, and the expected impact of changes to commodity prices and the CDN/US exchange rate on Birchcliff's preliminary estimate of adjusted funds flow); the



anticipated timing for the finalization of Birchcliff's 2019 capital spending plans and guidance and its expectation that it will release the details regarding such capital expenditure plans and guidance and its 2018 unaudited financial results, reserves and F&D costs on February 13, 2019; Birchcliff's estimates of natural gas market exposure in 2019 (including that Birchcliff currently expects that 62% of its natural gas production during 2019 will be sold at prices that are not based on AECO and that 86% of Birchcliff's total revenue in 2019 is expected to be based on non-AECO benchmark prices); Birchcliff's market diversification and hedging activities, strategies and use of risk management techniques (including statements that Birchcliff maintains an ongoing hedging program and engages in various risk management activities to reduce its exposure to volatility in commodity prices and the percentages of its forecast 2018 production that is hedged); Birchcliff's marketing and transportation arrangements (including that additional tranches of service on TCPL's Canadian Mainline will become available later in 2019); statements regarding Birchcliff's Credit Facilities (including the timing of semi-annual reviews and that Birchcliff currently has no plans to increase its borrowing base); Birchcliff's guidance regarding its capital programs and its proposed exploration and development activities and the timing thereof (including the number and types of wells to be drilled, completed and brought on production, estimates of capital expenditures in 2018 and capital allocation, the focus of, the objectives of and the anticipated results from the capital programs, including the expected benefits of the acceleration of 2019 capital into 2018, and statements that its 2018 adjusted funds flow is expected to exceed its 2018 capital expenditures); Birchcliff's production and other guidance for 2018 (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 and its estimates of its natural gas production that is expected to be sold at or via AECO, Dawn and Alliance during 2018); the performance and other characteristics of Birchcliff's oil and natural gas properties and expected results from its assets (including statements regarding the potential or prospectivity of Birchcliff's properties); and statements regarding the NCIB.

With respect to the forward-looking statements contained in this press release, assumptions have been made regarding, among other things: prevailing and future commodity prices and differentials, currency exchange rates, interest rates, inflation rates, royalty rates and tax rates; the state of the economy, financial markets and the exploration, development and production business; the political environment in which Birchcliff operates; the regulatory framework regarding royalties, taxes and environmental laws; future cash flow, debt and dividend levels; future operating, transportation, marketing, G&A and other expenses; Birchcliff's ability to access capital and obtain financing on acceptable terms; the timing and amount of capital expenditures and the sources of funding for capital expenditures and other activities; the sufficiency of budgeted capital expenditures to carry out planned operations; the successful and timely implementation of capital projects; results of future operations; Birchcliff's ability to continue to develop its assets and obtain the anticipated benefits therefrom; the performance of existing and future wells, well production rates and well decline rates; success rates for future drilling; reserves and resource volumes and Birchcliff's ability to replace and expand reserves through acquisition, development or exploration; the impact of competition on Birchcliff; the availability of, demand for and cost of labour, services and materials; the ability to obtain any necessary regulatory or other approvals in a timely manner; the satisfaction by third parties of their obligations to Birchcliff; the ability of Birchcliff to secure adequate transportation for its products; Birchcliff's ability to market oil and gas; the availability of hedges on terms acceptable to Birchcliff; and natural gas market exposure. In addition to the foregoing assumptions, Birchcliff has made the following assumptions with respect to certain forward-looking statements contained in this press release:

- With respect to the Acquisition, Birchcliff has assumed that the closing conditions to the Acquisition will be satisfied or waived and that the Acquisition will be completed on the terms and the timing anticipated. In addition, Birchcliff has made assumptions regarding the performance and other characteristics of the assets to be acquired and the expected benefits of the Acquisition.
- Birchcliff's preliminary 2019 guidance (as announced on November 14, 2018) assumes the following commodity prices during 2019: an average WTI price of US\$70.00/bbl; an average WTI-MSW differential of \$16.00; an average AECO price of \$1.85/MMBtu; an average Dawn price of \$3.69/MMBtu; an average NYMEX-Henry Hub price of US\$3.00/MMBtu; and an exchange rate (CDN\$ to US\$1) of 1.28.
- Birchcliff's 2018 guidance (as updated November 14, 2018) assumes the following commodity prices during 2018: an average WTI price of US\$66.67/bbl; an average AECO price of \$1.63/MMBtu; an average Dawn price of \$3.70/MMBtu; and an average wellhead natural gas price of \$2.41/Mcf.

- With respect to estimates of 2018 capital expenditures, statements that Birchcliff's 2018 adjusted funds flow is expected to exceed its 2018 capital expenditures and Birchcliff's preliminary spending plans for 2019, such estimates, statements and plans are based on the following:
  - ° Estimates of capital expenditures and any allocation thereof assume that Birchcliff's capital programs will be carried out as currently contemplated. In addition, Birchcliff's estimate of 2019 F&D capital spending plus the Acquisition assumes that the Acquisition is completed as currently contemplated.
  - ° Statements that Birchcliff's 2018 adjusted funds flow is expected to exceed its 2018 capital expenditures assume that: the 2018 capital program will be carried out as currently contemplated; and the production targets, commodity mix, natural gas market exposure and commodity price assumptions set forth herein are met.
  - ° Birchcliff makes acquisitions and dispositions in the ordinary course of business. Any acquisitions and dispositions completed could have an impact on Birchcliff's capital expenditures, production, adjusted funds flow, free funds flow, costs and total debt, which impact could be material. The amount and allocation of capital expenditures for exploration and development activities by area and the number and types of wells to be drilled is dependent upon results achieved and is subject to review and modification by management on an ongoing basis throughout the year. Actual spending may vary due to a variety of factors, including commodity prices, economic conditions, results of operations and costs of labour, services and materials. Birchcliff will monitor economic conditions and commodity prices and, where deemed prudent, will adjust its capital programs to respond to changes in commodity prices and other material changes in the assumptions underlying such programs.
- With respect to Birchcliff's production guidance for 2018 and 2019, such guidance assumes that: Birchcliff's capital spending programs will be carried out as currently contemplated; no unexpected outages occur in the infrastructure that Birchcliff relies on to produce its wells and that any transportation service curtailments or unplanned outages that occur will be short in duration or otherwise insignificant; the construction of new infrastructure meets timing and operational expectations; existing wells continue to meet production expectations; and future wells scheduled to come on production meet timing, production and capital expenditure expectations. Birchcliff's production guidance may be affected by acquisition and disposition activity and acquisitions and dispositions could occur that may impact expected production.
- With respect to Birchcliff's estimates of adjusted and free funds flow for 2019 and statements that Birchcliff expects to generate significant free funds flow during 2019, such estimates and statements assume that: the level of capital spending for 2019 set forth herein will be achieved; and the production targets, commodity mix, natural gas market exposure and commodity price assumptions set forth herein are met.
- 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 future potential and prospectivity of properties and assets, such statements assume: the continuing validity of the geological and other technical interpretations determined by Birchcliff's technical staff with respect to such properties; and that, over the long-term, commodity prices and general economic conditions will warrant proceeding with the exploration and development of such properties.

Birchcliff's actual results, performance or achievements could differ materially from those anticipated in the forward-looking statements as a result of both known and unknown risks and uncertainties including, but not limited to: general economic, market and business conditions which will, among other things, impact the demand for and market prices of Birchcliff's products and Birchcliff's access to capital; volatility of crude oil and natural gas prices; fluctuations in currency and interest rates; stock market volatility; loss of market demand; an inability to access sufficient capital from internal and external sources; fluctuations in the costs of borrowing; operational risks and liabilities inherent in oil and natural gas operations; the occurrence of unexpected events such as fires, equipment failures and other similar events affecting Birchcliff or other parties whose operations or assets directly or indirectly affect Birchcliff; uncertainty that development activities in connection with its assets will be economical; uncertainties associated with estimating oil and natural gas reserves and resources; the accuracy of oil and natural gas reserves estimates and estimated production levels; geological, technical, drilling, construction and

processing problems; uncertainty of geological and technical data; horizontal drilling and completions techniques and the failure of drilling results to meet expectations for reserves or production; uncertainties related to Birchcliff's future potential drilling locations; potential delays or changes in plans with respect to exploration or development projects or capital expenditures, including delays in the completion of 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 (including the Acquisition) 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 and change the Corporation's dividend policy; the failure to obtain any required approvals in a timely manner or at all; the risks that the closing conditions to the Acquisition may not be satisfied or that the Acquisition may not be completed as contemplated or at all; the failure to realize the anticipated benefits of acquisitions (including the Acquisition) and dispositions and the risk of unforeseen difficulties in integrating acquired assets into Birchcliff's operations; negative public perception of the oil and natural gas industry, including transportation, hydraulic fracturing and fossil fuels; and the availability of insurance and the risk that certain losses may not be insured.

The Corporation has disclosed certain expected details relating to its preliminary 2019 plans and guidance, including current expectations for capital spending in 2019. The board of directors of the Corporation has not approved a capital expenditure budget for 2019 and as such, the details relating to 2019 capital spending and guidance are subject to change and are intended only to illustrate Birchcliff's current expectations based on information and conditions known as of the date hereof. The Corporation's actual 2019 capital expenditure budget once approved may differ from the details disclosed herein for a variety of reasons, including as a result of any change in conditions and information known to Birchcliff prior to the date the 2019 capital expenditure budget is approved and/or as a result of Birchcliff's management and board of directors allocating capital differently than currently expected. The actual 2019 capital expenditure budget may impact the other information regarding the Corporation's preliminary 2019 plans and guidance provided herein.

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

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

Management has included the above summary of assumptions and risks related to forward-looking

statements provided in this press release in order to provide readers with a more complete perspective on Birchcliff's future operations. Readers are cautioned that this information may not be appropriate for other purposes.

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

#### About Birchcliff:

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

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