

BIRCHCLIFF

ENERGY

19-02

March 13, 2019

BIRCHCLIFF ENERGY LTD. ANNOUNCES FILING OF ITS 2018 YEAR-END AUDITED FINANCIAL STATEMENTS AND DISCLOSURE DOCUMENTS AND PROVIDES OPERATIONAL UPDATE

Calgary, Alberta – Birchcliff Energy Ltd. (“Birchcliff”) (TSX: BIR) is pleased to announce that it has filed its audited annual financial statements and related management’s discussion and analysis (the “MD&A”) and its annual information form (the “AIF”) for the financial year ended December 31, 2018 (collectively, the “Annual Filings”) on the System for Electronic Document Analysis and Retrieval (“SEDAR”).

The audited annual financial statements are consistent with the unaudited financial results disclosed in the press release issued by Birchcliff on [February 13, 2019](#). The AIF includes the disclosure and reports relating to reserves data and other oil and gas information required pursuant to National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*, as well as supplemental information relating to Birchcliff’s contingent and prospective resources. The Annual Filings are available electronically on Birchcliff’s website at www.birchcliffenergy.com and on SEDAR at www.sedar.com.

Operational Update

Birchcliff’s disciplined 2019 capital program (the “2019 Capital Program”) is focused on its high-value light oil assets in Gordondale and its condensate-rich assets in Pouce Coupe. Wells that have been brought on production in 2019 to date have had encouraging initial production rates with strong oil and condensate volumes. These rates are summarized in Birchcliff’s corporate presentation at www.birchcliffenergy.com/investors/corporate-presentation/.

Birchcliff currently has three drilling rigs at work, with two rigs in the Gordondale area and one in the Pouce Coupe area. Year-to-date, Birchcliff has drilled 10 (10.0 net) wells, consisting of 4 (4.0 net) Montney horizontal oil wells in the Gordondale area and 6 (6.0 net) Montney/Doig horizontal natural gas wells in the Pouce Coupe area. All of these wells were drilled on multi-well pads and none have been completed yet. With respect to the 9 wells Birchcliff drilled in Q4 2018, 7 of these wells have been brought on production and the remaining 2 wells are currently in various stages of completion. With 7 (7.0 net) wells left to drill under the 2019 Capital Program, Birchcliff expects to reduce the drilling rigs being utilized after break-up. Birchcliff anticipates that all 17 (17.0 net) wells to be drilled in 2019 will be brought on production by the end of Q3 2019.

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 2019:

Wells Drilled – 2019

Area	Wells drilled to-date	Remaining wells to be drilled in 2019	Total wells to be drilled in 2019
Pouce Coupe			
Montney D1 horizontal natural gas wells	4	2	6
Montney D2 horizontal natural gas wells	2	0	2
Montney C horizontal natural gas wells	0	1	1
Total – Pouce Coupe	6	3	9
Gordondale			
Montney D2 horizontal oil wells	3	2	5
Montney D1 horizontal oil wells	1	2	3
Total – Gordondale	4	4	8
TOTAL – COMBINED	10	7	17

Wells Brought on Production – 2019

Area	Wells brought on production to-date	Remaining wells to be brought on production in 2019	Total wells to be brought on production in 2019
Pouce Coupe			
Montney D1 horizontal natural gas wells	3	8	11
Montney D2 horizontal natural gas wells	0	2	2
Montney C horizontal natural gas wells	0	1	1
Total – Pouce Coupe	3	11	14
Gordondale			
Montney D2 horizontal oil wells	2	5	7
Montney D1 horizontal oil wells	2	3	5
Total – Gordondale	4	8	12
TOTAL – COMBINED	7	19	26⁽¹⁾

(1) Includes the 9 horizontal wells that were drilled in Gordondale and Pouce Coupe in Q4 2018 and have been or will be completed in 2019. Accordingly, a total of 26 (26.0 net) wells are expected to be brought on production during 2019.

2019 Guidance

Birchcliff is pleased to re-affirm its 2019 guidance. The following table sets forth its guidance and commodity price assumptions for 2019:

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

(1) Please see “Advisories – Forward-Looking Statements”. Birchcliff’s guidance for its commodity mix, average expenses, funds flow, capital expenditures and natural gas market exposure in 2019 is based on an annual average production rate of 77,000 boe/d during 2019, which is the mid-point of Birchcliff’s annual average production guidance for 2019.

- (2) Includes transportation tolls for 150,000 GJ/d of natural gas sold at the Dawn price from January 1, 2019 to October 31, 2019 and 175,000 GJ/d from November 1, 2019 to December 31, 2019. Also includes any new unused firm transportation costs associated with Birchcliff's commitments on the NGTL system, which is available for future production growth.
- (3) Adjusted Funds Flow is calculated as cash flow from operating activities before the effects of decommissioning expenditures and changes in non-cash working capital. See "Non-GAAP Measures". Birchcliff's estimate of adjusted funds flow takes into account the settlement of financial and physical commodity risk management contracts outstanding as at March 13, 2019. See "Commodity Price Risk Management" in the MD&A.
- (4) Birchcliff's estimate of F&D capital expenditures corresponds to Birchcliff's 2019 capital budget of \$204 million. This estimate excludes the purchase price for the Corporation's recent acquisition of Montney land for total cash consideration of \$39 million, which closed on January 3, 2019 (the "Acquisition") as described in the MD&A under "Subsequent Event", and any other net potential acquisitions and dispositions. Birchcliff's estimate of total capital expenditures includes the purchase price for the Acquisition; however, this estimate does not take into account any other potential acquisitions or dispositions as these amounts are unbudgeted. The estimate of total capital expenditures also includes minor administrative assets. See "Advisories – Capital Expenditures".
- (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 and/or to fund share buybacks under its normal course issuer bid. Any prolonged or significant decrease in commodity prices may leave insufficient free funds flow for debt reduction or the other foregoing purposes.
- (6) Represents the purchase price for the Acquisition of \$39 million.
- (7) Birchcliff's guidance regarding its natural gas market exposure in 2019 assumes: (i) 150,000 GJ/d being sold at the Dawn index price from January 1, 2019 to October 31, 2019 and 175,000 GJ/d from November 1, 2019 to December 31, 2019; (ii) 5 MMcf/d being sold at Alliance's Trading Pool daily index price; and (iii) 100,000 MMBtu/d being hedged at a fixed basis differential between the AECO price and the NYMEX HH price.
- (8) \$1.00 per MMBtu equals \$1.00 per Mcf based on a standard heat value of 37.4 MJ/m³ or a heat uplift of 1.055 when converting from \$/GJ.

ABBREVIATIONS

AECO	benchmark price for natural gas determined at the AECO 'C' hub in southeast Alberta
bbl	barrel
boe	barrel of oil equivalent
boe/d	barrel of oil equivalent per day
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
HH	Henry Hub
m ³	Cubic metres
Mcf	thousand cubic feet
MJ	megajoule
MM\$	millions of dollars
MMBtu	million British thermal units
MMBtu/d	million British thermal units per day
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 Limited
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma, for crude oil of standard grade

NON-GAAP MEASURES

This press release uses "adjusted funds flow" and "free funds flow". 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. 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 assists management and investors in assessing Birchcliff's profitability, as well as its ability to generate the cash necessary

to fund future growth through capital investments, decommission its assets, pay dividends and repay debt. Investors are cautioned that adjusted funds flow should not be construed as an alternative to or more meaningful than cash flow from operating activities or net income or loss as determined in accordance with GAAP as an indicator of Birchcliff's performance.

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

ADVISORIES

Currency

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

Boe Conversions

Boe amounts have been calculated by using the conversion ratio of 6 Mcf of natural gas to 1 bbl of oil. Boe amounts may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. 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.

Initial Production Rates

Any references in this press release to initial production rates or other short-term production rates are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will continue to produce and decline thereafter and are not indicative of the long-term performance or of 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.

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; the information set forth under the heading “2019 Guidance” as it relates to Birchcliff’s 2019 guidance (including: Birchcliff’s estimates of annual average production, commodity mix, average expenses, adjusted and free funds flow, capital expenditures and natural gas market exposure in 2019; the possible uses of free funds flow; Birchcliff’s guidance regarding its 2019 Capital Program and its proposed exploration and development activities and the timing thereof and the information set forth under the heading “Operational Update” (including: the number and types of wells to be drilled, completed and brought on production and the timing thereof; the focus of and the anticipated results from the program; and Birchcliff’s marketing and transportation arrangements (including that an additional tranche of service on TCPL’s Canadian Mainline will become available later in 2019 and the aggregate level of firm service on TCPL’s Canadian Mainline that will become available on November 1, 2019).

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:

- Birchcliff’s 2019 guidance assumes the following commodity prices during 2019: an average WTI price of US\$56.00/bbl; an average WTI-MSW differential of \$10.00/bbl; an average AECO price of \$1.65/GJ; an average Dawn price of \$3.40/GJ; an average NYMEX HH price of US\$3.00/MMBtu; and an exchange rate (CDN\$ to US\$1) of 1.32.
- With respect to Birchcliff’s production guidance for 2019, such guidance assumes that: the 2019 Capital Program will be carried out as currently contemplated; no unexpected outages occur in the infrastructure that Birchcliff relies on to produce its wells and that any transportation service curtailments or unplanned outages that occur will be short in duration or otherwise insignificant; the construction of new infrastructure meets timing and operational expectations; existing wells continue to meet production expectations; and future wells scheduled to come on production meet timing, production and capital expenditure expectations. Birchcliff’s production guidance may be affected by acquisition and disposition activity and acquisitions and dispositions could occur that may impact expected production.

- With respect to Birchcliff's estimates of adjusted and free funds flow for 2019, such estimates assume that: the 2019 Capital Program will be carried out as currently contemplated and the level of capital spending for 2019 set forth herein will be achieved; and the production targets, commodity mix, natural gas market exposure and commodity price assumptions set forth herein are met. In addition, Birchcliff's estimate of adjusted funds flow takes into account the settlement of financial and commodity risk management contracts outstanding as at March 13, 2019.
- With respect to statements of future wells to be drilled and brought on production, the key assumptions are: the continuing validity of the geological and other technical interpretations performed by Birchcliff's technical staff, which indicate that commercially economic volumes can be recovered from Birchcliff's lands as a result of drilling future wells; and that commodity prices and general economic conditions will warrant proceeding with the drilling of such wells.

Birchcliff's actual results, performance or achievements could differ materially from those anticipated in the forward-looking statements as a result of both known and unknown risks and uncertainties including, but not limited to: general economic, market and business conditions which will, among other things, impact the demand for and market prices of Birchcliff's products and Birchcliff's access to capital; volatility of crude oil and natural gas prices; fluctuations in currency and interest rates; stock market volatility; loss of market demand; an inability to access sufficient capital from internal and external sources; fluctuations in the costs of borrowing; operational risks and liabilities inherent in oil and natural gas operations; the occurrence of unexpected events such as fires, equipment failures and other similar events affecting Birchcliff or other parties whose operations or assets directly or indirectly affect Birchcliff; uncertainty that development activities in connection with its assets will be economical; uncertainties associated with estimating oil and natural gas reserves and resources; the accuracy of oil and natural gas reserves estimates and estimated production levels; geological, technical, drilling, construction and processing problems; uncertainty of geological and technical data; horizontal drilling and completions techniques and the failure of drilling results to meet expectations for reserves or production; uncertainties related to Birchcliff's future potential drilling locations; potential delays or changes in plans with respect to exploration or development projects or capital expenditures, including delays in the completion of gas plants and other facilities; the accuracy of cost estimates and variances in Birchcliff's actual costs and economic returns from those anticipated; incorrect assessments of the value of acquisitions and exploration and development programs; changes in tax laws, Crown royalty rates, environmental laws, carbon tax regimes, incentive programs and other regulations that affect the oil and natural gas industry and other actions by government authorities; 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 failure to realize the anticipated benefits of acquisitions and dispositions and the risk of unforeseen difficulties in integrating acquired assets into Birchcliff's operations; negative public perception of the oil and natural gas industry, including transportation, hydraulic fracturing and fossil fuels; 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.

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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