BIRCHCLIFF ENERGY

QUARTERLY REPORT | Q1 2020

BIRCHCLIFF ENERGY LTD. ANNOUNCES SOLID Q1 2020 RESULTS AND CONFIRMATION OF BORROWING BASE AT $1 BILLION

Calgary, Alberta (May 13, 2020) – Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") (TSX: BIR) is pleased to announce its financial and operational results for the three months ended March 31, 2020 and the confirmation of the borrowing base limit under its credit facilities at $1.0 billion.

"Our industry is facing unprecedented challenges as a result of the impacts from the global COVID-19 pandemic which has resulted in a significant reduction in worldwide oil demand. We believe that Birchcliff's strong financial position, low operating cost structure and low-decline asset base provides us with the ability to withstand these challenges. In addition, the reduced demand for oil has resulted in massive capital spending reductions and shut-ins of oil and natural gas production, leading to the strengthening of current and future natural gas prices in North America, which is key for our current and future adjusted funds flow," commented Jeff Tonken, President and Chief Executive Officer of Birchcliff.

"Our syndicate of lenders recently completed its semi-annual review of our credit facilities and our borrowing base limit has been confirmed at $1 billion. These credit facilities do not mature until May 11, 2022 and do not contain any financial maintenance covenants. In addition, we have taken various steps to strengthen our liquidity and financial flexibility in the current environment. Earlier in the year, we announced the deferral of $65 million of capital spending in 2020, which represented approximately 19% of our original capital budget. We also intend to reduce our quarterly common share dividend to $0.005 per share commencing June 30, 2020, which would result in the preservation of approximately $17.0 million in 2020."

"Our first priority is the health and safety of our employees, contractors and the communities where we operate. In response to the COVID-19 pandemic, we have introduced numerous measures to protect the well-being of our employees and contractors, including remote work-from-home arrangements, physical distancing measures, enhanced cleaning and sanitization measures and conducting meetings through virtual means. At various critical field sites, only essential personnel are authorized to be physically present and we have implemented a rotational work schedule. We have a long history of operational excellence and we are very proud of how our staff continue to exceed our expectations to maintain safe and reliable operations and the continuity of our business, despite having to adapt to this challenging new environment."

Birchcliff's unaudited interim condensed financial statements for the three months ended March 31, 2020 and related management's discussion and analysis (the "**MD&A**") will be available on its website at www.birchcliffenergy.com and on SEDAR at www.sedar.com.

Q1 2020 HIGHLIGHTS

- Achieved quarterly average production of 73,580 boe/d in Q1 2020, a 2% decrease from Q1 2019.
- Liquids accounted for approximately 22% of Birchcliff's total production in Q1 2020 as compared to approximately 21% in Q1 2019.
- Delivered adjusted funds flow of $36.9 million, or $0.14 per basic common share, in Q1 2020, a 68% decrease in each case from Q1 2019.
- Achieved low operating expense of $3.14/boe in Q1 2020, an 8% decrease from Q1 2019.
- Realized an operating netback of $9.32/boe in Q1 2020, a 46% decrease from Q1 2019.
- Continued with the successful and efficient execution of its 2020 capital program (the "**2020 Capital Program**"), drilling 18 (18.0 net) wells, completing 14 (14.0 net) wells and bringing 4 (4.0 net) wells on production in Q1 2020. Total F&D capital expenditures were $132.4 million in the quarter.
- Paid approximately $7.0 million in common share dividends in Q1 2020.
- Birchcliff performed an impairment test on its petroleum and natural gas properties and equipment at March 31, 2020 and such assets were not impaired.

Q1 2020 FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended March 31, 2020	Three months ended March 31, 2019
OPERATING		
Average production		
Light oil – *(bbls/d)*	3,954	4,800
Condensate – *(bbls/d)*	4,524	4,416
NGLs – *(bbls/d)*	7,962	6,743
Natural gas – *(Mcf/d)*	342,831	353,548
Total – boe/d	**73,580**	**74,884**
Average realized sales price *(CDN$)*[1]		
Light oil – *(per bbl)*	53.18	66.08
Condensate – *(per bbl)*	58.48	65.45
NGLs – *(per bbl)*	12.02	17.71
Natural gas – *(per Mcf)*	2.29	3.55
Total – per boe	**18.41**	**26.45**
NETBACK AND COST *($/boe)*		
Petroleum and natural gas revenue[1]	18.41	26.46
Royalty expense	(0.95)	(1.22)
Operating expense	(3.14)	(3.40)
Transportation and other expense	(5.00)	(4.61)
Operating netback *($/boe)*	**9.32**	**17.23**
G&A expense, net	(0.90)	(0.90)
Interest expense	(0.89)	(1.03)
Realized gain (loss) on financial instruments	(2.13)	1.98
Other income	0.11	0.03
Adjusted funds flow netback *($/boe)*	**5.51**	**17.31**
Depletion and depreciation expense	(7.71)	(7.55)
Unrealized loss on financial instruments	(5.88)	(5.77)
Other expenses[2]	(0.29)	(0.33)
Dividends on preferred shares	(0.29)	(0.29)
Income tax recovery (expense)	1.91	(1.03)
Net income (loss) to common shareholders *($/boe)*	**(6.75)**	**2.34**
FINANCIAL		
Petroleum and natural gas revenue *($000s)*[1]	123,263	178,355
Cash flow from operating activities *($000s)*	50,551	94,744
Adjusted funds flow *($000s)*	36,894	116,648
Per basic common share *($)*	0.14	0.44
Net income (loss) to common shareholders *($000s)*	(45,201)	15,799
Per basic common share *($)*	(0.17)	0.06
End of period basic common shares *(000s)*	265,935	265,924
Weighted average basic common shares *(000s)*	265,935	265,914
Dividends on common shares *($000s)*	6,981	6,980
Dividends on preferred shares *($000s)*	1,922	1,922
Total capital expenditures *($000s)*[3]	132,840	131,958
Long-term debt *($000s)*	619,055	611,911
Total debt *($000s)*	739,631	649,202

(1) Excludes the effects of financial instruments but includes the effects of physical delivery contracts.
(2) Includes non-cash expenses such as compensation, accretion, amortization of deferred financing fees and other income.
(3) See *"Advisories – Capital Expenditures".*

This report contains forward-looking statements within the meaning of applicable securities laws. For further information regarding the forward-looking statements contained herein, see "Advisories – Forward-Looking Statements". In addition, this report contains references to "adjusted funds flow", "adjusted funds flow per basic common share", "free funds flow", "transportation and other expense", "operating netback", "adjusted funds flow netback", "total cash costs" and "total debt", which do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. For further information regarding these non-GAAP measures, see "Non-GAAP Measures". With respect to the disclosure of Birchcliff's production contained in this report, see "Advisories – Production".

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

- Birchcliff's annual and special meeting (the "**Meeting**") of shareholders is scheduled to take place tomorrow, Thursday, May 14, 2020, at the offices of the Corporation, Suite 1000, 600 – 3rd Avenue S.W., Calgary, Alberta.
- The Meeting will be held for the sole purpose of addressing the matters to be acted upon at the Meeting as disclosed in the Notice of Meeting of the Corporation dated March 25, 2020. No corporate update or investor presentation will be provided at the Meeting and most of the directors and executive officers of the Corporation will not be in attendance.
- Shareholders are strongly encouraged not to attend the Meeting in person unless absolutely necessary.
- Birchcliff reserves the right to refuse admission to anyone whom the Corporation believes may pose a health risk or whose admission would violate applicable public health laws, policies or orders in place at the time of the Meeting.
- In order to ensure that all government restrictions with respect to public gatherings are complied with, only registered shareholders or their duly appointed proxy holders and other essential personnel will be permitted to attend the Meeting. Attendance may be further restricted as noted above.

REDEMPTION OF SERIES C PREFERRED SHARES BY HOLDERS

- The Corporation currently has no intention to exercise its option to redeem its cumulative redeemable preferred shares, Series C (the "**Series C Preferred Shares**"), but rather, to leave such shares outstanding and continue paying a quarterly cash dividend on the shares.
- On and after June 30, 2020, subject to the provisions governing the Series C Preferred Shares (the "**Provisions**"), a holder of the Series C Preferred Shares may, at its option, upon giving notice, redeem for cash, all or any number of Series C Preferred Shares held by such holder on the last day of a quarter at $25.00 per share, together with all accrued and unpaid dividends to but excluding the date fixed for redemption. If the Corporation receives a notice of redemption, it has the option to elect to convert any Series C Preferred Shares into common shares of the Corporation using a conversion price equal to the greater of $2.00 and 95% of the "Current Market Price" (as determined in accordance with the Provisions) of the common shares.
- Important information regarding the process to be followed by holders who wish to redeem their Series C Preferred Shares is available on the Corporation's website at http://birchcliffenergy.com/investors/series-c-preferred-shares/. Holders or prospective holders should consult their own tax and other professional advisors for advice with respect to the tax and other consequences of acquiring, holding or disposing of Series C Preferred Shares.

OUTLOOK AND GUIDANCE

Competitive Advantage

Birchcliff believes that the following key attributes provide it with a competitive advantage which will allow it to withstand this current period of low and volatile commodity prices:

- **Strong Financial Position**

  The Corporation has extendible revolving credit facilities (the "**Credit Facilities**") with a borrowing base limit of $1.0 billion. The Credit Facilities do not mature until May 11, 2022 and do not contain any financial maintenance covenants.

- **Low Operating Cost Structure**

  Birchcliff has a very low operating cost structure, in large part as a result of owning the majority of the infrastructure through which its production flows, including its 100% owned and operated natural gas processing plant located in Pouce Coupe (the "**Pouce Coupe Gas Plant**").

- **High-Quality, Low-Decline Asset Base**

  Birchcliff's high-quality, low-decline asset base allows it to maintain production at or near current levels with less F&D capital each year and is also able to generate positive funds flow in a low commodity price environment. In addition, the Corporation's owned-and-operated infrastructure, diverse portfolio of assets and production commodity mix of 78% natural gas and 22% liquids provides it with significant optionality to focus on those commodities that provide it with the highest rate of return.

- **People**

  The Corporation's dedicated and skilled employees and contractors have helped position Birchcliff as one of the lowest cost producers in the industry operating with rigorous health, safety and environmental standards. In addition, Birchcliff's board of directors has been providing the Corporation with ongoing oversight and support to help guide it through this unprecedented period of uncertainty.

Strengthening Liquidity and Financial Flexibility

In this challenging environment, Birchcliff is focused on strengthening its liquidity and financial flexibility and has taken various measures to protect its balance sheet and to provide it with additional financial flexibility, including the following:

- **Reduced Capital Spending By 19%**

  On March 11, 2020, the Corporation announced that it was deferring $65 million of capital spending in 2020, which represented approximately 19% of its original 2020 capital budget.

- **Borrowing Base Limit Confirmed at $1.0 Billion**

  As discussed in further detail under *"Q1 2020 Financial and Operational Results – Debt and Credit Facilities"*, the borrowing base limit under the Corporation's Credit Facilities was recently confirmed at $1.0 billion.

- **Strategic Hedging**

  Birchcliff continues to engage in strategic risk management activities to help reduce its exposure to volatile commodity prices and protect its balance sheet and adjusted funds flow. As of May 12, 2020, the Corporation has entered into the following short-term hedges: (i) May 2020: 4,000 bbls/d of light oil at an average MSW price of CDN$20.05/bbl; (ii) June 2020: 6,000 bbls/d of light oil at an average MSW price of CDN$26.35/bbl; (iii) July 2020: 1,500 bbls/d of light oil at an average MSW price of CDN$31.33/bbl; and (iv) August 2020: 500 bbls/d of condensate at an average C5+ price of CDN$32.50/bbl. For further details regarding the Corporation's hedging arrangements, see *"Discussion of Operations – Risk Management"* in the MD&A.

- **Common Share Dividend Reduced By 80%**

  The Corporation intends to reduce the amount of its quarterly common share dividend from $0.02625 per share (or $0.105 per share annually) to $0.005 per share (or $0.02 per share annually) commencing with the quarter ending June 30, 2020, which would result in the preservation of approximately $17.0 million in 2020. This reduced quarterly cash dividend is expected to be declared by the Corporation's board of directors on June 2, 2020, as originally scheduled. Birchcliff's board of directors and management team believe that reducing the common share dividend is a prudent step in order to strengthen the Corporation's financial resiliency in the current environment.

Production and Adjusted Funds Flow Increasing, Per Unit Costs Decreasing

Birchcliff is also focused on the successful and efficient execution of its 2020 Capital Program, which is expected to be completed on time and on budget. The program is heavily weighted towards the first half of the year, with the majority of F&D capital expected to be spent by the end of Q2 2020.

Over the course of 2020, the Corporation's production is expected to increase with a corresponding reduction in per unit operating costs, with a significant number of wells planned to be brought on production in late Q3 2020, which will coincide with the bringing on-stream of Birchcliff's 20,000 bbls/d (50% condensate, 50% water) inlet liquids-handling facility at the Pouce Coupe Gas Plant (the "**Inlet Liquids-Handling Facility**"). Production in Q4 2020 is expected to average approximately 81,000 to 83,000 boe/d. As the Corporation anticipates that natural gas prices will continue to strengthen throughout 2020 and into 2021, the Corporation expects that its higher production in the third and fourth quarters of 2020 will drive higher adjusted funds flow and lower per unit costs.

As a result of very weak commodity prices anticipated for Q2 2020, Birchcliff currently expects that it will have significantly lower adjusted funds flow in Q2 2020 as compared to Q1 2020. In addition, as a result of executing the vast majority of the 2020 Capital Program in the first half of 2020, total debt is expected to peak early in Q3 2020. As production increases and commodity prices for natural gas are expected to strengthen over the course of 2020, Birchcliff anticipates that its total debt will gradually decrease throughout the remainder of 2020, while its adjusted funds flow will steadily increase.

Looking forward, Birchcliff expects to exit 2020 in a strong position as a result of its higher production and lower costs. In addition, the expected proved developed producing reserves additions resulting from the 2020 Capital Program should position the Corporation well for the future. The Corporation is currently in the early stages of planning its 2021 capital program, which will be designed to provide Birchcliff with significant optionality to take advantage of volatile commodity prices. As a result of Birchcliff's large inventory of potential future drilling locations, the Corporation has the ability to focus on natural gas, liquids-rich natural gas or light oil drilling, depending on its outlook for commodity prices. Based on current strip prices, the Corporation currently expects to return to a free funds flow model in 2021.

Revised Guidance

In light of the COVID-19 pandemic and current economic conditions, Birchcliff has revised its average royalty expense, adjusted funds flow, free funds flow and total debt guidance and commodity price assumptions for 2020. All other previous guidance for 2020 remains unchanged. The following table sets forth Birchcliff's revised and previous guidance and commodity price assumptions for 2020:

	Revised 2020 guidance and assumptions(1)	Previous 2020 guidance and assumptions(1)(2)
Production		
Annual average production *(boe/d)*	78,000 – 80,000	78,000 – 80,000
% Light oil	7%	7%
% Condensate	8%	8%
% NGLs	9%	9%
% Natural gas	76%	76%
Q4 average production *(boe/d)*	81,000 – 83,000	81,000 – 83,000
Average Expenses *($/boe)*		
Royalty	0.65 – 0.85	1.00 – 1.20
Operating	3.05 – 3.25	3.05 – 3.25
Transportation and other	4.90 – 5.10(3)	4.90 – 5.10
Adjusted Funds Flow *(MM$)*	161(4)	252
F&D Capital Expenditures *(MM$)*	275 – 295(5)	275 – 295
Free Funds Flow *(MM$)*(6)	(114) – (134)	(23) – (43)
Total Debt at Year End *(MM$)*	770 – 790(7)	700 – 720
Natural Gas Market Exposure(8)		
AECO exposure as a % of total natural gas production	20%	20%
Dawn exposure as a % of total natural gas production	45%	45%
NYMEX HH exposure as a % of total natural gas production	34%	34%
Alliance exposure as a % of total natural gas production	1%	1%
Commodity Prices		
Average WTI price *(US$/bbl)*	33.00	48.00
Average WTI-MSW differential *(CDN$/bbl)*	11.00	5.70
Average AECO 5A price *(CDN$/GJ)*	2.20	1.90
Average Dawn price *(US$/MMBtu)*(9)	2.00	2.15
Average NYMEX HH price *(US$/MMBtu)*(9)	2.25	2.20
Exchange rate *(CDN$ to US$1)*	1.38	1.34

(1) Birchcliff's guidance for its commodity mix, adjusted funds flow and natural gas market exposure in 2020 is based on an annual average production rate of 79,000 boe/d during 2020, which is the mid-point of Birchcliff's annual average production guidance for 2020.

(2) As disclosed on March 11, 2020.

(3) Includes transportation tolls for 175,000 GJ/d of natural gas sold at the Dawn price and includes any unused firm transportation costs associated with Birchcliff's commitments on the NGTL system.

(4) Birchcliff's estimate of adjusted funds flow takes into account the effects of its physical and financial commodity risk management contracts outstanding as at May 12, 2020. See *"Discussion of Operations – Risk Management"* in the MD&A.

(5) Birchcliff's estimate of F&D capital expenditures excludes any net potential acquisitions and dispositions and corresponds to Birchcliff's 2020 F&D capital budget. See *"Advisories – Capital Expenditures"*.

(6) Free funds flow is calculated as adjusted funds flow less F&D capital expenditures and is prior to acquisitions and dispositions, dividend payments, abandonment and reclamation obligations, administrative assets, financing fees and capital lease obligations. See *"Non-GAAP Measures"*.

(7) The total debt amount set forth in the table above assumes the following: (i) that the timing and amount of preferred share dividends paid by the Corporation remains consistent with previous years, with the dividend rates remaining flat; (ii) that a common share dividend of $0.005 per share is paid for the quarters ending June 30, 2020, September 30, 2020 and December 31, 2020; (iii) that there are 265,935,229 common shares and 2,000,000 Series C Preferred Shares outstanding, with no Series C Preferred Shares redeemed in 2020; (iv) that the 2020 Capital Program will be carried out as currently contemplated and the level of capital spending set forth herein will be achieved; and (v) the targets for production, commodity mix, capital expenditures, adjusted funds flow, free funds flow and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met. The amount set forth in the table above does not include annual cash incentive payments.

(8) Birchcliff's guidance regarding its natural gas market exposure in 2020 assumes: (i) 175,000 GJ/d being sold at the Dawn index price; (ii) 5 MMcf/d being sold at Alliance's Trading Pool daily index price until October 31, 2020; and (iii) 132,500 MMBtu/d being hedged on a financial and physical basis at a fixed basis differential between the AECO 7A price and the NYMEX HH price.

(9) See *"Advisories – MMBtu Pricing Conversions"*.

The following table illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's revised estimate of adjusted funds flow for 2020 of $161 million, after taking into account the effects of its commodity risk management contracts outstanding as at May 13, 2020:

	Estimated change to 2020 adjusted funds flow *(MM$)*(1)(2)
Change in WTI US$1.00/bbl	7.0
Change in NYMEX HH US$0.10/MMBtu	6.0
Change in Dawn US$0.10/MMBtu	8.3
Change in AECO CDN$0.10/GJ	3.5
Change in CDN/US exchange rate CDN$0.01	2.0

(1) See the guidance table above.
(2) The calculated impact on adjusted funds flow is only applicable within the limited range of change indicated. Calculations are performed independently and may not be indicative of actual results. Actual results may vary materially when multiple variables change at the same time.

The outbreak of the COVID-19 pandemic has had a significant negative impact on global economic conditions and has resulted in a sharp decrease in the demand for crude oil which, combined with other macro-economic conditions, has resulted in significant volatility in oil and natural gas commodity prices, as well as increased economic uncertainty. Changes in assumed commodity prices and variances in production estimates can have a significant impact on the Corporation's estimates of adjusted funds flow and free funds flow and the Corporation's other guidance. For further information, see *"Advisories – Forward-Looking Statements"* in this report and *"Risk Factors and Risk Management"* in the MD&A.

Q1 2020 FINANCIAL AND OPERATIONAL RESULTS

Production

Birchcliff's production averaged 73,580 boe/d in Q1 2020, which was on the high end of its guidance of 72,000 to 74,000 boe/d and which represented a 2% decrease from 74,844 boe/d in Q1 2019. In order to minimize frac-driven interaction associated with offset drilling and completions activities, Birchcliff proactively and temporarily shut-in some production during Q1 2020 in order to protect its existing wells, which was the main driver for the decrease from Q1 2019. Production was also impacted by natural production declines, partially offset by incremental production from the new horizontal oil and natural gas wells brought on production since Q1 2019.

Liquids accounted for approximately 22% of Birchcliff's total production in Q1 2020 as compared to approximately 21% in Q1 2019, with total liquids production increasing by 3% from Q1 2019. The change in the commodity production mix was primarily attributable to the addition of condensate-rich natural gas wells in Pouce Coupe and an increase in C3+ extracted from the natural gas stream at the Pouce Coupe Gas Plant.

Adjusted Funds Flow

Birchcliff's adjusted funds flow for Q1 2020 was $36.9 million, or $0.14 per basic common share, a 68% decrease in each case from $116.6 million and $0.44 per basic common share in Q1 2019. The decreases were primarily due to lower reported revenue and a realized loss on financial instruments of $14.3 million in Q1 2020 as compared to a realized gain on financial instruments of $13.3 million in Q1 2019. Revenue decreased by $55.1 million (or 31%) as compared to Q1 2019, largely due to lower average realized liquids and natural gas sales prices in Q1 2020. Birchcliff's light oil revenue in Q1 2020 was impacted by the significant weakness and volatility in oil prices as a result of the COVID-19 pandemic and OPEC+'s initial plan to increase production announced in early March 2020. Adjusted funds flow was also impacted by lower operating, royalty and interest expenses, partially offset by higher transportation and other expense as a result of Birchcliff's increased Dawn and AECO firm service.

Net Loss to Common Shareholders

Birchcliff recorded a net loss to common shareholders of $45.2 million, or $0.17 per basic common share, in Q1 2020 as compared to net income to common shareholders of $15.8 million and $0.06 per basic common share in Q1 2019. The change to a net loss position was primarily due to lower adjusted funds flow as described above, partially offset by an income tax recovery of $12.7 million recorded in Q1 2020 as compared to an income tax expense of $7.0 million recorded in Q1 2019.

Operating Expense

Birchcliff's operating expense was $3.14/boe in Q1 2020, an 8% decrease from $3.40/boe in Q1 2019. The decrease was primarily due to various field optimization initiatives in Pouce Coupe and Gordondale, which included the Corporation's expanded liquids-handling capabilities in Pouce Coupe.

Operating Netback

Birchcliff's operating netback was $9.32/boe in Q1 2020, a 46% decrease from $17.23/boe in Q1 2019. The decrease was primarily due to a 30% decrease in the corporate average realized sales price and higher per boe transportation and other expense as a result of Birchcliff's increased Dawn and AECO firm service, partially offset by lower per boe operating and royalty expenses.

Total Cash Costs

Birchcliff's total cash costs were $10.88/boe in Q1 2020, a 3% decrease from $11.16/boe in Q1 2019. The decrease was primarily due to lower per boe operating, interest and royalty expenses, partially offset by higher per boe transportation and other expense.

Pouce Coupe Gas Plant Netbacks

Birchcliff processed approximately 69% of its total corporate natural gas production and 59% of its total corporate production through the Pouce Coupe Gas Plant in Q1 2020 and Q1 2019. The following table sets forth Birchcliff's average daily production and operating netback for wells producing to the Pouce Coupe Gas Plant for the periods indicated:

	Three months ended March 31, 2020		Three months ended March 31, 2019	
Average production:				
Condensate *(bbls/d)*		2,981		2,931
NGLs *(bbls/d)*		1,025		532
Natural gas *(Mcf/d)*		239,236		242,699
Total *(boe/d)*		**43,879**		**43,913**
Liquids-to-gas ratio[(1)] *(bbls/MMcf)*		**16.7**		**14.3**
Netback and cost:	*$/Mcfe*	*$/boe*	*$/Mcfe*	*$/boe*
Petroleum and natural gas revenue[(2)]	2.90	17.39	4.07	24.42
Royalty expense	(0.10)	(0.62)	(0.12)	(0.71)
Operating expense[(3)]	(0.33)	(1.98)	(0.32)	(1.87)
Transportation and other expense	(0.89)	(5.34)	(0.78)	(4.71)
Operating netback	**$1.58**	**$9.45**	**$2.85**	**$17.13**
Operating margin[(4)]	**54%**	**54%**	**70%**	**70%**

(1) Liquids consists of condensate and other NGLs.

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

(3) Represents plant and field operating expense.

(4) Operating margin is calculated by dividing the operating netback for the period by the petroleum and natural gas revenue for the period.

The Corporation's liquids-to-gas ratio increased by 17% as compared to Q1 2019 primarily due to specifically targeted condensate-rich natural gas wells in Pouce Coupe and an increase in C3+ extracted from the natural gas stream at the Pouce Coupe Gas Plant. The amount of liquids (condensate and other NGLs) from Montney horizontal natural gas wells being produced to the Pouce Coupe Gas Plant increased by 16% to 4,006 bbls/d in Q1 2020 from 3,463 bbls/d in Q1 2019. The increase in the liquids-to-gas ratio improved Birchcliff's average realized sales price and operating netback at the Pouce Coupe Gas Plant.

Debt and Credit Facilities

At March 31, 2020, Birchcliff had long-term bank debt of $619.0 million as compared to $611.9 million at March 31, 2019, leaving $374.8 million of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized interest and fees. Total debt at March 31, 2020 was $739.6 million as compared to $649.2 million at March 31, 2019.

Borrowing Base Confirmed at $1.0 Billion

Birchcliff has significant liquidity from its Credit Facilities which have an aggregate principal amount of $1.0 billion and which are comprised of an extendible revolving syndicated term credit facility (the "**Syndicated Credit Facility**") of $900.0 million and an extendible revolving working capital facility (the "**Working Capital Facility**") of $100.0 million. The Credit Facilities do not contain any financial maintenance covenants.

The Credit Facilities are subject to semi-annual reviews of the borrowing base limit by Birchcliff's syndicate of lenders, which limit is directly impacted by the value of Birchcliff's oil and natural gas reserves. Birchcliff's syndicate of lenders recently completed its review and the borrowing base limit was confirmed at $1.0 billion, which is a testament to the strength of Birchcliff's proved developed producing reserves.

The maturity dates of the Credit Facilities are currently May 11, 2022. The Corporation may each year, at its option, request an extension to the maturity date of the Syndicated Credit Facility and the Working Capital Facility, or either of them, for an additional period of up to three years from May 11 of the year in which the extension request is made. In connection with the most recently completed borrowing base review, Birchcliff chose to not extend the maturity dates of the Credit Facilities by another year given that the Credit Facilities do not mature for another two years and the increased costs of credit in the current environment.

Commodity Prices

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

	Three months ended March 31, 2020	Three months ended March 31, 2019	% Change
Light oil – WTI Cushing *(US$/bbl)*	46.17	54.90	(16%)
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	51.27	66.07	(22%)
Natural gas – NYMEX HH *(US$/MMBtu)*(1)	1.95	3.15	(38%)
Natural gas – AECO 5A Daily *(CDN$/GJ)*	1.93	2.49	(22%)
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*(1)	1.60	1.46	10%
Natural gas – Dawn Day Ahead *(US$/MMBtu)*(1)	1.76	2.91	(40%)
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	1.63	2.63	(38%)
Exchange rate *(CDN$ to US$1)*	1.3442	1.3293	1%
Exchange rate *(US$ to CDN$1)*	0.7439	0.7523	(1%)

(1) See *"Advisories – MMBtu Pricing Conversions"*.

Marketing and Natural Gas Market Diversification

Birchcliff's physical natural gas sales exposure primarily consists of the AECO, Dawn and Alliance markets. In addition, the Corporation has various financial instruments outstanding that provide it with exposure to NYMEX HH pricing.

The following table details Birchcliff's effective sales, production and average realized sales price for natural gas and liquids for Q1 2020, after taking into account the Corporation's financial instruments:

	Three months ended March 31, 2020					
	Effective sales *(CDN$000s)*	**Percentage of total sales** *(%)*	**Effective production** *(per day)*	**Percentage of total natural gas production** *(%)*	**Percentage of total corporate production** *(%)*	**Effective average realized sales price** *(CDN$)*
Markets						
AECO(1)	10,638	10	53,816 Mcf	16	12	2.17/Mcf
Dawn(2)	35,818	32	159,126 Mcf	46	36	2.47/Mcf
Alliance(3)	1,162	1	8,571 Mcf	3	2	1.50/Mcf
NYMEX HH(1)	9,693	9	121,318 Mcf	35	28	0.88/Mcf
Total natural gas	**57,311**	**52**	**342,831 Mcf**	**100**	**78**	**1.84/Mcf**
Light oil	19,138	18	3,954 bbls		5	53.18/bbl
Condensate	24,080	22	4,524 bbls		6	58.48/bbl
NGLs	8,710	8	7,962 bbls		11	12.02/bbl
Total liquids	**51,928**	48	**16,440 bbls**		**22**	**34.71/bbl**
Total corporate	**109,239**	**100**	**73,580 boe**		**100**	**16.31/boe**

(1) A portion of AECO 5A sales and production that effectively received NYMEX HH pricing under Birchcliff's long-term physical and financial NYMEX/AECO 7A basis swap contracts has been included as effective sales and production in NYMEX HH markets. Birchcliff sold financial and physical AECO 7A basis swaps for 132,500 MMBtu/d at an average contract price of NYMEX HH less US$1.234/MMBtu during Q1 2020.

(2) Birchcliff has agreements for the firm service transportation of an aggregate of 175,000 GJ/d of natural gas on TCPL's Canadian Mainline, whereby natural gas is transported to the Dawn trading hub in Southern Ontario. The first tranche of this service (120,000 GJ/d) became available on November 1, 2017, the second tranche (30,000 GJ/d) became available on November 1, 2018 and the third tranche (25,000 GJ/d) became available on November 1, 2019. Each tranche has a 10-year term.

(3) Birchcliff has sales agreements with a third party marketer to sell and deliver into the Alliance pipeline system until October 31, 2020. Alliance sales are recorded net of transportation tolls.

Effectively 90% of the Corporation's sales revenue, representing 84% of its total natural gas production and 88% of its total corporate production, was generated from markets outside of AECO in Q1 2020, after taking into account its liquids sales and long-term financial NYMEX/AECO basis swap position.

The following tables set forth Birchcliff's sales, production, average realized sales price, transportation costs and natural gas sales netback by natural gas market for the periods indicated, before taking into account the Corporation's financial instruments:

	Three months ended March 31, 2020						
	Natural gas sales(1) *(CDN$000s)*	**Percentage of natural gas sales** *(%)*	**Natural gas production** *(Mcf/d)*	**Percentage of natural gas production** *(%)*	**Average realized natural gas sales price(1)** *(CDN$/Mcf)*	**Natural gas transportation costs(2)** *(CDN$/Mcf)*	**Natural gas sales netback(3)** *(CDN$/Mcf)*
AECO(4)	34,352	48	175,188	51	2.17	0.38	1.79
Dawn	35,818	50	159,126	46	2.47	1.45	1.02
Alliance(5)	1,162	2	8,517	3	1.50	-	1.50
Total	**71,332**	**100**	**342,831**	**100**	**2.29**	**0.87**	**1.42**

	Three months ended March 31, 2019						
	Natural gas sales(1) *(CDN$000s)*	**Percentage of natural gas sales** *(%)*	**Natural gas production** *(Mcf/d)*	**Percentage of natural gas production** *(%)*	**Average realized natural gas sales price(1)** *(CDN$/Mcf)*	**Natural gas transportation costs(2)** *(CDN$/Mcf)*	**Natural gas sales netback(3)** *(CDN$/Mcf)*
AECO(4)	44,682	39	194,058	55	2.55	0.36	2.19
Dawn	62,861	56	137,978	39	5.06	1.42	3.64
Alliance(5)	5,433	5	21,512	6	2.81	-	2.81
Total	**112,976**	**100**	**353,548**	**100**	**3.55**	**0.76**	**2.79**

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

(2) Reflects costs to transport natural gas from the field receipt point to the delivery sales trading hub.

(3) Natural gas sales netback denotes the average realized natural gas sales price less natural gas transportation costs.

(4) Includes physical AECO 7A basis swaps for 5,000 MMBtu/d at an average contract price of NYMEX less US$1.205 MMBtu.

(5) Alliance sales are recorded net of transportation tolls.

Capital Activities and Investment

During Q1 2020, Birchcliff continued with the successful execution of its 2020 Capital Program, drilling 18 (18.0 net) wells, completing 14 (14.0 net) wells and bringing 4 (4.0 net) wells on production. The following table sets forth the number of wells drilled and brought on production by the Corporation in Q1 2020:

Area	Wells drilled in Q1 2020	Wells brought on production in Q1 2020
Pouce Coupe		
Montney D1 horizontal natural gas wells	1	0
Montney D2 horizontal natural gas wells	6	4
Montney C horizontal natural gas wells	3	0
Total – Pouce Coupe	**10**	**4**
Gordondale		
Montney D1 horizontal oil wells	4	0
Montney D2 horizontal oil wells	4	0
Total – Gordondale	**8**	**0**
TOTAL – COMBINED	**18**	**4**

Total F&D capital expenditures in Q1 2020 were $132.4 million, with F&D capital expenditures of $69.2 million in Pouce Coupe and $63.0 million in Gordondale. For further information regarding Birchcliff's operational activities year-to-date, see *"Operational Update"* below.

OPERATIONAL UPDATE

Overview

Birchcliff's 2020 Capital Program is focused on its high-value light oil assets in Gordondale and its condensate-rich assets in Pouce Coupe, with the majority of capital investment directed towards the drilling of horizontal condensate-rich natural gas wells in Pouce Coupe and horizontal oil wells in Gordondale. The 2020 Capital Program contemplates the drilling of a total of 28 (28.0 net) wells and the bringing on production of a total of 34 (34.0 net) wells in 2020. As at the date hereof, the Corporation has completed the drilling of a total of 27 (27.0 net) wells and brought 20 (20.0 net) wells on production.

The following tables summarize the wells that Birchcliff has drilled and brought on production year-to-date and the remaining and total number of wells to be drilled in 2020:

Wells Drilled – 2020

Area	Wells drilled year-to-date	Remaining wells to be drilled in 2020	Total wells to be drilled in 2020
Pouce Coupe			
Montney D1 horizontal natural gas wells	4	0	4
Montney D2 horizontal natural gas wells	8	1	9
Montney C horizontal natural gas wells	7	0	7
Total – Pouce Coupe	**19**	**1**	**20**
Gordondale			
Montney D1 horizontal oil wells	4	0	4
Montney D2 horizontal oil wells	4	0	4
Total – Gordondale	**8**	**0**	**8**
TOTAL – COMBINED	**27**	**1**	**28**

Wells Brought on Production – 2020

Area	Wells brought on production year-to-date	Remaining wells to be brought on production in 2020	Total wells to be brought on production in 2020(1)
Pouce Coupe			
Montney D1 horizontal natural gas wells	0	4	4
Montney D2 horizontal natural gas wells	7	5	12
Montney C horizontal natural gas wells	3	5	8
Total – Pouce Coupe	**10**	**14**	**24**
Gordondale			
Montney D1 horizontal oil wells	5	0	5
Montney D2 horizontal oil wells	4	0	4
Montney D4 horizontal oil wells	**1**	**0**	1
Total – Gordondale	**10**	**0**	**10**
TOTAL – COMBINED	**20**	**14**	**34**

(1) Includes 6 (6.0) net wells that were drilled and rig released in Q4 2019.

Facilities and infrastructure spending under the 2020 Capital Program is largely directed towards the completion of Birchcliff's Inlet Liquids-Handling Facility at the Pouce Coupe Gas Plant and other infrastructure projects in Gordondale. These projects are expected to provide numerous long-term benefits to Birchcliff, including the ability to increase its condensate production in the Pouce Coupe area, as discussed in further detail below.

Birchcliff will continue to closely monitor commodity prices and its capital expenditures to curtail any spending beyond its current 2020 Capital Program.

Pouce Coupe

Drilling Activities and Results

Birchcliff's 2020 Capital Program for the Pouce Coupe area includes the drilling of 20 (20.0 net) wells and the bringing on production of 24 (24.0 net) wells. Year-to-date, Birchcliff has drilled 19 wells in Pouce Coupe and brought on production 10 wells. The 10 wells that were brought on production were completed on 2 pads.

The first pad is an existing pad site at 06-32-078-12W6, where Birchcliff drilled an additional 2 wells in Q4 2019 and 2 wells in Q1 2020. All of these wells were drilled in the Montney D2 interval and were brought on production in late Q1 2020. Birchcliff has been encouraged by the initial results of these wells, which have showed strong condensate and natural gas rates.

The second pad is an existing pad site at 14-06-079-12W6, where Birchcliff drilled an additional 2 wells in Q4 2019 and 4 wells in Q1 2020. These 6 wells were drilled in 2 different intervals (3 in the Montney D2 and 3 in the Montney C) and all were brought on production the week of May 11, 2020.

Birchcliff's 14-well pad located at 14-19-079-12W6 is using multi-interval cube-style development to maximize operational efficiencies through scale and repeatability, which in turn is expected to lead to further savings on a per well basis. To date, 13 of the 14 wells have been drilled and Birchcliff currently has 1 drilling rig at work which is drilling the last well on the pad. The pad is adjacent to the successful condensate-rich wells drilled by Birchcliff in 2019 in the Montney D1, D2 and C intervals at its 14-06-079-12W6 pad. Notwithstanding the current weakness in commodity prices, these 14 wells have excellent economics due to their high condensate and natural gas rates and low capital costs. This 14-well pad is anticipated to come on production in late Q3 2020, timed to coincide with the bringing on-stream of the new Inlet Liquids-Handling Facility.

Facilities and Infrastructure

The 2020 Capital Program also includes a number of facilities and infrastructure projects in the Pouce Coupe area, including the Inlet Liquids-Handling Facility. Field construction of the Inlet Liquids-Handling Facility is well underway and

Birchcliff anticipates that the facility will be brought on-stream in late Q3 2020. Once completed, this facility will give Birchcliff the ability to increase its condensate production in the Pouce Coupe area to approximately 10,000 bbls/d.

Gordondale

Drilling Activities and Results

Birchcliff's 2020 Capital Program for the Gordondale area includes the drilling of 8 (8.0 net) wells and the bringing on production of 10 (10.0 net) wells. Birchcliff used multi-interval cube-style development to drill 10 wells using two drilling rigs on two proximal pads targeting the Montney D1, D2 and D4 intervals. Two wells were drilled in Q4 2019 and the remaining 8 wells were drilled in Q1 2020.

Birchcliff drilled 4 wells on the first pad at 06-35-077-11W6 in Q1 2020. These 4 wells were drilled in 2 different intervals (2 in the Montney D1 and 2 in the Montney D2) and all were recently brought on production. Birchcliff has been encouraged by the initial results of these wells, which have showed strong light oil and natural gas rates.

The second pad is adjacent to an existing pad site located at 02-02-078-11W6, where Birchcliff drilled an additional 6 wells. Two of the wells were drilled in Q4 2019 and 4 wells were drilled in Q1 2020. These 6 wells were drilled in 3 different intervals (3 in the Montney D1, 2 in the Montney D2 and 1 in the Montney D4). All of the wells are currently in various stages of completion and flow testing operations and are expected to be brought on production in Q2 2020. Although the initial results are still early, Birchcliff is encouraged by these results, which include test rates from the first Montney D4 well that the Corporation has drilled in Gordondale. The Montney D4 interval has been proven commercial in the Pouce Coupe area (with 12 producing wells) and Birchcliff anticipates that the extension of the Montney D4 into Gordondale will add more liquids-rich inventory utilizing the Corporation's existing infrastructure.

Facilities and Infrastructure

The 2020 Capital Program also includes a number of facilities and infrastructure projects in the Gordondale area. Birchcliff recently completed the previously disclosed addition of natural gas compression at both of its 100% owned and operated oil batteries in Gordondale and the construction of its significant trunk line to transport oil, natural gas and water to these batteries from the southeastern portion of the field. The addition of natural gas compression at both batteries allows the existing wells to produce against lower wellhead pressures, which in turn is expected to increase production. The addition of the new trunk line allows the compression to become even more effective and handle both the new and existing volumes in the area.

MANAGEMENT’S DISCUSSION AND ANALYSIS

GENERAL

This Management’s Discussion and Analysis (“**MD&A**”) for Birchcliff Energy Ltd. (“**Birchcliff**” or the “**Corporation**”) dated May 13, 2020 is with respect to the three months ended March 31, 2020 (the “**Reporting Period**”) as compared to the three months ended March 31, 2019 (the “**Comparable Prior Period**”). This MD&A has been prepared by management and approved by the Corporation’s Audit Committee and Board of Directors and should be read in conjunction with the annual audited financial statements of the Corporation and the related notes for the year ended December 31, 2019 which have been prepared in accordance with IFRS. All dollar amounts are expressed in Canadian currency, unless otherwise stated.

This MD&A uses “adjusted funds flow”, “adjusted funds flow per common share”, “free funds flow”, “transportation and other expense”, “operating netback”, “adjusted funds flow netback”, “total cash costs”, “adjusted working capital deficit” and “total debt”, which do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. For further information, including reconciliations to the most directly comparable GAAP measure where applicable, see “*Non-GAAP Measures”* in this MD&A.

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

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

With respect to the disclosure of Birchcliff’s production contained in this MD&A: (i) references to “light oil” mean “light crude oil and medium crude oil” as such term is defined in National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* (“**NI 51-101**”); (ii) unless otherwise indicated, references to “liquids” mean “light crude oil and medium crude oil” and “natural gas liquids” (including condensate) as such terms are defined in NI 51-101; and (iii) references to “natural gas” mean “shale gas”, which also includes an immaterial amount of “conventional natural gas”, as such terms are defined in NI 51-101. In addition, NI 51-101 includes condensate within the product type of natural gas liquids. Birchcliff has disclosed condensate separately from other natural gas liquids as the price of condensate as compared to other natural gas liquids is currently significantly higher and Birchcliff believes presenting the two commodities separately provides a more accurate description of its operations and results therefrom.

ABOUT BIRCHCLIFF

Birchcliff is a Calgary, Alberta based intermediate oil and natural gas company with operations concentrated within its one core area, the Peace River Arch of Alberta. Birchcliff’s common shares and cumulative redeemable preferred shares, Series A and Series C, are listed for trading on the Toronto Stock Exchange (the “**TSX**”) under the symbols “BIR”, “BIR.PR.A” and “BIR.PR.C”, respectively. Additional information relating to the Corporation, including its Annual Information Form for the financial year ended December 31, 2019 (the “**AIF**”), is available on the SEDAR website at www.sedar.com and on the Corporation’s website at www.birchcliffenergy.com.

COVID-19 OPERATING ENVIRONMENT

On January 30, 2020, the World Health Organization declared the novel Coronavirus disease (“**COVID-19**”) outbreak a public health emergency of international concern and, on March 10, 2020, declared it to be a pandemic. The outbreak of the COVID-19 pandemic has had a significant negative impact on global economic conditions. This has included a sharp decrease in crude oil demand which, combined with other macro-economic conditions, has resulted in significant volatility in oil and natural gas commodity prices, as well as increased economic uncertainty.

There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that Birchcliff may experience, including on demand for the commodities that Birchcliff produces, on the Corporation's cash flow and access to capital, on the Corporation's suppliers and on the Corporation's employees. Birchcliff determined there were impairment indicators present at March 31, 2020 due to the decline in the current and forward commodity prices for oil and natural gas and reduction in market capitalization since December 31, 2019 and concluded that Birchcliff's P&NG properties and equipment were not impaired at March 31, 2020.

Birchcliff has increased its monitoring of receivables due from petroleum and natural gas marketers and from joint asset partners to manage credit risk. Birchcliff historically has not experienced any collection issues with petroleum and natural gas marketers as a significant portion of these receivables are with creditworthy purchasers. The Corporation continues to expect that its receivables were substantially collectible at March 31, 2020.

The COVID-19 pandemic is an evolving situation that is expected to continue to have widespread implications on Birchcliff's business, results of operations, financial condition and the environment in which it operates. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption will impact the Corporation's statements of net income (loss) and comprehensive income (loss), statements of financial position or statements of cash flows in fiscal 2020. The potential direct and indirect impacts of the economic downturn have been considered in management's estimates and assumptions at March 31, 2020 and have been reflected in the Corporation's results for the Reporting Period.

See also *"Risk Factors and Risk Management"* in this MD&A.

2020 FIRST QUARTER FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Achieved quarterly average production of 73,580 boe/d in the Reporting Period, a 2% decrease from the Comparable Prior Period.
- Liquids accounted for approximately 22% of Birchcliff's total production in the Reporting Period as compared to approximately 21% in the Comparable Prior Period.
- Delivered adjusted funds flow of $36.9 million, or $0.14 per basic common share, in the Reporting Period, a 68% decrease in each case from the Comparable Prior Period.
- Achieved low operating expense of $3.14/boe in the Reporting Period, an 8% decrease from the Comparable Prior Period.
- Realized an operating netback of $9.32/boe in the Reporting Period, a 46% decrease from the Comparable Prior Period.
- Continued with the successful and efficient execution of its 2020 capital program (the "**2020 Capital Program**"), drilling 18 (18.0 net) wells, completing 14 (14.0 net) wells and bringing 4 (4.0 net) wells on production in the Reporting Period. Total F&D capital expenditures were $132.4 million in the Reporting Period.
- Paid approximately $7.0 million in common share dividends in the Reporting Period.
- Birchcliff performed an impairment test on its petroleum and natural gas properties and equipment at March 31, 2020 and such assets were not impaired.

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

OUTLOOK AND GUIDANCE

Birchcliff remains focused on its strategy of strengthening its balance sheet and liquidity. In response to the significant decline in commodity prices, Birchcliff has undertaken a number of initiatives to remain competitive and withstand this current period of low and volatile oil prices as a result of the COVID-19 pandemic, which are discussed in detail below under *"Capital Resources and Liquidity"* and *"Discussion of Operations – Risk Management"* in this MD&A.

Birchcliff is also focused on the successful and efficient execution of its 2020 Capital Program, which is expected to be completed on time and on budget. The 2020 Capital Program contemplates the drilling of a total of 28 (28.0 net) wells and the bringing on production of a total of 34 (34.0 net) wells in 2020. The program is heavily weighted towards the first half of the year, with the majority of F&D capital expected to be spent by the end of Q2 2020.

Over the course of 2020, the Corporation's production is expected to increase with a corresponding reduction in per unit operating costs, with a significant number of wells planned to be brought on production in late Q3 2020, which will coincide with the bringing on-stream of Birchcliff's 20,000 bbls/d (50% condensate, 50% water) inlet liquids-handling facility (the "**Inlet Liquids-Handling Facility**") at its 100% owned and operated natural gas processing plant in Pouce Coupe (the "**Pouce Coupe Gas Plant**"). Production in Q4 2020 is expected to average approximately 81,000 to 83,000 boe/d. As the Corporation anticipates that natural gas prices will continue to strengthen throughout 2020 and into 2021, the Corporation expects that its higher production in the third and fourth quarters of 2020 will drive higher adjusted funds flow and lower per unit costs.

As a result of very weak commodity prices anticipated for Q2 2020, Birchcliff currently expects that it will have significantly lower adjusted funds flow in Q2 2020 as compared to the Reporting Period. In addition, as a result of executing the vast majority of the 2020 Capital Program in the first half of 2020, total debt is expected to peak early in Q3 2020. As production increases and commodity prices for natural gas are expected to strengthen over the course of 2020, Birchcliff anticipates that its total debt will gradually decrease throughout the remainder of 2020, while its adjusted funds flow will steadily increase.

Revised Guidance

In light of the COVID-19 pandemic and current economic conditions, Birchcliff has revised its average royalty expense, adjusted funds flow, free funds flow and total debt guidance and commodity price assumptions for 2020. All other previous guidance for 2020 remains unchanged. The following table sets forth Birchcliff's revised and previous guidance and commodity price assumptions for 2020:

	Revised 2020 guidance and assumptions(1)	Previous 2020 guidance and assumptions(1)(2)
Production		
Annual average production *(boe/d)*	78,000 – 80,000	78,000 – 80,000
% Light oil	7%	7%
% Condensate	8%	8%
% NGLs	9%	9%
% Natural gas	76%	76%
Q4 average production *(boe/d)*	81,000 – 83,000	81,000 – 83,000
Average Expenses *($/boe)*		
Royalty	0.65 – 0.85	1.00 – 1.20
Operating	3.05 – 3.25	3.05 – 3.25
Transportation and other	4.90 – 5.10(3)	4.90 – 5.10
Adjusted Funds Flow *(MM$)*	161(4)	252
F&D Capital Expenditures *(MM$)*	275 – 295(5)	275 – 295
Free Funds Flow *(MM$)*(6)	(114) – (134)	(23) – (43)
Total Debt at Year End *(MM$)*	770 – 790(7)	700 – 720
Natural Gas Market Exposure(8)		
AECO exposure as a % of total natural gas production	20%	20%
Dawn exposure as a % of total natural gas production	45%	45%
NYMEX HH exposure as a % of total natural gas production	34%	34%
Alliance exposure as a % of total natural gas production	1%	1%
Commodity Prices		
Average WTI price *(US$/bbl)*	33.00	48.00
Average WTI-MSW differential *(CDN$/bbl)*	11.00	5.70
Average AECO 5A price *(CDN$/GJ)*	2.20	1.90
Average Dawn price *(US$/MMBtu)*(9)	2.00	2.15
Average NYMEX HH price *(US$/MMBtu)*(9)	2.25	2.20
Exchange rate *(CDN$ to US$1)*	1.38	1.34

(1) Birchcliff's guidance for its commodity mix, adjusted funds flow and natural gas market exposure in 2020 is based on an annual average production rate of 79,000 boe/d during 2020, which is the mid-point of Birchcliff's annual average production guidance for 2020.

(2) As disclosed on March 11, 2020.

(3) Includes transportation tolls for 175,000 GJ/d of natural gas sold at the Dawn price and includes any unused firm transportation costs associated with Birchcliff's commitments on the NGTL system.

(4) Birchcliff's estimate of adjusted funds flow takes into account the effects of its physical and financial commodity risk management contracts outstanding as at May 12, 2020. See *"Discussion of Operations – Risk Management"* in this MD&A.

(5) Birchcliff's estimate of F&D capital expenditures excludes any net potential acquisitions and dispositions and corresponds to Birchcliff's 2020 F&D capital budget. See *"Advisories – Capital Expenditures"* in this MD&A.

(6) Free funds flow is calculated as adjusted funds flow less F&D capital expenditures and is prior to acquisitions and dispositions, dividend payments, abandonment and reclamation obligations, administrative assets, financing fees and capital lease obligations. See *"Non-GAAP Measures"* in this MD&A.

(7) The total debt amount set forth in the table above assumes the following: (i) that the timing and amount of preferred share dividends paid by the Corporation remains consistent with previous years, with the dividend rates remaining flat; (ii) that a common share dividend of $0.005 per share is paid for the quarters ending June 30, 2020, September 30, 2020 and December 31, 2020; (iii) that there are 265,935,229 common shares and 2,000,000 series C preferred shares outstanding, with no series C preferred shares redeemed in 2020; (iv) that the 2020 Capital Program will be carried out as currently contemplated and the level of capital spending set forth herein will be achieved; and (v) the targets for production, commodity mix, capital expenditures, adjusted funds flow, free funds flow and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met. The amount set forth in the table above does not include annual cash incentive payments.

(8) Birchcliff's guidance regarding its natural gas market exposure in 2020 assumes: (i) 175,000 GJ/d being sold at the Dawn index price; (ii) 5 MMcf/d being sold at Alliance's Trading Pool daily index price until October 31, 2020; and (iii) 132,500 MMBtu/d being hedged on a financial and physical basis at a fixed basis differential between the AECO 7A price and the NYMEX HH price.

(9) See *"Advisories – MMBtu Pricing Conversions"*.

The outbreak of the COVID-19 pandemic has had a significant negative impact on global economic conditions and has resulted in a sharp decrease in the demand for crude oil which, combined with other macro-economic conditions, has resulted in significant volatility in oil and natural gas commodity prices, as well as increased economic uncertainty. Changes in assumed commodity prices and variances in production estimates can have a significant impact on the Corporation's estimates of adjusted funds flow and free funds flow and the Corporation's other guidance. For further information, see *"Advisories – Forward-Looking Statements"* and *"Risk Factors and Risk Management"* in this MD&A.

CASH FLOW FROM OPERATING ACTIVITIES AND ADJUSTED FUNDS FLOW

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

	Three months ended March 31,	
	2020	**2019**
Cash flow from operating activities *($000s)*	50,551	94,744
Adjusted funds flow *($000s)*	**36,894**	**116,648**
Per common share – basic *($)*	0.14	0.44
Per common share – diluted *($)*	0.14	0.44
Adjusted funds flow netback *($/boe)*	5.51	17.31

Adjusted funds flow decreased by 68% from the Comparable Prior Period. The decrease was primarily due to lower reported revenue and a realized loss on financial instruments of $14.3 million in the Reporting Period as compared to a realized gain on financial instruments of $13.3 million in the Comparable Prior Period. Revenue decreased by $55.1 million (or 31%) from the Comparable Prior Period, largely due to lower average realized liquids and natural gas sales prices in the Reporting Period. Birchcliff's light oil revenue in the Reporting Period was impacted by the significant weakness and volatility in oil prices as a result of the COVID-19 pandemic and OPEC+'s initial plan to increase production announced in early March 2020. Adjusted funds flow was also impacted by lower operating, royalty and interest expenses, partially offset by higher transportation and other expense as a result of Birchcliff's increased Dawn and AECO firm service.

Cash flow from operating activities decreased by 47% from the Comparable Prior Period. The reason for the change is consistent with the explanation for adjusted funds flow; however, cash flow from operating activities was also impacted by changes in non-cash operating working capital and decommissioning expenditures.

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

	Three months ended March 31,		
($/boe)	**2020**	**2019**	**% Change**
Royalty expense	0.95	1.22	(22%)
Operating expense	3.14	3.40	(8%)
Transportation and other expense	5.00	4.61	8%
G&A expense, net	0.90	0.90	-
Interest expense	0.89	1.03	(14%)
Total cash costs	**10.88**	**11.16**	**(3%)**

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

NET INCOME (LOSS) TO COMMON SHAREHOLDERS

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

	Three months ended March 31, 2020	2019
Net income (loss) to common shareholders *($000s)*	**(45,201)**	**15,799**
Per common share – basic *($)*	(0.17)	0.06
Per common share – diluted *($)*	(0.17)	0.06
Net income (loss) to common shareholders *($/boe)*	(6.75)	2.34

The change to a net loss position was primarily due to lower adjusted funds flow as described above, partially offset by an income tax recovery of $12.7 million recorded in the Reporting Period as compared to an income tax expense of $7.0 million recorded in the Comparable Prior Period.

POUCE COUPE GAS PLANT NETBACKS

Birchcliff processed approximately 69% of its total corporate natural gas production and 59% of its total corporate production through the Pouce Coupe Gas Plant in the Reporting Period and Comparable Prior Period.The following table sets forth Birchcliff's average daily production and operating netback for wells producing to the Pouce Coupe Gas Plant for the periods indicated:

	Three months ended March 31, 2020		Three months ended March 31, 2019	
Average production:				
Condensate *(bbls/d)*		2,981		2,931
NGLs *(bbls/d)*		1,025		532
Natural gas *(Mcf/d)*		239,236		242,699
Total *(boe/d)*		**43,879**		**43,913**
Liquids-to-gas ratio[1] ***(bbls/MMcf)***		**16.7**		**14.3**
Netback and cost:	*$/Mcfe*	*$/boe*	*$/Mcfe*	*$/boe*
Petroleum and natural gas revenue[2]	2.90	17.39	4.07	24.42
Royalty expense	(0.10)	(0.62)	(0.12)	(0.71)
Operating expense[3]	(0.33)	(1.98)	(0.32)	(1.87)
Transportation and other expense	(0.89)	(5.34)	(0.78)	(4.71)
Operating netback	**$1.58**	**$9.45**	**$2.85**	**$17.13**
Operating margin[4]	**54%**	**54%**	**70%**	**70%**

(1) Liquids consists of condensate and other NGLs.

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

(3) Represents plant and field operating expense.

(4) Operating margin is calculated by dividing the operating netback for the period by the petroleum and natural gas revenue for the period.

The Corporation's liquids-to-gas ratio increased by 17% as compared to the Comparable Prior Period primarily due to specifically targeted condensate-rich natural gas wells in Pouce Coupe and an increase in C3+ extracted from the natural gas stream at the Pouce Coupe Gas Plant. The amount of liquids (condensate and other NGLs) from Montney horizontal natural gas wells being produced to the Pouce Coupe Gas Plant increased by 16% to 4,006 bbls/d in the Reporting Period from 3,463 bbls/d in the Comparable Prior Period. The increase in the liquids-to-gas ratio improved Birchcliff's average realized sales price and operating netback at the Pouce Coupe Gas Plant.

Operating expense per boe at the Pouce Coupe Gas Plant remained largely unchanged from the Comparable Prior Period. Transportation and other expense per boe at the Pouce Coupe Gas Plant increased from the Comparable Prior Period mainly due to additional AECO and Dawn firm service.

DISCUSSION OF OPERATIONS

Petroleum and Natural Gas Revenue

The following table sets forth Birchcliff's P&NG revenue by product category for the Corporation's Pouce Coupe operating assets geologically situated in the dry gas and condensate-rich trends of the Montney/Doig Resource Play (the "**Pouce Coupe assets**"), the Corporation's Gordondale operating assets geologically situated in the oil-rich trend of the Montney/Doig Resource Play (the "**Gordondale assets**") and on a corporate basis for the periods indicated:

	Three months ended March 31, 2020			Three months ended March 31, 2019		
($000s)	Pouce Coupe assets	Gordondale assets	Corporate(1)	Pouce Coupe assets	Gordondale assets	Corporate(1)
Light oil	226	18,910	19,138	341	28,193	28,547
Condensate	18,180	5,899	24,080	18,369	7,645	26,013
NGLs	2,560	6,150	8,710	1,798	8,951	10,750
Natural gas	53,598	17,734	71,332	85,506	27,468	112,976
P&NG sales(2)	74,564	48,693	123,260	106,014	72,257	178,286
Royalty income	1	-	3	3	66	69
P&NG revenue	**74,565**	**48,693**	**123,263**	**106,017**	**72,323**	**178,355**
% of corporate P&NG revenue	**60%**	**40%**		**59%**	**41%**	

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

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

On a corporate basis, P&NG revenue decreased by 31% from the Comparable Prior Period, primarily due to a lower average realized sales price received for Birchcliff's production. Actions taken around the world to mitigate the spread of COVID-19, combined with OPEC+'s initial plan to increase global supply, resulted in significant weakness and volatility in oil prices which impacted revenue in the Reporting Period. Revenue for natural gas was primarily affected by a decrease in North American pricing due to increasing supply and demand imbalance during the Reporting Period.

Production

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

	Three months ended March 31, 2020			Three months ended March 31, 2019		
	Pouce Coupe assets	Gordondale assets	Corporate(1)	Pouce Coupe assets	Gordondale assets	Corporate(1)
Light oil *(bbls/d)*	43	3,911	3,954	54	4,744	4,800
Condensate *(bbls/d)*	3,341	1,184	4,524	3,230	1,187	4,416
NGLs *(bbls/d)*	1,154	6,808	7,962	635	6,108	6,743
Natural gas *(Mcf/d)*	253,940	88,891	342,831	266,006	87,536	353,548
Production *(boe/d)*	**46,861**	**26,718**	**73,580**	**48,253**	**26,628**	**74,884**
Liquids-to-gas ratio *(bbls/MMcf)*	**17.9**	**133.9**	**48.0**	**14.7**	**137.5**	**45.1**
% of corporate production	**64%**	**36%**		**64%**	**36%**	

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

Birchcliff's corporate production decreased by 2% from the Comparable Prior Period. In order to minimize frac-driven interaction associated with offset drilling and completions activities, Birchcliff proactively and temporarily shut-in some production during the Reporting Period in order to protect its existing wells, which was the main driver for the decrease from the Comparable Prior Period. Corporate production was also impacted by natural production declines, partially offset by incremental production from new horizontal oil and natural gas wells brought on production since the Comparable Prior Period.

Corporate liquids production increased by 3% from the Comparable Prior Period and the corporate liquids-to-gas ratio (liquids yield) increased by 6% from the Comparable Prior Period. These increases were largely attributable to incremental production from new horizontal condensate-rich natural gas wells that were brought on production in Pouce Coupe and an increase in C3+ extracted from the natural gas stream at the Pouce Coupe Gas Plant.

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

	Three months ended March 31, 2020			Three months ended March 31, 2019		
	Pouce Coupe assets	Gordondale assets	Corporate(1)	Pouce Coupe assets	Gordondale assets	Corporate(1)
% Light oil production	-	15%	5%	-	18%	6%
% Condensate production	8%	5%	6%	7%	4%	6%
% NGLs production	2%	25%	11%	1%	23%	9%
% Natural gas production	90%	55%	78%	92%	55%	79%

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

Commodity Prices

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

	Three months ended March 31,		
	2020	2019	Change
Light oil – WTI Cushing *(US$/bbl)*	46.17	54.90	(16%)
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	51.27	66.07	(22%)
Natural gas – NYMEX HH *(US$/MMBtu)*(1)	1.95	3.15	(38%)
Natural gas – AECO 5A Daily *(CDN$/GJ)*	1.93	2.49	(22%)
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*(1)	1.60	1.46	10%
Natural gas – Dawn Day Ahead *(US$/MMBtu)*(1)	1.76	2.91	(40%)
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	1.63	2.63	(38%)
Exchange rate *(CDN$ to US$1)*	1.3442	1.3293	1%
Exchange rate *(US$ to CDN$1)*	0.7439	0.7523	(1%)

(1) See "*Advisories – MMBtu Pricing Conversions*" in this MD&A.

Birchcliff sells substantially all of its light oil based on the MSW benchmark price and substantially all of its natural gas production based on the AECO and Dawn benchmark prices. Effective November 1, 2019, Birchcliff increased its firm service transportation to Dawn by 25,000 GJ/d, bringing its total natural gas production receiving the Dawn benchmark price to 175,000 GJ/d (see *"Discussion of Operations – Petroleum and Natural Gas Revenue – Natural Gas Sales, Production and Average Realized Sales Price*" in this MD&A). Birchcliff has also financially diversified a portion of its AECO production to NYMEX HH-based pricing beginning January 1, 2019 (see *"Discussion of Operations – Risk Management*" in this MD&A). The average realized sales prices the Corporation receives for its light oil and natural gas production depend on a number of factors, including the average benchmark prices for crude oil and natural gas, the US to Canadian dollar exchange rate, transportation costs, product quality differentials and the heat premium on its natural gas production.

The benchmark prices for crude oil are impacted by global and regional events that dictate the level of supply and demand for crude oil. The principal benchmark trading exchanges that Birchcliff compares its oil price to are the WTI price and the MSW price. The differential between the WTI price and the MSW price can fluctuate due to a number of factors, including, but not limited to, North American refinery utilization rates, domestic production growth levels, inventory levels in North America and pipeline infrastructure capacity connecting key consuming oil markets. In late February 2020, benchmark oil index prices started a significant drop, due to a combination of the impact of the COVID-19 pandemic on the global economy and OPEC+'s initial plan to increase production which was announced in early March 2020. Demand for oil has decreased with the outbreak of COVID-19. As a result, the benchmark oil index prices dropped precipitously and differentials between the WTI price and MSW price began to widen in early March 2020.

Canadian natural gas prices are mainly influenced by North American supply and demand fundamentals which can be impacted by a number of factors, including, but not limited to, production growth levels, weather-related conditions in key consuming natural gas markets, changing demographics, economic growth, inventory levels, access to underground storage, net import and export markets, pipeline supply takeaway capacity, maintenance on key natural gas infrastructure, cost of competing renewable and non-renewable energy alternatives, drilling and completion rates and efficiencies in extracting natural gas from North American natural gas basins. While benchmark natural gas index prices were largely unaffected by the COVID-19 pandemic, their decline since the Comparable Prior Period was primarily due to an increased demand and supply imbalance in North America in the Reporting Period.

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

	Three months ended March 31,		
	2020	**2019**	**Change**
Light oil *($/bbl)*	53.18	66.08	(20%)
Condensate *($/bbl)*	58.48	65.45	(11%)
NGLs *($/bbl)*	12.02	17.71	(32%)
Natural gas *($/Mcf)*	2.29	3.55	(35%)
Average realized sales price *($/boe)*[(1)]	**18.41**	**26.45**	(30%)

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

The average realized sales price decreased by 30% from the Comparable Prior Period, primarily due to lower average oil and natural gas benchmark index prices in the Reporting Period. The average realized sales price for the Comparable Prior Period also includes the effects of physical natural gas delivery contracts at Dawn for 50,000 MMBtu/d at an average contract price of US$5.05/MMBtu.

The average realized sales price for the Pouce Coupe assets was $17.49/boe in the Reporting Period, a 28% decrease from the Comparable Prior Period. The average realized sales price for the Gordondale assets was $20.78/boe in the Reporting Period, a 31% decrease from the Comparable Prior Period. The Gordondale assets received a higher average realized sales price compared to the Pouce Coupe assets, largely as a result of the higher volume weighting of liquids produced in the Gordondale area, which received a higher value on a per boe basis than Birchcliff's natural gas sales. The higher volume weighting of liquids in the total corporate production mix generally improves Birchcliff's average realized sales price.

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

Natural Gas Sales, Production and Average Realized Sales Price

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

	Three months ended March 31, 2020					Three months ended March 31, 2019				
	Natural gas sales *($000s)*[(1)]	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*[(1)]	**Natural gas sales** *($000s)*[(1)]	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*[(1)]
AECO	34,352	48	175,188	51	2.17	44,682	39	194,058	55	2.55
Dawn[(2)]	35,818	50	159,126	46	2.47	62,861	56	137,978	39	5.06
Alliance[(3)]	1,162	2	8,517	3	1.50	5,433	5	21,512	6	2.81
Total	**71,332**	**100**	**342,831**	**100**	**2.29**	**112,976**	**100**	**353,548**	**100**	**3.55**

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

(2) Birchcliff has agreements for the firm service transportation of an aggregate of 175,000 GJ/d of natural gas on TCPL's Canadian Mainline, whereby natural gas is transported to the Dawn trading hub in Southern Ontario. The first tranche of this service (120,000 GJ/d) became available on November 1, 2017, the second tranche (30,000 GJ/d) became available on November 1, 2018 and the third tranche (25,000 GJ/d) became available on November 1, 2019. Each tranche has a 10-year term. During the Comparable Prior Period, Birchcliff had in place physical natural gas delivery contracts at Dawn for 50,000 MMBtu/d at an average contract price of US$5.05/MMBtu. There were no physical delivery contracts in place at Dawn subsequent to March 31, 2019.

(3) Birchcliff has sales agreements with a third-party marketer to sell and deliver into the Alliance pipeline system. Alliance sales are recorded net of transportation tolls.

Risk Management

Birchcliff engages in risk management activities by utilizing various financial instruments and physical delivery contracts to diversify its sales points or fix commodity prices and market interest rates. Subject to compliance with the agreement governing the Corporation's extendible revolving credit facilities (the "**Credit Facilities**"), the Board of Directors has authorized the Corporation to execute a risk management strategy whereby Birchcliff is authorized to enter into agreements and financial or physical transactions with one or more counterparties from time to time that are intended to reduce the risk to the Corporation from volatility in future commodity prices, foreign exchange rates and/or interest rates.

In addition to the Corporation's long-term natural gas risk management contracts, as a result of the COVID-19 pandemic, Birchcliff has entered into a number of short-term risk management contracts to help reduce its exposure to volatility in oil prices.

Financial Derivative Contracts

Birchcliff has not designated its financial derivative contracts as effective accounting hedges, even though the Corporation considers all commodity price contracts to be effective economic hedges. As a result, all such financial instruments are recorded on the statements of financial position on a mark-to-market fair value basis at March 31, 2020, with the changes in fair value being recognized as a non-cash unrealized gain or loss in profit or loss and realized upon settlement. These contracts are not entered into for trading or speculative purposes.

At March 31, 2020, Birchcliff had the following financial derivative contracts in place in order to manage commodity price risk:

Product	Type of Contract	Notional Quantity	Remaining Term(1)	Contract Price
Natural gas	AECO 7A basis swap(2	30,000 MMBtu/d	Apr. 1, 2020 – Dec. 31, 2023	NYMEX HH less US$1.298/MMBtu
Natural gas	AECO 7A basis swap(2)	10,000 MMBtu/d	Apr. 1, 2020 – Dec. 31, 2023	NYMEX HH less US$1.320/MMBtu
Natural gas	AECO 7A basis swap(2)	30,000 MMBtu/d	Apr. 1, 2020 – Dec. 31, 2023	NYMEX HH less US$1.330/MMBtu
Natural gas	AECO 7A basis swap(2)	15,000 MMBtu/d	Apr. 1, 2020 – Dec. 31, 2024	NYMEX HH less US$1.185/MMBtu
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Apr. 1, 2020 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Apr. 1, 2020 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu
Natural gas	AECO 7A basis swap(2)	12,500 MMBtu/d	Apr. 1, 2020 – Dec. 31, 2025	NYMEX HH less US$1.108/MMBtu
Natural gas	AECO 7A basis swap(2)	10,000 MMBtu/d	Apr. 1, 2020 – Dec. 31, 2025	NYMEX HH less US$1.115/MMBtu
Natural gas	AECO 7A basis swap(2)	10,000 MMBtu/d	Apr. 1, 2020 – Dec. 31, 2025	NYMEX HH less US$1.050/MMBtu
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Jan. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.178/MMBtu
Natural gas	AECO 7A basis swap(2)	10,000 MMBtu/d	Jan. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.175/MMBtu
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Jan. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.190/MMBtu
Natural gas	AECO 7A basis swap(2)	30,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.114/MMBtu
Natural gas	AECO 7A basis swap(2)	35,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.081/MMBtu
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.013/MMBtu
Natural gas	AECO 7A basis swap(2)	20,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.005/MMBtu
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$0.990/MMBtu

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

(2) Birchcliff sold AECO basis swap.

The following financial derivative contracts were entered into subsequent to March 31, 2020:

Product	Type of Contract	Quantity	Remaining Term[1]	Contract Price
Crude oil	MSW fixed price	1,000 bbls/d	May 1, 2020 – May 31, 2020	CDN$20.00/bbl
Crude oil	MSW fixed price	1,000 bbls/d	Jun. 1, 2020 – Jun. 30, 2020	CDN$27.00/bbl
Crude oil	MSW fixed price	1,000 bbls/d	Jun. 1, 2020 – Jun. 30, 2020	CDN$27.00/bbl
Crude oil	MSW fixed price	500 bbls/d	Jun. 1, 2020 – Jun. 30, 2020	CDN$27.20/bbl
Crude oil	MSW fixed price	500 bbls/d	Jul. 1, 2020 – Jul. 31, 2020	CDN$30.00/bbl
Crude oil	MSW fixed price	1,000 bbls/d	Jul. 1, 2020 – Jul. 31, 2020	CDN$32.00/bbl
Condensate	C5+ fixed price	500 bbls/d	Aug. 1, 2020 – Aug. 31, 2020	CDN$32.50/bbl

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

Physical Delivery Contracts

Birchcliff also enters into physical delivery contracts to manage commodity price risk. These contracts are considered normal executory sales contracts and are not recorded at fair value through profit or loss.

At March 31, 2020, the Corporation had the following physical delivery contract in place:

Product	Type of Contract	Quantity	Remaining Term	Contract Price
Natural gas	AECO 7A basis swap[1]	5,000 MMBtu/d	Apr. 1, 2020 – Dec. 31, 2023	NYMEX HH less US$1.205/MMBtu

(1) Birchcliff sold AECO basis swap.

The following physical delivery contracts were entered into subsequent to March 31, 2020:

Product	Type of Contract	Quantity	Remaining Term[1]	Contract Price
Crude oil	MSW fixed price	2,000 bbls/d	May 1, 2020 – May 31, 2020	CDN$20.10/bbl
Crude oil	MSW fixed price	1,000 bbls/d	May 1, 2020 – May 31, 2020	CDN$20.00/bbl
Crude oil	MSW fixed price	2,000 bbls/d	Jun. 1, 2020 – Jun. 30, 2020	CDN$26.00/bbl
Crude oil	MSW fixed price	1,500 bbls/d	Jun. 1, 2020 – Jun. 30, 2020	CDN$25.67/bbl

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

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation's Credit Facilities are exposed to interest rate risk. The remainder of Birchcliff's financial assets and liabilities are not exposed directly to interest rate risk.

At March 31, 2020, Birchcliff had the following financial derivative contracts in place to manage interest rate risk:

Type of Contract	Index	Remaining Term[1]	Notional value	Fixed Rate
Interest rate swap	One-month banker's acceptance – CDOR[2]	Apr.1 2020 – Mar. 1, 2024	$350 million	2.215%

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

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

Realized and Unrealized Gains and Losses on Financial Instruments

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

				Three months ended March 31,
		2020		2019
	($000s)	*($/boe)*	*($000s)*	*($/boe)*
Realized gain (loss)	(14,260)	(2.13)	13,318	1.98
Unrealized loss	(39,339)	(5.88)	(38,875)	(5.77)

Birchcliff realized a cash loss of $14.3 million during the Reporting Period due to the settlement of financial NYMEX HH/AECO basis swap contracts that were outstanding in the period.

Birchcliff recorded an unrealized non-cash loss on financial instruments of $39.3 million in the Reporting Period, primarily due to the decrease in the fair value of the Corporation's financial instruments to a liability position of $171.9 million at March 31, 2020 from a liability position of $132.6 million at December 31, 2019. The fair value of the liability is the estimated discounted value to settle outstanding financial contracts at a point in time. The decrease in the fair value of Birchcliff's financial instruments during the Reporting Period was primarily attributable to: (i) the decrease in the forward basis spread between NYMEX HH and AECO 7A for contracts outstanding at March 31, 2020 as compared to the fair value previously assessed at December 31, 2019; and (ii) the settlement of financial NYMEX HH/AECO basis swap contracts in the Reporting Period.

The unrealized gains and losses on financial instruments can fluctuate materially from period-to-period due to movement in the forward strip commodity prices and interest rates. Unrealized gains and losses on financial instruments do not impact adjusted funds flow and may differ materially from the actual gains or losses realized on the eventual cash settlement of financial contracts in the period.

Royalties

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

	Three months ended March 31,	
	2020	**2019**
Royalty expense *($000s)*[1]	6,361	8,209
Royalty expense *($/boe)*	0.95	1.22
Effective royalty rate *(%)*[2]	5%	5%

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

(2) The effective royalty rate is calculated by dividing the aggregate royalties into P&NG sales for the period.

Birchcliff's per unit royalties decreased by 22% from the Comparable Prior Period, primarily due to the decline in the average realized light oil, condensate and NGLs sales prices and the effect these prices have on the sliding scale royalty calculation. See *"Discussion of Operations – Operating Netbacks"* in this MD&A for details on royalties for the Corporation's Pouce Coupe and Gordondale assets.

Operating Expense

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

	Three months ended March 31,	
($000s)	**2020**	**2019**
Field operating expense	21,868	23,567
Recoveries	(821)	(650)
Operating expense	**21,047**	**22,917**
Operating expense per boe	**$3.14**	**$3.40**

On a per unit basis, operating expense decreased by 8% from the Comparable Prior Period. The decrease was primarily due to various field optimization initiatives in Pouce Coupe and Gordondale, which included the Corporation's expanded liquids-handling capabilities in Pouce Coupe.

In response to the COVID-19 pandemic, Birchcliff implemented a number of initiatives during the Reporting Period to protect the well-being of its employees and contractors, including remote work-from-home arrangements, physical distancing measures, enhanced cleaning and sanitization measures and conducting meetings through virtual means. At various critical field sites, only essential personnel are authorized to be physically present and a rotational work schedule has been implemented. Birchcliff's operating cost structure remained largely unaffected by the COVID-19 pandemic in the Reporting Period.

See *"Discussion of Operations – Operating Netbacks"* in this MD&A for details on operating expense for the Pouce Coupe assets and Gordondale assets.

Transportation and Other

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

	Three months ended March 31,	
($000s)	**2020**	**2019**
Natural gas transportation	26,843	23,854
Liquids transportation	6,433	6,063
Fractionation	1,432	1,126
Other fees	34	34
Transportation	34,742	31,077
Transportation per boe	$5.17	$4.61
Marketing purchases[1]	3,916	-
Marketing revenue[1]	(5,206)	-
Marketing gain[1]	(1,290)	-
Marketing gain per boe	($0.17)	-
Transportation and other expense	33,452	31,077
Transportation and other expense per boe	**$5.00**	**$4.61**

(1) Marketing purchases and marketing revenue represent the volumes purchased and sold to third parties, which are recorded on a gross basis for financial statement presentation purposes. Birchcliff enters into certain marketing purchase and sales arrangements to reduce its take-or-pay fractionation fees associated with third-party commitments. Any gains or losses from the purchase and sale of third-party products relate to the commodity price differential.

On a per unit basis, transportation expense increased by 12% from the Comparable Prior Period. The increase was primarily due to: (i) an additional 25,000 GJ/d of firm service transportation to Dawn that became available on November 1, 2019; (ii) additional AECO firm service transportation associated with Birchcliff's commitments on the NGTL system; and (iii) increased total liquids production in the Reporting Period. See "*Discussion of Operations – Operating Netbacks*" in this MD&A for details on transportation and other expense for the Pouce Coupe assets and Gordondale assets.

Operating Netback

The following table sets forth Birchcliff's average production and operating netback for the Corporation's Pouce Coupe assets, Gordondale assets and on a corporate basis for the periods indicated:

	Three months ended March 31,	
	2020	**2019**
Pouce Coupe assets:		
Average production:		
Light oil *(bbls/d)*	43	54
Condensate *(bbls/d)*	3,341	3,230
NGLs *(bbls/d)*	1,154	635
Natural gas *(Mcf/d)*	253,940	266,006
Total *(boe/d)*	**46,861**	**48,253**
% of corporate production	64%	64%
Liquids-to-gas ratio *(bbls/MMcf)*	17.9	14.7
Netback and cost ($/boe):		
Petroleum and natural gas revenue[(1)]	17.49	24.41
Royalty expense	(0.66)	(0.77)
Operating expense	(2.31)	(2.35)
Transportation and other expense	(5.29)	(4.73)
Operating netback	**9.23**	**16.56**
Gordondale assets:		
Average production:		
Light oil *(bbls/d)*	3,911	4,744
Condensate *(bbls/d)*	1,184	1,187
NGLs *(bbls/d)*	6,808	6,108
Natural gas *(Mcf/d)*	88,891	87,536
Total *(boe/d)*	**26,718**	**26,628**
% of corporate production	36%	36%
Liquids-to-gas ratio *(bbls/MMcf)*	133.9	137.5
Netback and cost ($/boe):		
Petroleum and natural gas revenue[(1)]	20.78	30.18
Royalty expense	(1.46)	(2.04)
Operating expense	(4.60)	(5.29)
Transportation and other expense	(5.23)	(4.39)
Operating netback	**9.49**	**18.46**
Total Corporate:		
Average production:		
Light oil *(bbls/d)*	3,954	4,800
Condensate *(bbls/d)*	4,524	4,416
NGLs *(bbls/d)*	7,962	6,743
Natural gas *(Mcf/d)*	342,831	353,548
Total *(boe/d)*[(2)]	**73,580**	**74,884**
Liquids-to-gas ratio *(bbls/MMcf)*	48.0	45.1
Netback and cost ($/boe):		
Petroleum and natural gas revenue[(1)]	18.41	26.46
Royalty expense	(0.95)	(1.22)
Operating expense	(3.14)	(3.40)
Transportation and other expense	(5.00)	(4.61)
Operating netback	**9.32**	**17.23**

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

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

Pouce Coupe Montney/Doig Resource Play

Birchcliff's average production from its Pouce Coupe assets was 46,861 boe/d in the Reporting Period, a 3% decrease from the Comparable Prior Period. The decrease was primarily due to natural production declines and proactive temporary production shut-ins to minimize frac-driven interactions, partially offset by the incremental production from horizontal condensate-rich natural gas wells that were brought on production in Pouce Coupe since the Comparable Prior Period.

Birchcliff's liquids-to-gas ratio for the Pouce Coupe assets was 17.9 bbls/MMcf in the Reporting Period, a 22% increase from the Comparable Prior Period. The increase was primarily due to the specifically targeted condensate-rich natural gas wells in Pouce Coupe.

Operating expense for the Pouce Coupe assets was $2.31/boe in the Reporting Period, 2% decrease from the Comparable Prior Period. The decrease was primarily due to increased operating efficiencies from the Corporation's expanded liquids-handling capabilities in the Pouce Coupe area.

Transportation and other expense for the Pouce Coupe assets was $5.29/boe in the Reporting Period, a 12% increase from the Comparable Prior Period. The increase was primarily due to additional firm service transportation to AECO and Dawn sales trading hubs and increased totals liquids production in Pouce Coupe.

Birchcliff's operating netback for the Pouce Coupe assets was $9.23/boe in the Reporting Period, a 44% decrease the Comparable Prior Period. The decrease in the Reporting Period was primarily due to a lower average realized sales price received for Birchcliff's Pouce Coupe production and higher per boe transportation and other expense, partially offset by lower per boe operating and royalty expenses.

Gordondale Montney/Doig Resource Play

Birchcliff's average production from its Gordondale assets was 26,718 boe/d in the Reporting Period, which was comparable to the Comparable Prior Period. Production in the Reporting Period was primarily influenced by incremental production from new horizontal oil wells that were brought on production in Gordondale since the Comparable Prior Period, partially offset by natural production declines and proactive temporary production shut-ins to minimize frac-driven interactions.

Birchcliff's liquids-to-gas ratio for the Gordondale assets was 133.9 bbls/MMcf in the Reporting Period, which was consistent with the Comparable Prior Period.

Operating expense for the Gordondale assets was $4.60/boe in the Reporting Period, a 13% decrease from the Comparable Prior Period. The decrease was primarily due to various field optimization initiatives which increased operating efficiencies in the Gordondale area.

Transportation and other expense for the Gordondale assets was $5.23/boe in the Reporting Period, a 19% increase from the Comparable Prior Period. The increase was primarily due to additional firm service transportation to AECO and Dawn sales trading hubs.

Birchcliff's operating netback for the Gordondale assets was $9.49/boe in the Reporting Period, a 49% decrease from the Comparable Prior Period. The decrease in the Reporting Period was primarily due to a lower average realized sales price received for Birchcliff's Gordondale production and higher transportation and other expense, partially offset by lower per boe royalty and operating expenses.

Administrative Expense

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

	Three months ended March 31, 2020 ($000s)	2020 (%)	2019 ($000s)	2019 (%)
Cash:				
Salaries and benefits[1]	6,535	67	6,210	64
Other[2]	3,179	33	3,432	36
	9,714	100	9,642	100
Operating overhead recoveries	(33)	-	(37)	-
Capitalized overhead[3]	(3,638)	(37)	(3,517)	(36)
G&A expense, net	6,043	63	6,088	64
G&A expense, net per boe	$0.90		$0.90	
Non-cash:				
Other compensation	1,722	100	1,747	100
Capitalized compensation[3]	(977)	(57)	(980)	(56)
Other compensation, net	745	43	767	44
Other compensation, net per boe	$0.11		$0.11	
Administrative expense, net	**6,788**		**6,855**	
Administrative expense, net per boe	**$1.01**		**$1.01**	

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

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

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

In response to the COVID-19 pandemic, Birchcliff implemented a number of initiatives during the Reporting Period to protect the well-being of its employees and contractors, including remote work-from-home arrangements, physical distancing measures, enhanced cleaning and sanitization measures and conducting meetings through virtual means. At various critical field sites, only essential personnel are authorized to be physically present and a rotational work schedule has been implemented. There was no significant impact to G&A expenditure as a result of the COVID-19 pandemic during the Reporting Period.

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

	Three months ended March 31, 2020 Number	2020 Price ($)[1]	2019 Number	2019 Price ($)[1]
Balance, beginning	23,483,368	4.28	15,847,570	5.74
Granted[2]	35,500	1.92	4,732,200	3.54
Exercised	-	-	(13,000)	(3.07)
Forfeited	(57,567)	(3.18)	(40,000)	(4.59)
Expired	(2,299,300)	(6.56)	(1,911,334)	(8.66)
Balance, ending	**21,162,001**	**4.03**	**18,615,436**	**4.89**

(1) Calculated on a weighted average basis.

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

At March 31, 2020, there were also 2,939,732 performance warrants outstanding with an exercise price of $3.00 and an expiry date of January 31, 2025.

Depletion and Depreciation Expense

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

	Three months ended March 31,	
($000s)	**2020**	**2019**
Depletion and depreciation expense	**51,608**	**50,859**
Depletion and depreciation expense per boe	**$7.71**	**$7.55**

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

Asset Impairment Assessment

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

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

Birchcliff determined there were impairment indicators present at March 31, 2020 due to the decline in the current and forward commodity prices for oil and natural gas and reduction in market capitalization since its previously completed impairment assessment at December 31, 2019. Birchcliff performed an impairment test on a CGU basis and determined that the carrying value of its P&NG properties and equipment was recoverable. Birchcliff's P&NG properties and equipment were not impaired at March 31, 2020 or December 31, 2019.

Finance Expense

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

	Three months ended March 31,	
($000s)	**2020**	**2019**
Cash:		
Interest expense(1)	5,988	6,936
Interest expense per boe(1)	$0.89	$1.03
Non-cash:		
Accretion(2)	843	1,047
Amortization of deferred financing fees	386	374
Other expenses	1,229	1,421
Other expenses per boe	$0.19	$0.22
Finance expense	**7,217**	**8,357**
Finance expense per boe	**$1.08**	**$1.25**

(1) The Credit Facilities are comprised of an extendible revolving syndicated term credit facility (the "**Syndicated Credit Facility**") of $900.0 million and an extendible revolving working capital facility (the "**Working Capital Facility**") of $100.0 million. Birchcliff may draw on its Syndicated Credit Facility using CDN dollar denominated bankers' acceptances and US dollar denominated LIBOR loans. The average effective interest rate under the Syndicated Credit Facility is determined based on: (i) the market interest rate of its drawn bankers' acceptances and LIBOR loans; and (ii) Birchcliff's stamping fees. Birchcliff's stamping fees are calculated using a pricing margin grid and will change as a result of the ratio of outstanding indebtedness to the trailing four quarter EBITDA as calculated in accordance with the Corporation's

agreement governing the Credit Facilities. EBITDA is defined as earnings before interest and non-cash items, including (if any) income taxes, other compensation, gains and losses on sale of assets, unrealized gains and losses on financial instruments, depletion, depreciation and amortization and impairment charges.

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

Birchcliff's aggregate interest expense in the Reporting Period decreased by 14% from the Comparable Prior Period. The decrease was primarily due to: (i) higher drawn US dollar denominated LIBOR loans in the Reporting Period, which had a lower average market interest rate component compared to higher drawn CDN dollar denominated bankers' acceptances in the Comparable Prior Period; and (ii) lower stamping fees applicable to Birchcliff's Syndicated Credit Facility in the Reporting Period. The following table sets forth the Corporation's effective interest rates under its Credit Facilities for the periods indicated:

	Three months ended March 31,	
	2020	**2019**
Working Capital Facility	3.5%	5.2%
Syndicated Credit Facility	4.0%	4.6%

Birchcliff's average outstanding total Credit Facilities balance was approximately $602 million in the Reporting Period, as compared to $616 million in the Comparable Prior Period, calculated as the simple average of the month-end amounts.

Income Taxes

The following table sets forth the components of the Corporation's income taxes for the periods indicated:

	Three months ended March 31,	
($000s)	**2020**	**2019**
Deferred tax recovery (expense)	13,480	(6,236)
Dividend tax expense on preferred shares	(769)	(769)
Income tax recovery (expense)	**12,711**	**(7,005)**
Income tax recovery (expense) per boe	**$1.91**	**$(1.03)**

Birchcliff's income taxes are primarily impacted by the before-tax net income or losses recorded in the respective periods. The Corporation's estimated income tax pools were $2.2 billion at March 31, 2020. Management expects that future taxable income will be available to utilize the accumulated tax pools. The components of the Corporation's estimated income tax pools are set forth in the table below:

($000s)	**Tax pools as at March 31, 2020**
Canadian oil and gas property expense	398,924
Canadian development expense	415,458
Canadian exploration expense	312,375
Undepreciated capital costs	358,431
Non-capital losses	641,415
SR&ED[(1)] & Investment tax credits	25,592
Financing costs and other	9,901
Estimated income tax pools	**2,162,096**

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

CAPITAL EXPENDITURES

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

	Three months ended March 31,	
($000s)	**2020**	**2019**
Land	777	524
Seismic	314	3,324
Workovers	3,525	904
Drilling and completions	74,262	60,458
Well equipment and facilities	53,483	26,256
Finding and development capital	132,361	91,466
Acquisitions	15	39,260
Finding, development and acquisition capital	132,376	130,726
Administrative assets	464	1,232
Total capital expenditures	**132,840**	**131,958**

During the Reporting Period, Birchcliff had total capital expenditures of $132.8 million which included approximately $38.4 million (29%) on the drilling and completion of Montney horizontal wells in Pouce Coupe, $35.8 million (27%) on the drilling and completion of Montney horizontal wells in Gordondale and $18.8 million (14%) on the Inlet Liquids-Handling Facility. During the Reporting Period, Birchcliff drilled a total of 18 (18.0 net) wells, consisting of 8 (8.0 net) Montney horizontal oil wells in Gordondale and 10 (10.0 net) Montney horizontal natural gas wells in Pouce Coupe. The remaining capital during the Reporting Period was primarily spent on land, seismic, infrastructure expansion, gas gathering and optimization projects in the Montney/Doig Resource Play and other oil and gas development projects in the Peace River Arch.

CAPITAL RESOURCES AND LIQUIDITY

Liquidity and Capital Resources

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

	Three months ended March 31,	
($000s)	**2020**	**2019**
Adjusted funds flow	36,894	116,648
Changes in non-cash working capital from operations	14,208	(21,031)
Decommissioning expenditures	(551)	(873)
Exercise of stock options	-	40
Lease payments	(573)	(537)
Dividends paid	(8,903)	(8,902)
Net change in revolving term credit facilities	9,569	6,347
Deposit on acquisition	-	3,900
Changes in non-cash working capital from investing	82,197	36,366
Capital resources	**132,841**	**131,958**

The capital-intensive nature of Birchcliff's operations requires it to maintain adequate sources of liquidity to fund its short-term and long-term financial obligations. Birchcliff's capital resources primarily consist of adjusted funds flow and available Credit Facilities. The COVID-19 pandemic has had a significant negative impact on oil prices and global capital markets. The disruption and volatility that has resulted from the COVID-19 pandemic is expected to continue for some time and could impact future oil price recovery and increase future costs of capital. Notwithstanding this, the Corporation believes that its internally generated adjusted funds flow and its existing undrawn Credit Facilities will provide sufficient liquidity to fund its 2020 Capital Program, dividend distributions and working capital requirements for the foreseeable future. Birchcliff's adjusted funds flow depends on a number of factors, including, but not limited to, commodity prices and market diversification initiatives, production and sales volumes, royalties, operating and transportation expenses and foreign exchange rates.

The Corporation closely monitors commodity prices and its capital spending and has taken proactive measures to ensure liquidity and financial flexibility in the current environment, including the following:

- On March 11, 2020, the Corporation announced the deferral of $65 million of capital spending in 2020, which represented approximately 19% of its original 2020 capital budget.
- At March 31, 2020, the Corporation has $374.8 in unused credit capacity available under its Credit Facilities. In connection with the semi-annual review of the borrowing base limit under the Credit Facilities which was completed by the Corporation's syndicate of lenders in May 2020, the borrowing base limit was confirmed at $1.0 billion. The Credit Facilities do not mature until May 11, 2022 and do not contain any financial maintenance covenants.
- Birchcliff continues to engage in strategic risk management activities and the Corporation has added short-term crude oil and condensate hedges for the spring and summer months in 2020 to reduce the Corporation's exposure to volatility in oil prices. In addition, Birchcliff's market diversification initiatives have increased its exposure to various natural gas sales trading hubs in North America. Birchcliff has agreements for the firm service transportation of an aggregate of 175,000 GJ/d of natural gas on TCPL's Canadian Mainline whereby natural gas is transported to the Dawn sales trading hub in Southern Ontario. Birchcliff also has various financial and physical risk management contracts in place to 2025 with exposure to NYMEX HH pricing. See *"Discussion of Operations – Petroleum and Natural Gas Revenue"* and *"Discussion of Operations – Risk Management"* in this MD&A.
- Birchcliff intends to reduce the amount of its quarterly common share dividend from $0.02625 per share (or $0.105 per share annually) to $0.005 per share (or $0.02 per share annually) commencing with the quarter ending June 30, 2020, which would result in the preservation of approximately $17.0 million in 2020. Birchcliff's Board of Directors and management team believe that reducing the common share dividend is a prudent step in order to preserve the Corporation's financial resiliency in the current environment.
- Birchcliff expects to be eligible, and to apply for, assistance under the Federal Government's Canadian Emergency Wage Subsidy Program. Birchcliff continues to actively monitor all Government announcements to determine its eligibility for any relief that is being provided through this highly volatile and challenging period.

Working Capital

The Corporation's adjusted working capital deficit increased to $120.6 million at March 31, 2020 from $23.4 million at December 31, 2019. The deficit at March 31, 2020 was largely comprised of costs incurred from the drilling and completion of new wells in Pouce Coupe and Gordondale.

At March 31, 2020, the major component of Birchcliff's current assets was revenue to be received from its marketers in respect of March 2020 production (81%), which was subsequently received in April 2020. Current liabilities largely consisted of trade payables (60%) and accrued capital and operating expense (14%). Birchcliff monitors the financial strength of its marketers. At this time, Birchcliff expects that such counterparties will be able to meet their financial obligations.

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

Bank Debt

Management of debt levels continues to be a priority for Birchcliff given the current volatility in the commodity price environment. Total debt, including the adjusted working capital deficit, was $739.6 million at March 31, 2020 as compared to $632.6 million at December 31, 2019. Total debt increased from December 31, 2019 primarily due to adjusted funds flow being less than the aggregate of total capital expenditures and dividends paid in the Reporting Period.

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

As at, *($000s)*	**March 31, 2020**	**December 31, 2019**
Maximum borrowing base limit[(1)]:		
Revolving term credit facilities	1,000,000	1,000,000
Principal amount utilized:		
Drawn revolving term credit facilities	(621,053)	(611,483)
Outstanding letters of credit[(2)]	(4,185)	(4,185)
	(625,238)	(615,668)
Unused credit	**374,762**	**384,332**
% unused credit	**37%**	**38%**

(1) The Credit Facilities are subject to a semi-annual review of the borrowing base limit, which is directly impacted by the value of Birchcliff's P&NG reserves. In connection with the semi-annual review of the borrowing base limit under the Credit Facilities which was completed by the Corporation's syndicate of lenders in May 2020, the borrowing base limit was confirmed at $1.0 billion. Birchcliff's Credit Facilities include a provision giving the lenders the right to redetermine the borrowing base if the Corporation's liability management rating ("**LMR**") is less than 2.0. Birchcliff's LMR at March 31, 2020 was 18.4. The Credit Facilities do not contain any financial maintenance covenants.

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

Contractual Obligations and Commitments

The Corporation enters into various contractual obligations and commitments in the normal course of operations. The following table lists Birchcliff's estimated material contractual obligations and commitments at March 31, 2020:

($000s)	**2020**	**2021**	**2022-2024**	**Thereafter**
Accounts payable and accrued liabilities	160,945	-	-	-
Drawn revolving term credit facilities	-	-	621,053	-
Firm transportation and fractionation[(1)]	97,760	137,787	370,817	304,130
Natural gas processing[(2)]	12,925	17,155	51,512	137,334
Operating commitments[(3)]	1,695	2,260	6,780	6,968
Lease payments	2,137	3,008	7,791	8,821
Capital securities[(4)]	50,000	-	-	-
Estimated contractual obligations[(5)]	**325,462**	**160,210**	**1,057,953**	**457,253**

(1) Includes firm transportation service arrangements and fractionation commitments with third parties.

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

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

(4) Birchcliff has 2,000,000 Series C Preferred Shares outstanding at March 31, 2020, which are redeemable by their holders at $25.00 per share. For further details, see the interim condensed financial statements of the Corporation and related notes for the Reporting Period.

(5) Contractual obligations and commitments that are not material to Birchcliff are excluded from the above table. The Corporation's decommissioning obligations are excluded from the table as these obligations arose from a regulatory requirement rather than from a contractual arrangement. Birchcliff estimates the total undiscounted cash flow to settle its decommissioning obligations on its wells and facilities at March 31, 2020 to be approximately $206.9 million and are estimated to be incurred as follows: 2020 - $2.9 million, 2021 – $2.9 million and $201.1 million thereafter. The estimate for determining the undiscounted decommissioning obligations requires significant assumptions on both the abandonment cost and timing of the decommissioning and therefore the actual obligation may differ materially.

OFF-BALANCE SHEET TRANSACTIONS

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

OUTSTANDING SHARE INFORMATION

At May 13, 2020, Birchcliff had common shares, Series A Preferred Shares and Series C Preferred Shares that were outstanding. Birchcliff's common shares are listed on the TSX under the symbol "BIR". Birchcliff's Series A Preferred Shares and Series C Preferred Shares are individually listed on the TSX under the symbols "BIR.PR.A" and "BIR.PR.C", respectively.

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

	Common Shares
Balance at December 31, 2019	265,935,229
Exercise of options	-
Balance at March 31, 2020 and May 13, 2020	**265,935,229**

At May 13, 2020, the Corporation had the following securities outstanding: 265,935,229 common shares; 2,000,000 Series A Preferred Shares; 2,000,000 Series C Preferred Shares; 21,133,001 stock options to purchase an equivalent number of common shares; and 2,939,732 performance warrants to purchase an equivalent number of common shares.

Dividends

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

	Three months ended March 31,	
	2020	**2019**
Common shares:		
Dividend distribution *($000s)*	6,981	6,980
Per common share *($)*	0.0263	0.0263
Preferred shares - Series A:		
Series A dividend distribution *($000s)*	1,047	1,047
Per Series A preferred share *($)*	0.5234	0.5234
Preferred shares - Series C:		
Series C dividend distribution *($000s)*	875	875
Per Series C preferred share *($)*	0.4375	0.4375

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

The Corporation intends to reduce the amount of its quarterly common share dividend from $0.02625 per share (or $0.105 per share annually) to $0.005 per share (or $0.02 per share annually) commencing with the quarter ending June 30, 2020. This reduced quarterly cash dividend is expected to be declared by the Corporation's Board of Directors on June 2, 2020, as originally scheduled.

SUMMARY OF QUARTERLY RESULTS

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

Quarter ending,	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018
Average production *(boe/d)*	73,580	77,962	80,548	78,453	74,884	76,408	79,331	76,296
Average realized light oil sales price *($/bbl)*(1)	53.18	67.58	67.15	72.25	66.08	41.39	80.16	79.55
Average realized condensate sales price *($/bbl)*(1)	58.48	68.80	65.94	71.69	65.45	55.99	84.10	87.52
Average realized NGLs sales price *($/bbl)*(1)	12.02	16.62	9.75	11.13	17.71	21.60	23.39	21.94
Average realized natural gas sales price *($/Mcf)*(1)	2.29	2.81	1.71	1.95	3.55	3.03	2.06	2.01
Average realized sales price *($/boe)*	18.41	22.97	17.62	19.59	26.45	22.01	21.45	21.68
P&NG revenue *($000s)*(1)	123,263	164,759	130,588	139,857	178,355	154,720	156,609	150,561
Operating expense *($/boe)*	3.14	3.06	2.75	3.17	3.40	3.51	3.45	3.36
F&D capital expenditures *($000s)*	132,361	56,800	40,192	67,937	91,466	52,321	44,984	69,826
Total capital expenditures *($000s)*	132,840	58,136	41,621	68,532	131,958	52,886	45,524	66,464
Cash flow from operating activities *($000s)*	50,551	85,557	48,908	97,857	94,744	92,200	68,556	71,825
Adjusted funds flow *($000s)*	36,894	80,941	62,958	73,957	116,648	81,517	75,378	72,369
Per common share – basic *($)*	0.14	0.30	0.24	0.28	0.44	0.31	0.28	0.27
Per common share – diluted *($)*	0.14	0.30	0.24	0.28	0.44	0.30	0.28	0.27
Free funds flow *($000s)*	(95,467)	24,141	22,766	6,020	25,182	29,196	30,394	2,543
Net income (loss) *($000s)*	(44,154)	(17,937)	(45,843)	(8,458)	16,846	71,947	7,703	7,437
Net income (loss) to common shareholders *($000s)*(2)	(45,201)	(18,984)	(46,889)	(9,505)	15,799	70,900	6,657	6,390
Per common share – basic *($)*	(0.17)	(0.07)	(0.18)	(0.04)	0.06	0.27	0.03	0.02
Per common share – diluted *($)*	(0.17)	(0.07)	(0.18)	(0.04)	0.06	0.27	0.02	0.02
Total assets *($ million)*	2,871	2,817	2,822	2,840	2,860	2,763	2,707	2,715
Long-term bank debt *($000s)*	619,055	609,177	638,631	622,282	611,911	605,267	635,120	617,291
Total debt *($000s)*	739,631	632,582	644,407	654,709	626,454	641,484	661,409	657,732
Dividends on common shares *($000s)*	6,981	6,981	6,981	6,981	6,980	6,648	6,647	6,646
Dividends on pref. shares – Series A *($000s)*	1,047	1,047	1,046	1,047	1,047	1,047	1,046	1,047
Dividends on pref. shares – Series C *($000s)*	875	875	875	875	875	875	875	875
Pref. shares outstanding – Series A *(000s)*	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Pref. shares outstanding – Series C *(000s)*	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Common shares outstanding *(000s)*								
Basic	265,935	265,935	265,935	265,935	265,924	265,911	265,885	265,845
Diluted	290,037	292,358	287,407	287,381	287,480	284,699	285,825	285,253
Wtd. avg. common shares outstanding *(000s)*								
Basic	265,935	265,935	265,935	265,933	265,914	265,910	265,877	265,820
Diluted	265,935	265,935	265,935	265,933	266,382	267,288	268,605	267,773

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

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

Average daily quarterly production volumes were impacted primarily by Birchcliff's successful drilling of new horizontal wells brought on production in Pouce Coupe and Gordondale and natural production declines during those periods.

Quarterly variances in revenue, adjusted funds flow and net income (loss) are primarily due to fluctuations in commodity prices and production volumes. Oil and gas revenue and adjusted funds flow in the last eight quarters were largely impacted by quarterly production and the average realized sales price received for Birchcliff's production. Over the last eight quarters, Birchcliff's adjusted funds flow was also impacted by realized gains and losses on the settlement of financial instruments and lower trending operating expenses primarily due to reduced third-party processing fees, the addition of Phase VI of the Pouce Coupe Gas Plant and higher trending transportation and other expense primarily due to added market diversification initiatives and additional AECO firm service.

Birchcliff's net income (loss) in each of the last eight quarters were largely impacted by adjusted funds flow and certain non-cash adjustments, including depletion expense and any unrealized mark-to-market gains and losses on financial instruments after giving effect to income taxes.

The Corporation's F&D and total capital expenditures fluctuate quarter-to-quarter based on the outlook in commodity prices and market conditions, the timing of drilling and completions operations and the timing of acquisitions and dispositions. Quarterly variances in long-term debt and total debt are primarily due to fluctuations in adjusted funds flow and the amount and timing of capital expenditures (including acquisitions and dispositions) and dividends paid.

Quarterly variances in free funds flow are primarily due to fluctuations in adjusted funds flow and F&D capital expenditures.

POTENTIAL TRANSACTIONS

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Corporation's internal control over financial reporting ("**ICFR**") that occurred during the period beginning on January 1, 2020 and ended on March 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR. Birchcliff's ICFR was not impacted by the COVID-19 pandemic during the Reporting Period.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of IFRS accounting policies, reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The Corporation's use of estimates, judgments and assumptions in preparing the interim condensed financial statements for the Reporting Period and the Comparable Prior Period is discussed in Note 3 of the annual audited financial statements for the year ended December 31, 2019.

Management cannot reasonably estimate the length or severity of the COVID-19 pandemic, or the extent to which the disruption will impact the Corporation's statements of net income (loss) and comprehensive income (loss), statements of financial position or statements of cash flows in fiscal 2020. The potential direct and indirect impacts of the economic downturn have been considered in management's estimates and assumptions at March 31, 2020 and have been reflected in the Corporation's unaudited interim financial statements for the Reporting Period.

CHANGES IN ACCOUNTING POLICIES

Accounting Pronouncements Adopted

On January 1, 2020, Birchcliff adopted the amendment as issued on October 22, 2018 to IFRS 3: *Business Combinations* ("**IFRS 3**"). IFRS 3 sets out the principles in accounting for the acquisition of a business.

The amendments to this standard include a change in the definition of a business and the addition of an optional concentration test to determine if the acquisition is a business for any acquisition occurring on or after January 1, 2020. The amended definition of a business under IFRS 3 is that a business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. The three elements of a business are defined as follows:

- Input: any economic resource that creates outputs, or has the ability to contribute to the creation of outputs, when one or more processes are applied to it.
- Process: any system, standard, protocol, convention or rule that, when applied to an input or inputs, creates outputs or has the ability to contribute to the creation of outputs.
- Output: the result of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income or generate other income from ordinary activities.

The optional concentration test permits a simplified assessment of whether an acquired set of activities and assets is in fact a business. An entity may elect to apply, or not apply, the test. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. The amendment to IFRS 3 had no effect to the Corporation for the Reporting Period.

RISK FACTORS AND RISK MANAGEMENT

Birchcliff's financial and operational performance is potentially affected by a number of factors, including, but not limited to, financial risks, risks relating to economic conditions, business and operational risks, environmental and regulatory risks and other risks. A detailed discussion of the risk factors affecting the Corporation is presented under the headings *"Risk Factors and Risk Management"* in the MD&A for the year ended December 31, 2019 and *"Risk Factors"* in the AIF. The following risk factor supplements those disclosed in Birchcliff's AIF and MD&A for the year ended December 31, 2019.

COVID-19 Pandemic

The COVID-19 pandemic has adversely affected and could continue to adversely affect the Corporation's business

During the Reporting Period, the World Health Organization declared the COVID-19 outbreak a pandemic prompting many countries around the world to close international borders and order the closure of institutions and businesses. The outbreak of the COVID-19 pandemic has had a significant negative impact on global economic conditions and has resulted in a sharp decrease in the demand for crude oil which, combined with other macro-economic conditions, has resulted in significant volatility in oil and natural gas commodity prices, as well as increased economic uncertainty. COVID-19 has caused an unprecedented global health crisis which, coupled with an oversupply of crude oil, has contributed to an economic crisis as well.

There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that Birchcliff may experience. While the duration and full impact of the COVID-19 pandemic is not yet known, the effect of low commodity prices as a result of reduced demand associated with the impact of COVID-19 has had, and is likely to continue to have a negative impact on the Corporation's business, results of operations and financial condition. Low prices for crude oil and natural gas will reduce Birchcliff's cash flow, impact its level of capital investment and may result in the reduction of production at certain producing properties. Furthermore, the Corporation may from time to time have restricted access to capital and increased borrowing costs. In addition to the economic impacts associated with falling commodity prices, the effects of COVID-19 may also include disruptions to production operations, access to materials and services, increased employee absenteeism from illness and temporary closures of the Corporation's facilities. COVID-19 may also increase the Corporation's third-party credit risk and the risk that counterparties default on their contractual obligations to the Corporation. All of the foregoing may adversely and materially affect Birchcliff's business, results of operations, financial condition, prospects and its ability to pay dividends.

The extent to which the Corporation's business, results of operations, financial condition and prospects are affected by COVID-19 will depend on various factors and consequences beyond its control, such as the duration and scope of the pandemic, additional actions taken by business and government in response to the pandemic and the speed and effectiveness of responses to combat the virus.

Additionally, the COVID-19 pandemic and its effect on local and global economic conditions stemming from the pandemic could also aggravate the other risk factors identified in Birchcliff's AIF and MD&A for the year ended December 31, 2019, the extent of which is not yet known.

ABBREVIATIONS

AECO	benchmark price for natural gas determined at the AECO ‘C’ hub in southeast Alberta
ATP	Alliance Trading Pool
bbl	barrel
bbls	barrels
bbls/d	barrels per day
boe	barrel of oil equivalent
boe/d	barrel of oil equivalent per day
C3+	propane plus
condensate	pentanes plus (C5+)
F&D	finding and development
G&A	general and administrative
GAAP	generally accepted accounting principles for Canadian public companies which are currently IFRS
GJ	gigajoule
GJ/d	gigajoules per day
HH	Henry Hub
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board
m^3	cubic metres
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
Mcfe	thousand cubic feet of gas equivalent
MJ	megajoule
MM$	millions of dollars
MMBtu	million British thermal units
MMBtu/d	million British thermal units per day
MMcf	million cubic feet
MMcf/d	million cubic feet per day
MSW	price for mixed sweet crude oil at Edmonton, Alberta
NGLs	natural gas liquids consisting of ethane (C2), propane (C3) and butane (C4) and specifically excluding condensate
NGTL	NOVA Gas Transmission Ltd.
NYMEX	New York Mercantile Exchange
OPEC+	Organization of the Petroleum Exporting Countries (“**OPEC**”), with certain non-OPEC oil exporting countries
P&NG	petroleum and natural gas
TCPL	TransCanada PipeLines Limited
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma, for crude oil of standard grade
000s	thousands
$000s	thousands of dollars

NON-GAAP MEASURES

This MD&A uses “adjusted funds flow”, “adjusted funds flow per common share”, “free funds flow”, “transportation and other expense”, “operating netback”, “adjusted funds flow netback”, “total cash costs”, “adjusted working capital deficit” and “total debt”. These measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Management believes that these non-GAAP measures assist management and investors in assessing Birchcliff’s profitability, efficiency, liquidity and overall performance. Each of these measures is discussed in further detail below.

“Adjusted funds flow” denotes cash flow from operating activities before the effects of decommissioning expenditures and changes in non-cash operating 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 settlements of decommissioning expenditures from cash flow from operating activities as the amounts can be discretionary and may vary from period-to-period depending on its capital programs and the maturity of its operating areas. The settlement of decommissioning expenditures is managed with Birchcliff’s capital budgeting process which considers available adjusted funds flow. Changes in non-cash operating working capital are eliminated in the determination of adjusted funds flow as the timing of collection and payment are variable and by excluding them from the calculation, the Corporation believes that it is able to provide a more meaningful measure of its operations and ability to generate cash on a continuing basis. Management believes that adjusted funds flow and adjusted funds flow per common share assist management and investors in assessing Birchcliff’s operating performance, as well as its ability to generate cash necessary to fund sustaining and/or growth capital expenditures, repay debt, settle decommissioning obligations and pay common share and preferred share dividends. 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 further generate shareholder returns through a number of initiatives, including but not limited to, potential debt repayment, common share repurchases, future dividend increases and acquisitions. The following table provides a reconciliation of cash flow from operating activities, as determined in accordance with GAAP, to adjusted funds flow and free funds flow for the periods indicated:

	Three months ended March 31,	
($000s)	**2020**	**2019**
Cash flow from operating activities	50,551	94,744
Change in non-cash operating working capital	(14,208)	21,031
Decommissioning expenditures	551	873
Adjusted funds flow	36,894	116,648
F&D capital expenditures	(132,361)	(91,466)
Free funds flow	**(95,467)**	**25,182**

"Transportation and other expense" denotes transportation expense plus marketing purchases minus marketing revenue. Birchcliff may enter into certain marketing purchase and sales arrangements with the objective of reducing any available transportation and/or fractionation fees associated with its take-or-pay commitments. Management believes that transportation and other expense assists management and investors in assessing Birchcliff's total cost structure related to transportation activities.

"Operating netback" denotes petroleum and natural gas revenue less royalty expense, less operating expense and less transportation and other expense. "Adjusted funds flow netback" denotes petroleum and natural gas revenue less royalty expense, less operating expense, less transportation and other expense, less net G&A expense, less interest expense and less any realized losses (plus realized gains) on financial instruments and plus any other cash income sources. 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 operating results by isolating the impact of production volumes 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 March 31,			
	2020		**2019**	
	($000s)	*($/boe)*	*($000s)*	*($/boe)*
Petroleum and natural gas revenue	123,263	18.41	178,355	26.46
Royalty expense	(6,361)	(0.95)	(8,209)	(1.22)
Operating expense	(21,047)	(3.14)	(22,917)	(3.40)
Transportation and other expense	(33,452)	(5.00)	(31,077)	(4.61)
Operating netback	**62,403**	**9.32**	**116,152**	**17.23**
G&A, net	(6,043)	(0.90)	(6,088)	(0.90)
Interest expense	(5,988)	(0.89)	(6,936)	(1.03)
Realized gain (loss) on financial instruments	(14,260)	(2.13)	13,318	1.98
Other income	782	0.11	202	0.03
Adjusted funds flow netback	**36,894**	**5.51**	**116,648**	**17.31**

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

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

"Total cash costs" are comprised of royalty, operating, transportation and other, G&A and interest expenses. Total cash costs are calculated on a per unit basis. Management believes that total cash costs assists management and investors in assessing Birchcliff's efficiency and overall cash cost structure.

"Adjusted working capital deficit" is calculated as current assets minus current liabilities excluding the effects of any current portion of financial instruments and capital securities. In the Comparable Prior Period, Birchcliff's capital securities were long-term in nature and therefore no adjustment for capital securities was made to adjusted working capital deficit for that period. Management believes that adjusted working capital deficit assists management and investors in assessing Birchcliff's short-term liquidity. The following table reconciles working capital deficit (current assets minus current liabilities), as determined in accordance with GAAP, to adjusted working capital deficit:

As at, *($000s)*	**March 31, 2020**	**December 31, 2019**	**March 31, 2019**
Working capital deficit	207,789	100,199	20,805
Financial instrument – current asset	-	-	17,470
Financial instrument – current liability	(37,290)	(26,949)	(984)
Capital securities – current liability	(49,923)	(49,845)	-
Adjusted working capital deficit	**120,576**	**23,405**	**37,291**

"Total debt" is calculated as the revolving term credit facilities plus adjusted working capital deficit. Management believes that total debt assists management and investors in assessing Birchcliff's liquidity. The following table provides a reconciliation of the revolving term credit facilities, as determined in accordance with GAAP, to total debt:

As at, *($000s)*	**March 31, 2020**	**December 31, 2019**	**March 31, 2019**
Revolving term credit facilities	619,055	609,177	611,911
Adjusted working capital deficit	120,576	23,405	37,291
Total debt	**739,631**	**632,582**	**649,202**

ADVISORIES

Unaudited Information

All financial and operational information contained in this MD&A for the Reporting Period and the Comparable Prior Period is unaudited.

Currency

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

MMBtu Pricing Conversions

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

Boe and Mcfe Conversions

Boe amounts have been calculated by using the conversion ratio of 6 Mcf of natural gas to 1 bbl of oil and Mcfe amounts have been calculated by using the conversion ratio of 1 bbl of oil to 6 Mcf of natural gas. Boe and Mcfe amounts may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl and an Mcfe conversion ratio of 1 bbl: 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Oil and Gas Metrics

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

Capital Expenditures

Unless otherwise indicated, references in this MD&A to: (i) "F&D capital" denotes capital for land, seismic, workovers, drilling and completions and well equipment and facilities; and (ii) "total capital expenditures" denotes F&D capital plus acquisitions, less any dispositions, plus administrative assets.

Forward-Looking Statements

Certain statements contained in this MD&A 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 MD&A relate to future events or Birchcliff's future plans, operations or performance and are based on Birchcliff's current expectations, estimates, projections, beliefs and assumptions. Such forward-looking statements have been made by Birchcliff in light of the information available to it at the time the statements were made and reflect its experience and perception of historical trends. All statements and information other than historical fact may be forward-looking statements. Such forward-looking statements are often, but not always, identified by the use of words such as "seek", "plan", "focus", "future", "outlook", "position", "expect", "project", "intend", "believe", "anticipate", "estimate", "forecast", "guidance", "potential", "proposed", "predict", "budget", "continue", "targeting", "may", "will", "could", "might", "should", "would", "on track" and other similar words and expressions.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Accordingly, readers are cautioned not to place undue reliance on such forward-looking statements. Although Birchcliff believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct and Birchcliff makes no representation that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements.

In particular, this MD&A contains forward-looking statements relating to the following:

- Birchcliff's plans and other aspects of its anticipated future financial performance, results, operations, focus, objectives, strategies, opportunities, priorities and goals;
- the information set forth under the heading *"COVID-19 Operating Environment", "Risk Factors and Risk Management"* and elsewhere in this MD&A as it relates to the expected impacts of the COVID-19 pandemic, including: that the COVID-19 pandemic is expected to continue to have widespread implications on Birchcliff's business, results of operations, financial condition and the environment in which it operates; and that the Corporation continues to expect that its receivables were substantially collectible at March 31, 2020;
- statements regarding the Corporation's outlook for commodity prices, including: that natural gas prices will continue to strengthen throughout 2020 and into 2021; and that very weak commodity prices are anticipated for Q2 2020;
- the information set forth under the heading *"Outlook and Guidance"* and elsewhere in this MD&A as it relates to Birchcliff's 2020 Capital Program and outlook and guidance, including: statements that Birchcliff remains focused on its strategy of strengthening its balance sheet and liquidity; statements regarding Birchcliff's competitive position and its ability to withstand this current period of low and volatile oil prices; statements that Birchcliff is

also focused on the successful and efficient execution of its 2020 Capital Program, which is expected to be completed on time and on budget; statements regarding the number of wells expected to be completed and brought on production; statements that the 2020 Capital Program is heavily weighted towards the first half of the year, with the majority of F&D capital expected to be spent by the end of Q2 2020; statements that the Corporation's production is expected to increase over the course of 2020 with a corresponding reduction in per unit operating costs; statements that a significant number of wells are planned to be brought on production in late Q3 2020, which will coincide with the bringing on-stream of the Inlet Liquids-Handling Facility; statements regarding Birchcliff's Inlet Liquids-Handling Facility; statements that production in Q4 2020 is expected to average approximately 81,000 to 83,000 boe/d; statements that the Corporation anticipates that natural gas prices will continue to strengthen throughout 2020 and into 2021 and that its higher production in the third and fourth quarters of 2020 will drive higher adjusted funds flow and lower per unit costs; Birchcliff's expectation that it will have significantly lower adjusted funds flow in Q2 2020 as compared to the Reporting Period; statements that total debt is expected to peak early in Q3 2020; statements that as production increases and commodity prices for natural gas are expected to strengthen over the course of 2020, that Birchcliff's total debt will gradually decrease throughout the remainder of 2020, while its adjusted funds flow will steadily increase; and estimates of annual and Q4 average production, annual commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, total debt and natural gas market exposure;

- Birchcliff's market diversification and risk management activities and any anticipated benefits to be derived therefrom;
- the Corporation's estimated income tax pools and management's expectation that future taxable income will be available to utilize the accumulated tax pools;
- the information set forth under the heading *"Capital Resources and Liquidity"* and elsewhere in this MD&A as it relates to the Corporation's liquidity and capital resources, including: statements that the capital-intensive nature of Birchcliff's operations requires it to maintain adequate sources of liquidity to fund its short-term and long-term financial obligations; statements that Birchcliff's capital resources primarily consist of adjusted funds flow and available Credit Facilities; statements that the disruption and volatility that has resulted from the COVID-19 pandemic is expected to continue for some time and could impact future oil price recovery and increase future costs of capital; the Corporation's belief that its internally generated adjusted funds flow and its existing undrawn Credit Facilities will provide sufficient liquidity to fund its 2020 Capital Program, dividend distributions and working capital requirements for the foreseeable future; statements regarding the Corporation's financial flexibility; statements that Birchcliff expects to be eligible, and to apply for, assistance under the Federal Government's Canadian Emergency Wage Subsidy Program; the Corporation's expectation that counterparties will be able to meet their financial obligations; and statements that management of debt levels continues to be a priority for Birchcliff;
- statements regarding Birchcliff's quarterly common share dividend, including: that the Corporation intends to reduce its quarterly common share dividend from $0.02625 per share (or $0.105 per share annually) to $0.005 per share (or $0.02 per share annually) commencing with the quarter ending June 30, 2020, which would result in the preservation of approximately $17.0 million in 2020; and statements that this reduced quarterly cash dividend is expected to be declared by the Corporation's Board of Directors on June 2, 2020;
- estimates of Birchcliff's material contractual obligations and commitments and decommissioning obligations; and
- and statements regarding potential transactions.

With respect to the forward-looking statements contained in this MD&A, assumptions have been made regarding, among other things: the degree to which the Corporation's results of operations and financial condition will be disrupted by circumstances attributable to the COVID-19 pandemic and the responses of governments and the public to the pandemic; 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, environmental, climate change and other laws; the Corporation's ability to comply with existing and future environmental, climate change and other laws; future cash flow, debt and dividend levels; future operating, transportation, marketing, general and administrative and other expenses; Birchcliff's ability to access capital and obtain financing on acceptable terms; the timing and amount of capital expenditures and the sources of funding for capital expenditures and other activities; the sufficiency of budgeted capital expenditures to carry out planned operations; the successful and timely implementation of capital projects and the timing, location and extent of future drilling and other operations; results of operations; Birchcliff's ability to continue to develop its assets and obtain the anticipated benefits therefrom; the performance of existing and future wells; the success of new wells drilled; reserves and resource volumes and Birchcliff's ability to replace and expand reserves through acquisition, development or exploration; the impact of competition on Birchcliff; the availability of, demand for and cost of labour, services and materials; the ability to obtain any necessary regulatory or other approvals in a timely manner; the satisfaction by third parties of their obligations to Birchcliff; the ability of Birchcliff to secure adequate processing and transportation for its products; Birchcliff's ability to successfully market natural gas and liquids; the availability of hedges on terms acceptable to Birchcliff; and Birchcliff's natural gas market exposure. In addition to the foregoing assumptions, Birchcliff has made the following assumptions with respect to certain forward-looking statements contained in this MD&A:

- Birchcliff's 2020 guidance (as updated May 13, 2020) assumes the following commodity prices and exchange rate: an average WTI price of US$33.00/bbl; an average WTI-MSW differential of CDN$11.00/bbl; an average AECO 5A price of CDN$2.20/GJ; an average Dawn price of US$2.00/MMBtu; an average NYMEX HH price of US$2.25/MMBtu; and an exchange rate (CDN$ to US$1) of 1.38.
- With respect to estimates of 2020 capital expenditures and Birchcliff's spending plans for 2020, such estimates and plans assume that the 2020 Capital Program will be carried out as currently contemplated. Birchcliff makes acquisitions and dispositions in the ordinary course of business. Any acquisitions and dispositions completed could have an impact on Birchcliff's capital expenditures, production, adjusted funds flow, free funds flow, costs and total debt, which impact could be material. The amount and allocation of capital expenditures for exploration and development activities by area and the number and types of wells to be drilled and brought on production is dependent upon results achieved and is subject to review and modification by management on an ongoing basis throughout the year. Actual spending may vary due to a variety of factors, including commodity prices, economic conditions, results of operations and costs of labour, services and materials.
- With respect to Birchcliff's estimates of adjusted and free funds flow for 2020, such estimates assume that: the 2020 Capital Program will be carried out as currently contemplated and the level of capital spending for 2020 set forth herein will be achieved; and the targets for production, commodity mix and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met.
- With respect to Birchcliff's production guidance, such guidance assumes that: the 2020 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.
- 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: the risks posed by pandemics (including COVID-19) and epidemics and their impacts on supply and demand and commodity prices; actions taken by OPEC+ and other major producers of crude oil and the impact such actions may have on supply and demand and commodity prices; 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 exchange and interest rates; stock market volatility; loss of market demand; an inability to access sufficient capital from internal and external sources on terms acceptable to the Corporation; 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, severe weather, explosions, blow-outs, equipment failures, transportation incidents and other similar events affecting Birchcliff or other parties whose operations or assets directly or indirectly affect Birchcliff; an inability to access sufficient water or other fluids needed for operations; uncertainty that development activities in connection with Birchcliff's assets will be economic; an inability to access or implement some or all of the technology necessary to efficiently and effectively operate its assets and achieve expected future results; uncertainties associated with estimating oil and natural gas reserves and resources; the accuracy of estimates of reserves, future net revenue and 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; 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 to the regulatory framework in the locations where the Corporation operates, including changes to tax laws, Crown royalty rates, environmental laws, climate change laws, carbon tax regimes, incentive programs and other regulations that affect the oil and natural gas industry and other actions by government authorities; an inability of the Corporation to comply with existing and future environmental, climate change and other laws; the cost of compliance with current and future environmental laws; political uncertainty and uncertainty associated with government policy changes; dependence on facilities, gathering lines and pipelines, some of which the Corporation does not control; uncertainties and risks associated with pipeline restrictions and outages to third-party infrastructure that could cause disruptions to production; the lack of available pipeline capacity and an inability to secure adequate and cost-effective processing and transportation for Birchcliff's products; an inability to satisfy obligations under Birchcliff's firm marketing and transportation arrangements; a failure to comply with covenants under Birchcliff's credit facilities; 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 and climate change risks, claims and liabilities; potential litigation; default under or breach of agreements by counterparties and potential enforceability issues in contracts; claims by Indigenous peoples; the reassessment by taxing or regulatory authorities of the Corporation's prior transactions and filings; unforeseen title defects; third-party claims regarding the Corporation's right to use technology and equipment; uncertainties associated with the outcome of litigation or other proceedings involving Birchcliff; uncertainties associated with credit facilities and counterparty credit risk; risks associated with Birchcliff's risk management activities and the risk that hedges on terms acceptable to Birchcliff may not be available; risks associated with the declaration and payment of future 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 complete or 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 and fossil fuels, including transportation and hydraulic fracturing involving fossil fuels; the Corporation's reliance on hydraulic fracturing; market competition, including from alternative energy sources; changing demand for petroleum products; the availability of insurance and the risk that certain losses may not be insured; breaches or failure of information systems and security (including risks associated with cyber-attacks); risks associated with the ownership of the Corporation's securities; the accuracy of the Corporation's accounting estimates and judgments; and potential requirements under applicable accounting standards for the impairment or reversal of estimated recoverable amounts of the Corporation's assets from time to time.

Without limitation of the foregoing, the declaration and payment of future dividends (and the amount thereof) is subject to the discretion of the Board of Directors and may vary depending on a variety of factors and conditions existing from time to time, including fluctuations in commodity prices, the financial condition of Birchcliff, production levels, results of operations, capital expenditure requirements, working capital requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates, interest rates, contractual restrictions, Birchcliff's hedging activities or programs, available investment opportunities, Birchcliff's business plan, strategies and objectives and the satisfaction of the solvency and liquidity tests imposed by the *Business Corporations Act* (Alberta). Additionally, pursuant to the agreement governing the Credit Facilities, the Corporation is not permitted to make any distribution (which includes dividends) at any time when an event of default exists or would reasonably be expected to exist upon making such distribution, unless such event of default arose subsequent to the ordinary course declaration of the applicable distribution. For further information relating to risks relating to dividends, see *"Risk Factors – Dividends"* in the AIF.

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 AIF and in other reports filed with Canadian securities regulatory authorities.

This MD&A contains information that may constitute future-orientated financial information or financial outlook information (collectively, "**FOFI**") about Birchcliff's prospective results of operations including, without limitation, adjusted funds flow, free funds flow and total debt, 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, FOFI. Birchcliff has included FOFI in order to provide readers with a more complete perspective on Birchcliff's future operations and management's current expectations relating to Birchcliff's future performance. Readers are cautioned that such information may not be appropriate for other purposes. FOFI contained herein was made as of the date of this MD&A. Unless required by applicable laws, Birchcliff does not undertake any obligation to publicly update or revise any FOFI statements, whether as a result of new information, future events or otherwise.

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

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

BIRCHCLIFF ENERGY LTD.
CONDENSED STATEMENTS OF FINANCIAL POSITION

Unaudited (Expressed in thousands of Canadian dollars)

As at,	**March 31, 2020**	**December 31, 2019**
ASSETS		
Current assets:		
Cash	71	70
Accounts receivable	36,418	64,747
Prepaid expenses and deposits	3,880	4,385
	40,369	69,202
Non-current assets:		
Investment in securities	4,405	4,405
Petroleum and natural gas properties and equipment *(Note 4)*	2,826,513	2,743,078
	2,830,918	2,747,483
Total assets	**2,871,287**	**2,816,685**
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	160,945	92,607
Financial instruments *(Note 13)*	37,290	26,949
Capital securities *(Note 7)*	49,923	49,845
	248,158	169,401
Non-current liabilities:		
Revolving term credit facilities *(Note 5)*	619,055	609,177
Decommissioning obligations *(Note 6)*	129,375	128,128
Deferred income taxes	68,193	81,672
Other liabilities *(Note 10)*	26,839	27,046
Financial instruments *(Note 13)*	134,639	105,640
	978,101	951,663
Total liabilities	**1,226,259**	**1,121,064**
SHAREHOLDERS' EQUITY		
Share capital *(Note 7)*		
Common shares	1,478,356	1,478,356
Preferred shares *(perpetual)*	41,434	41,434
Contributed surplus	86,473	84,884
Retained earnings	38,765	90,947
	1,645,028	1,695,621
Total shareholders' equity and liabilities	**2,871,287**	**2,816,685**

Subsequent event (Note 13)

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

BIRCHCLIFF ENERGY LTD.
CONDENSED STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

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

Three months ended,	**March 31, 2020**	**March 31, 2019**
REVENUE		
Petroleum and natural gas revenue *(Note 9)*	123,263	178,355
Marketing revenue *(Note 9)*	5,206	-
Royalties	(6,361)	(8,209)
Realized gain (loss) on financial instruments *(Note 13)*	(14,260)	13,318
Unrealized loss on financial instruments *(Note 13)*	(39,339)	(38,875)
Other income	782	202
	69,291	144,791
EXPENSES		
Operating	21,047	22,917
Transportation	34,742	31,077
Marketing purchases *(Note 9)*	3,916	-
Administrative, net	6,788	6,855
Depletion and depreciation *(Note 4)*	51,608	50,859
Finance	7,217	8,357
Dividends on capital securities *(Note 7)*	875	875
Other gains	(37)	-
	126,156	120,940
Net income (loss) before taxes	(56,865)	23,851
Income tax recovery (expense)	12,711	(7,005)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**(44,154)**	**16,846**
Net income (loss) per common share *(Note 8)*		
Basic	$(0.17)	$0.06
Diluted	$(0.17)	$0.06

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

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

Unaudited (Expressed in thousands of Canadian dollars)

	Share Capital				
	Common Shares	**Preferred Shares**	**Contributed Surplus**	**Retained Earnings**	**Total**
As at December 31, 2018	**1,478,260**	**41,434**	**76,747**	**178,449**	**1,774,890**
Dividends on common shares *(Note 7)*	-	-	-	(6,980)	(6,980)
Dividends on perpetual preferred shares *(Note 7)*	-	-	-	(1,047)	(1,047)
Exercise of stock options *(Note 11)*	52	-	(12)	-	40
Stock-based compensation *(Note 11)*	-	-	1,617	-	1,617
Net income and comprehensive income	-	-	-	16,846	16,846
As at March 31, 2019	**1,478,312**	**41,434**	**78,352**	**187,268**	**1,785,366**
As at December 31, 2019	1,478,356	41,434	84,884	90,947	1,695,621
Dividends on common shares *(Note 7)*	-	-	-	(6,981)	(6,981)
Dividends on perpetual preferred shares *(Note 7)*	-	-	-	(1,047)	(1,047)
Stock-based compensation *(Note 11)*	-	-	1,589	-	1,589
Net loss and comprehensive loss	-	-	-	(44,154)	(44,154)
As at March 31, 2020	**1,478,356**	**41,434**	**86,473**	**38,765**	**1,645,028**

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

BIRCHCLIFF ENERGY LTD.
CONDENSED STATEMENTS OF CASH FLOWS

Unaudited (Expressed in thousands of Canadian dollars)

Three months ended,	March 31, 2020	March 31, 2019
Cash provided by (used in):		
OPERATING		
Net income (loss)	(44,154)	16,846
Adjustments for items not affecting operating cash:		
Unrealized loss on financial instruments *(Note 13)*	39,339	38,875
Depletion and depreciation *(Note 4)*	51,608	50,859
Other compensation	745	767
Finance	7,217	8,357
Other gains	(37)	-
Income tax (recovery) expense	(12,711)	7,005
Interest paid	(5,988)	(6,936)
Dividends on capital securities *(Note 7)*	875	875
Decommissioning expenditures *(Note 6)*	(551)	(873)
Changes in non-cash working capital	14,208	(21,031)
	50,551	94,744
FINANCING		
Exercise of stock options *(Note 11)*	-	40
Lease payments *(Note 10)*	(573)	(537)
Dividends on common shares *(Note 7)*	(6,981)	(6,980)
Dividends on perpetual preferred shares *(Note 7)*	(1,047)	(1,047)
Dividends on capital securities *(Note 7)*	(875)	(875)
Net change in revolving term credit facilities *(Note 5)*	9,569	6,347
	93	(3,052)
INVESTING		
Exploration and development of petroleum and natural assets *(Note 4)*	(132,840)	(92,698)
Acquisition of petroleum and natural gas assets *(Note 4)*	-	(35,360)
Changes in non-cash working capital	82,197	36,366
	(50,643)	(91,692)
Net change in cash	1	-
Cash, beginning of period	70	53
CASH, END OF PERIOD	**71**	**53**

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

BIRCHCLIFF ENERGY LTD.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020

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

1. NATURE OF OPERATIONS

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

These unaudited interim condensed financial statements were approved and authorized for issuance by the Board of Directors on May 13, 2020.

2. BASIS OF PREPARATION

These unaudited interim condensed financial statements present Birchcliff's financial results of operations and financial position under International Financial Reporting Standards ("**IFRS**") as at and for the three months ended March 31, 2020, including the 2019 comparative period. The financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34: *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("**IASB**").

These unaudited interim condensed financial statements have been prepared following the same IFRS accounting policies and methods of computation as disclosed in the annual audited financial statements for the year ended December 31, 2019, except as described in Note 3. Certain information and disclosures normally required to be included in the notes to the annual audited financial statements have been condensed, omitted or have been disclosed on an annual basis only. Accordingly, these financial statements should be read in conjunction with the annual audited financial statement s and the notes thereto for the year ended December 31, 2019.

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

COVID-19 Estimation Uncertainty

On January 30, 2020, the World Health Organization declared the novel Coronavirus disease ("**COVID-19**") outbreak a public health emergency of international concern and, on March 10, 2020, declared it to be a pandemic. The outbreak of the COVID-19 pandemic has had a significant negative impact on global economic conditions. This has included a sharp decrease in crude oil demand which, combined with other macro-economic conditions, has resulted in significant volatility in oil and natural gas commodity prices, as well as increased economic uncertainty.

There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that Birchcliff may experience, including on demand for the commodities that Birchcliff produces, on the Corporation's cash flow and access to capital, on the Corporation's suppliers and on the Corporation's employees. Birchcliff determined there were impairment indicators present at March 31, 2020 due to the decline in the current and forward commodity prices for oil and natural gas and reduction in market capitalization since December 31, 2019 and concluded that Birchcliff's P&NG properties and equipment were not impaired at March 31, 2020.

Birchcliff has increased its monitoring of receivables due from petroleum and natural gas marketers and from joint asset partners to manage credit risk. Birchcliff historically has not experienced any collection issues with petroleum and natural gas marketers as a significant portion of these receivables are with creditworthy purchasers. The Corporation continues to expect that its receivables were substantially collectible at March 31, 2020.

The COVID-19 pandemic is an evolving situation that is expected to continue to have widespread implications on Birchcliff's business, results of operations, financial condition and the environment in which it operates. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption will impact the Corporation's statements of net income (loss) and comprehensive income (loss), statements of financial position or statements of cash flows in fiscal 2020. The potential direct and indirect impacts of the economic downturn have been considered in management's estimates and assumptions at March 31, 2020 and have been reflected in the Corporation's results.

Capital Management

During this period of uncertainty, Birchcliff remains committed to preserving its strong balance sheet and financial liquidity. At March 31, 2020, the Corporation has $374.8 in unused credit capacity available under its extendible revolving credit facilities (the "**Credit Facilities**"). In connection with the semi-annual review of the borrowing base limit under the Credit Facilities which was completed by the Corporation's syndicate of lenders in May 2020, the borrowing base limit was confirmed at $1.0 billion. The Credit Facilities do not mature until May 11, 2022 and do not contain any financial maintenance covenants. Birchcliff expects to be eligible, and to apply for the Federal Government's Canadian Emergency Wage Subsidy Program.

3. CHANGES IN ACCOUNTING POLICIES

Accounting Pronouncements Adopted

On January 1, 2020, Birchcliff adopted the amendment as issued on October 22, 2018 to IFRS 3: *Business Combinations* ("**IFRS 3**"). IFRS 3 sets out the principles in accounting for the acquisition of a business.

The amendments to this standard include a change in the definition of a business and the addition of an optional concentration test to determine if the acquisition is a business for any acquisition occurring on or after January 1, 2020. The amended definition of a business under IFRS 3 is that a business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. The three elements of a business are defined as follows:

- Input: any economic resource that creates outputs, or has the ability to contribute to the creation of outputs, when one or more processes are applied to it.
- Process: any system, standard, protocol, convention or rule that, when applied to an input or inputs, creates outputs or has the ability to contribute to the creation of outputs.
- Output: the result of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income or generate other income from ordinary activities.

The optional concentration test permits a simplified assessment of whether an acquired set of activities and assets is in fact a business. An entity may elect to apply, or not apply, the test. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. The amendment to IFRS 3 had no effect to the Corporation for the period ended March 31, 2020.

4. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

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

($000s)	Exploration & Evaluation Assets	Developed & Producing Assets	Lease Assets	Corporate Assets	Total
Cost:					
As at December 31, 2018	112	3,549,526	-	17,737	3,567,375
Additions	209	253,060	19,931	2,480	275,680
Acquisitions(2)	-	47,503	-	-	47,503
As at December 31, 2019	321	3,850,089	19,931	20,217	3,890,558
Additions	-	134,560	-	483	135,043
As at March 31, 2020(1)	321	3,984,649	19,931	20,700	4,025,601
Accumulated depletion and depreciation:					
As at December 31, 2018	-	(920,923)	-	(12,992)	(933,915)
Depletion and depreciation expense(3)	-	(209,315)	(1,925)	(2,325)	(213,565)
As at December 31, 2019	-	(1,130,238)	(1,925)	(15,317)	(1,147,480)
Depletion and depreciation expense(3)	-	(50,496)	(505)	(607)	(51,608)
As at March 31, 2020	-	(1,180,734)	(2,430)	(15,924)	(1,199,088)
Net book value:					
As at December 31, 2019	321	2,719,851	18,006	4,900	2,743,078
As at March 31, 2020	**321**	**2,803,915**	**17,501**	**4,776**	**2,826,513**

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

(2) Birchcliff completed the acquisition of various Montney lands and assets on January 3, 2019 for total cash consideration of $39.4 million and assumed decommissioning obligations totalling $6.1 million (see Note 6).

(3) Future development costs required to develop and produce proved plus probable reserves totalled $4.4 billion at March 31, 2020 (December 31, 2019 – $4.4 billion) and are included in the depletion expense calculation.

Impairment Assessment

In accordance with IFRS, an impairment test is performed if Birchcliff identifies an indicator of impairment. Birchcliff determined there were impairment indicators present at March 31, 2020 due to the decline in the current and forward commodity prices for oil and natural gas and reduction in market capitalization since its previously completed impairment assessment at December 31, 2019. An impairment is recognized if the carrying value of a Cash Generating Unit ("**CGU**") exceeds the recoverable amount for that CGU. A CGU's recoverable amount is the greater of its fair value less cost to sell and its current value in use. The calculation of the recoverable amount is sensitive to the assumptions regarding production volumes, discount rates and commodity prices. Any excess of carrying value over recoverable amount is recognized as impairment loss in profit or loss. At March 31, 2020 the Corporation used value-in-use derived from production of proved and probable reserves estimated by the Corporation's independent third-party reserve evaluators and internally updated to period-end pricing, capital and production. The estimated future cash flows are discounted at pre-tax rates between 8% and 15% depending on the risk profile of the reserve category. Birchcliff's P&NG properties and equipment were not impaired at March 31, 2020 and December 31, 2019

The following forward commodity price and foreign exchange rate estimates were used in determining whether an impairment to the carrying value of the P&NG properties and equipment existed at March 31, 2020:

Year	WTI Oil *(US$/bbl)*[(1)]	AECO Natural Gas *(CDN$/mcf)*[(1)]	NYMEX Henry Hub Gas *(US$/mcf)*[(1)]	Dawn Gas *(US$/mcf)*[(1)]	Foreign Exchange Rate *(CDN$/US$)*[(1)]
2020	30.00	1.78	2.08	1.93	0.71
2021	41.18	2.22	2.54	2.40	0.73
2022	49.88	2.42	2.79	2.65	0.75
2023	55.87	2.54	2.92	2.78	0.76
2024	57.98	2.61	2.99	2.85	0.76
2025	59.22	2.69	3.05	2.92	0.76
2026	60.39	2.75	3.11	2.98	0.76
2027	61.60	2.81	3.18	3.04	0.76
2028	62.84	2.86	3.24	3.10	0.76
2029	65.38	3.00	3.30	3.16	0.76
Thereafter	+2.0%/year	+2.0%/year	+2.0%/year	+2.0%/year	0.76

(1) The forecast commodity prices, inflation and exchange rates were determined using the average forecasts from Deloitte, McDaniel, GLJ Petroleum Consultants Ltd. and Sproule Associates Ltd. effective April 1, 2020.

Birchcliff and its external reserve evaluators also assess many other financial assumptions regarding royalty rates, operating costs and future development costs along with several other non-financial assumptions that affect reserve volumes. Birchcliff has considered these assumptions for the impairment test at March 31, 2020, however, it should be noted that all estimates are subject to uncertainty.

5. REVOLVING TERM CREDIT FACILITIES

The components of the Corporation's Credit Facilities include:

As at, *($000s)*	March 31, 2020	December 31, 2019
Syndicated credit facility	611,816	593,557
Working capital facility	9,237	17,926
Drawn revolving term credit facilities	621,053	611,483
Unamortized deferred financing fees	(1,998)	(2,306)
Revolving term credit facilities	**619,055**	**609,177**

At March 31, 2020, the Corporation's Credit Facilities in the aggregate principal amount of $1.0 billion were comprised of: (i) an extendible revolving syndicated term credit facility (the "**Syndicated Credit Facility**") of $900.0 million; and (ii) an extendible revolving working capital facility (the "**Working Capital Facility**") of $100.0 million.

The Credit Facilities allow for prime rate loans, LIBOR loans, U.S. base rate loans, bankers' acceptances and, in the case of the Working Capital Facility only, letters of credit. The interest rates applicable to the drawn loans are based on a pricing margin grid and will change as a result of the ratio of outstanding indebtedness to EBITDA as calculated in accordance with the agreement governing the Credit Facilities. EBITDA is defined as earnings before interest and non-cash items including (if any) income taxes, other compensation, gains and losses on sale of assets, unrealized gains and losses on financial instruments, depletion, depreciation and amortization and impairment charges.

The Credit Facilities are subject to semi-annual reviews of the borrowing base limit by Birchcliff's syndicate of lenders, which limit is directly impacted by the value of Birchcliff's oil and natural gas reserves. In addition, pursuant to the terms of the credit agreement governing the Credit Facilities, the borrowing base of the Credit Facilities may be adjusted in certain other circumstances. Birchcliff's Credit Facilities include a provision giving the lenders the right to redetermine the borrowing base if the Corporation's liability management rating ("**LMR**") is less than 2.0. Birchcliff's LMR at March 31, 2020 was 18.4. Upon any change in or redetermination of the borrowing base limit which results in a borrowing base shortfall, Birchcliff must eliminate the borrowing base shortfall amount. Subsequent to March 31, 2020, Birchcliff's syndicate of lenders completed its review and the borrowing base limit was confirmed at $1.0 billion.

The maturity dates of the Credit Facilities are May 11, 2022. Birchcliff may each year, at its option, request an extension to the maturity date of the Syndicated Credit Facility and the Working Capital Facility, or either of them, for an additional period of up to three years from May 11 of the year in which the extension request is made. In connection with the most recently completed borrowing base review, Birchcliff elected to not extend the Credit Facilities by another year.

The Credit Facilities do not contain any financial maintenance covenants.

6. DECOMMISSIONING OBLIGATIONS

The Corporation estimates the total undiscounted (inflated) amount of cash flow required to settle its decommissioning obligations is approximately $206.9 million at March 31, 2020 (March 31, 2019 – $272.1 million). A reconciliation of the decommissioning obligations is set forth below:

As at, *($000s)*	**March 31, 2020**	**December 31, 2019**
Balance, beginning	128,128	129,264
Obligations incurred	1,638	5,236
Obligations acquired(1)	-	6,096
Obligations divested	(37)	(51)
Changes in estimated future cash flows(2)	(412)	(12,724)
Accretion	609	2,592
Decommissioning expenditures	(551)	(2,285)
Balance, ending(3)	**129,375**	**128,128**

(1) Includes decommissioning obligations acquired from the acquisition of various Montney lands and assets in January 2019.

(2) Primarily relates to changes in the nominal risk-free rate, inflation rate, abandonment cost and abandonment date estimates of future obligations used to calculate the present value of the decommissioning obligation.

(3) Birchcliff applied a nominal risk-free rate of 1.39% and an inflation rate of 0.96% to calculate the present value of the decommissioning obligation at March 31, 2020 and a nominal risk-free rate of 1.74% and an inflation rate of 1.33% at December 31, 2019.

7. CAPITAL STOCK

Share Capital

(a) Authorized:

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

Unlimited number of preferred shares, with no par value.

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

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

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

As at, *(000s)*	**March 31, 2020**	**December 31, 2019**
Common shares:		
Outstanding at beginning of period	265,935	265,911
Exercise of stock options	-	24
Outstanding at end of period(1)	**265,935**	**265,935**
Series A preferred shares (perpetual):		
Outstanding at beginning of period	2,000	2,000
Outstanding at end of period	**2,000**	**2,000**

(1) On November 19, 2019, Birchcliff announced that the TSX had accepted the Corporation's notice of intention to make a normal course issuer bid (the "**NCIB**"). Pursuant to the NCIB, Birchcliff may purchase up to 13,296,761 of its outstanding common shares. The total number of common shares that Birchcliff is permitted to purchase is subject to a daily purchase limit of 309,858 common shares; provided, however, that the Corporation may make one block purchase per calendar week which exceeds the daily purchase restriction. The NCIB commenced on November 25, 2019 and will terminate on November 24, 2020, or such earlier time as the NCIB is completed or is terminated at the option of Birchcliff. Purchases under the NCIB will be effected through the facilities of the TSX and/or Canadian alternative trading systems at the prevailing market price at the time of such transaction. All common shares purchased under the NCIB will be cancelled. Birchcliff has not purchased any common shares pursuant to the NCIB.

Capital Securities

On and after June 30, 2019, the Corporation may, at its option, redeem for cash, all or any number of the outstanding Series C Preferred Shares at $25.50 per share if redeemed before June 30, 2020 and at $25.00 per share if redeemed on or after June 30, 2020, in each case together with all accrued and unpaid dividends to but excluding the date fixed for redemption. The Corporation may also elect to convert such Series C Preferred Shares into common shares of the Corporation.

The Series C Preferred Shares are not redeemable by the holders of the preferred shares prior to June 30, 2020. On and after June 30, 2020, a holder of Series C Preferred Shares may, at its option, redeem for cash, all or any number of Series C Preferred Shares held by such holder on the last day of each financial quarter at $25.00 per share, together with all accrued and unpaid dividends to but excluding the date fixed for redemption. Upon receipt of the notice of redemption, the Corporation may, at its option, elect to convert such Series C Preferred Shares into common shares of the Corporation.

Birchcliff has not redeemed for cash any of its outstanding Series C Preferred Shares or converted any number of the outstanding Series C Preferred Shares into common shares as at March 31, 2020. The Corporation has outstanding 2,000,000 Series C Preferred Shares at March 31, 2020 (December 31, 2019 – 2,000,000).

Dividends

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

Three months ended,	**March 31, 2020**	**March 31, 2019**
Common shares:		
Dividend distribution *($000s)*	6,981	6,980
Per common share *($)*	0.0263	0.0263
Preferred shares - Series A:		
Series A dividend distribution *($000s)*	1,047	1,047
Per Series A preferred share *($)*	0.5234	0.5234
Preferred shares - Series C:		
Series C dividend distribution *($000s)*	875	875
Per Series C preferred share *($)*	0.4375	0.4375

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

8. EARNINGS (LOSS) PER SHARE

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

Three months ended, *($000s, except for per share information)*	**March 31, 2020**	**March 31, 2019**
Net income (loss)	(44,154)	16,846
Dividends on Series A preferred shares	(1,047)	(1,047)
Net income (loss) to common shareholders	(45,201)	15,799
Weighted average common shares:		
Weighted average basic common shares outstanding	265,935	265,914
Effects of dilutive securities	-	468
Weighted average diluted common shares outstanding(1)	265,935	266,382
Net income (loss) per common share:		
Basic	**$(0.17)**	**$0.06**
Diluted	**$(0.17)**	**$0.06**

(1) The weighted average diluted common shares outstanding for the three months ended March 31, 2019 excludes 16,631,267 common shares that were anti-dilutive. As the Corporation reported a loss for the three months ended March 31, 2020, the basic and diluted weighted average common shares outstanding are the same for the period and dilutive securities were considered anti-dilutive.

9. REVENUE

The following table sets forth Birchcliff's revenue by source:

Three months ended, *($000s)*	Match 31, 2020	March 31, 2019
Light oil sales	19,138	28,547
Condensate[1]	24,080	26,013
NGLs sales[2]	8,710	10,750
Natural gas sales	71,332	112,976
P&NG sales[3][4]	123,260	178,286
Royalty income	3	69
P&NG revenue	**123,263**	**178,355**
Marketing revenue[5]	5,206	-
Revenue from contracts with customers	**128,469**	**178,355**

(1) Includes pentanes plus.

(2) Includes ethane, propane and butane.

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

(4) Included in accounts receivable at March 31, 2020 was $32.8 million (March 31, 2019 - $69.5 million) in P&NG sales to be received from its marketers in respect of March 2020 production, which was subsequently received in April 2020.

(5) Marketing revenue represents the sale of commodities purchased from third parties less applicable fees. Birchcliff enters into certain marketing purchase and sales arrangements to reduce its take-or-pay fractionation fees associated with third-party commitments. For the three months ended March 31, 2020, the Corporation had marketing purchases from third parties of $3.9 million.

10. OTHER LIABILITIES

Post-Employment Benefit Obligation

Birchcliff's discounted post-employment benefit obligation at March 31, 2020 was $8.7 million. The Corporation estimates the total undiscounted (inflated) amount of cash flow required to settle its obligations for all participants meeting the eligibility requirements under the post-employment benefit plan is approximately $14.8 million at March 31, 2020 (December 31, 2019 – $14.8 million). A reconciliation of the discounted post-employment benefit obligation is set forth below:

As at, *($000s)*	March 31, 2020	December 31, 2019
Balance, beginning	8,494	7,844
Obligations incurred[1]	133	524
Accretion	34	126
Balance, ending[2]	**8,661**	**8,494**
Current portion	-	-
Long-term portion	8,661	8,494

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

(2) Birchcliff applied a discount rate of 2.8% and an inflation rate of 3.0% to calculate the present value of the post-employment benefit obligation at March 31, 2020 and December 31, 2019.

Lease Obligation

Birchcliff's discounted post-employment benefit obligation at March 31, 2020 was $18.2 million. The Corporation's total undiscounted (inflated) amount of cash flow required to settle its lease obligations is approximately $21.8 million at March 31, 2020 (December 31, 2019 – $22.3 million). A reconciliation of the discounted lease obligation is set forth below:

As at, *($000s)*	March 31, 2020	December 31, 2019
Balance, beginning	18,552	17,311
Obligations incurred	-	2,620
Lease payments	(573)	(2,172)
Accretion	199	793
Balance, ending[1]	**18,178**	**18,552**
Current portion	1,540	1,522
Long-term portion	16,638	17,030

(1) Birchcliff applied a discount rate of 4.7% to calculate the discounted value of the lease obligation at March 31, 2020 and December 31, 2019.

11. SHARE-BASED PAYMENT

Stock Option

At March 31, 2020, the Corporation's stock option plan (the "**Option Plan**") permitted the grant of options in respect of a maximum of 26,593,523 (March 31, 2019 – 26,592,436) common shares. At March 31, 2020, there remained available for issuance options in respect of 5,431,522 (March 31, 2019 – of 7,977,000) common shares. For stock options exercised during 2020, the weighted average common share trading price on the Toronto Stock Exchange was $1.38 (March 31, 2019 – $3.46) per common share.

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

	Three months ended March 31, 2020	
	Number	**Price *($)*[1]**
Outstanding, beginning of period	23,483,368	4.28
Granted[2]	35,500	1.92
Forfeited	(57,567)	(3.18)
Expired	(2,299,300)	(6.56)
Outstanding, March 31, 2020	**21,162,001**	**4.03**

(1) Calculated on a weighted average basis.

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

The weighted average fair value per option granted during the three months ended March 31, 2020 was $0.52 (March 31, 2019 – $1.18). In determining the stock-based compensation expense for options issued during the three months ended March 31, 2020, the Corporation applied a weighted average estimated forfeiture rate of 9.2% (March 31, 2019 – 9.9%). The weighted average assumptions used in calculating the Black-Scholes fair values are set forth below:

Three months ended,	**March 31, 2020**	**March 31, 2019**
Risk-free interest rate	1.4%	1.8%
Expected life *(years)*	4.1	4.1
Expected volatility	50.2%	50.9%
Dividend yield	5.6%	2.9%

A summary of the stock options outstanding and exercisable under the Option Plan at March 31, 2020 is set forth below:

Grant Price *($)*		**Awards Outstanding**			**Awards Exercisable**		
Low	**High**	**Quantity**	**Weighted Average Remaining Contractual Life *(years)***	**Weighted Average Exercise Price *($)***	**Quantity**	**Weighted Average Remaining Contractual Life *(years)***	**Weighted Average Exercise Price *($)***
1.71	3.00	5,298,500	4.69	2.32	-	-	-
3.01	6.00	11,554,001	2.89	3.42	6,757,891	2.41	3.37
6.01	9.43	4,309,500	1.79	7.79	4,207,331	1.79	7.80
		21,162,001	**3.12**	**4.03**	**10,965,222**	**2.17**	**5.07**

Performance Warrants

On January 18, 2005, Birchcliff issued 4,049,665 performance warrants as part of its initial restructuring to become a public entity. There are 2,939,732 performance warrants outstanding and exercisable at March 31, 2020 (December 31, 2019 – 2,939,732) with an expiry date of January 31, 2025. Each performance warrant is exercisable at a price of $3.00 to purchase one common share of Birchcliff.

12. CAPITAL MANAGEMENT

The Corporation's general policy is to maintain a sufficient capital base in order to manage its business in the most effective manner with the goal of increasing the value of its assets and thus its underlying share value. The Corporation's objectives when managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations, to maintain a capital structure that allows Birchcliff to finance its business strategy using primarily internally-generated cash flow and its available debt capacity and to optimize the use of its capital to provide an appropriate investment return to its shareholders. There were no changes in the Corporation's approach to capital management during the three months ended March 31, 2020.

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

As at, *($000s)*	**March 31, 2020**	**December 31, 2019**
Maximum borrowing base limit[(1)]:		
Revolving term credit facilities	1,000,000	1,000,000
Principal amount utilized:		
Drawn revolving term credit facilities	(621,053)	(611,483)
Outstanding letters of credit[(2)]	(4,185)	(4,185)
	(625,238)	(615,668)
Unused credit	**374,762**	**384,332**

(1) The Credit Facilities are subject to a semi-annual review of the borrowing base limit, which is directly impacted by the value of Birchcliff's petroleum and natural gas reserves. In connection with the semi-annual review of the borrowing base limit under the Credit Facilities which was completed by the Corporation's syndicate of lenders in May 2020, the borrowing base limit was confirmed at $1.0 billion.

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

The capital structure of the Corporation is as follows:

As at, *($000s)*	**March 31, 2020**	**December 31, 2019**	**% Change**
Shareholders' equity[(1)]	1,645,028	1,695,621	
Capital securities	49,923	49,845	
Shareholders' equity & capital securities	1,694,951	1,745,466	(3%)
Shareholders' equity & capital securities as a % of total capital[(2)]	70%	73%	
Working capital deficit[(3)]	120,576	23,405	
Drawn revolving term credit facilities	621,053	611,483	
Drawn debt	741,629	634,888	17%
Drawn debt as a % of total capital	30%	27%	
Total capital	**2,436,580**	**2,380,354**	**2%**

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

(2) Of the 70%, approximately 95% relates to common capital stock and 5% relates to preferred capital stock.

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

13. RISK MANAGEMENT

Birchcliff is exposed to credit risk, liquidity risk and market risk as part of its normal course of business. The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's financial risk management framework and periodically reviews the results of all risk management activities and all outstanding positions. The following table provides a summary of the realized and unrealized gains (losses) on financial derivatives:

Three months ended, *($000s)*	**March 31, 2020**	**March 31, 2019**
Realized gain (loss) on derivatives	(14,260)	13,318
Unrealized loss on derivatives	(39,339)	(38,875)

Commodity Price Risk

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

Financial Derivative Contracts

At March 31, 2020, Birchcliff had certain financial derivative contracts outstanding in order to manage commodity price risk. These instruments are not used for trading or speculative purposes. Birchcliff has not designated its financial instruments as effective accounting hedges, even though the Corporation considers all commodity contracts to be effective economic hedges. As a result, all such financial instruments are recorded on the statements of financial position at fair value, with the changes in fair value being recognized as an unrealized gain or loss in profit or loss and realized upon settlement.

At March 31, 2020, Birchcliff had the following financial derivative contracts in place in order to manage commodity price risk:

Product	Type of Contract	Notional Quantity	Remaining Term[1]	Contract Price	Fair Value Liability *($000s)*
Natural gas	AECO 7A basis swap[2]	30,000 MMBtu/d	Apr. 1, 2020 – Dec. 31, 2023	NYMEX HH less US$1.298/MMBtu	27,193
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Apr. 1, 2020 – Dec. 31, 2023	NYMEX HH less US$1.320/MMBtu	9,540
Natural gas	AECO 7A basis swap[2]	30,000 MMBtu/d	Apr. 1, 2020 – Dec. 31, 2023	NYMEX HH less US$1.330/MMBtu	28,903
Natural gas	AECO 7A basis swap[2]	15,000 MMBtu/d	Apr. 1, 2020 – Dec. 31, 2024	NYMEX HH less US$1.185/MMBtu	13,232
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Apr. 1, 2020 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu	4,585
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Apr. 1, 2020 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu	4,546
Natural gas	AECO 7A basis swap[2]	12,500 MMBtu/d	Apr. 1, 2020 – Dec. 31, 2025	NYMEX HH less US$1.108/MMBtu	10,753
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Apr. 1, 2020 – Dec. 31, 2025	NYMEX HH less US$1.115/MMBtu	8,666
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Apr. 1, 2020 – Dec. 31, 2025	NYMEX HH less US$1.050/MMBtu	6,849
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jan. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.178/MMBtu	4,333
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Jan. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.175/MMBtu	8,671
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jan. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.190/MMBtu	4,451
Natural gas	AECO 7A basis swap[2]	30,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.114/MMBtu	9,379
Natural gas	AECO 7A basis swap[2]	35,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.081/MMBtu	10,140
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.013/MMBtu	35
Natural gas	AECO 7A basis swap[2]	20,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.005/MMBtu	2,151
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$0.990/MMBtu	534
					153,961

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

(2) Birchcliff sold AECO basis swap.

At March 31, 2020 if the future AECO/NYMEX basis was US$0.10/MMBtu higher, with all other variables held constant, after-tax net loss in the three months ended March 31, 2020 would have decreased by $29.6 million.

The following financial derivative contracts were entered into subsequent to March 31, 2020:

Product	Type of Contract	Quantity	Remaining Term[1]	Contract Price
Crude oil	MSW fixed price	1,000 bbls/d	May 1, 2020 – May 31, 2020	CDN$20.00/bbl
Crude oil	MSW fixed price	1,000 bbls/d	Jun. 1, 2020 – Jun. 30, 2020	CDN$27.00/bbl
Crude oil	MSW fixed price	1,000 bbls/d	Jun. 1, 2020 – Jun. 30, 2020	CDN$27.00/bbl
Crude oil	MSW fixed price	500 bbls/d	Jun. 1, 2020 – Jun. 30, 2020	CDN$27.20/bbl
Crude oil	MSW fixed price	500 bbls/d	Jul. 1, 2020 – Jul. 31, 2020	CDN$30.00/bbl
Crude oil	MSW fixed price	1,000 bbls/d	Jul. 1, 2020 – Jul. 31, 2020	CDN$32.00/bbl
Condensate	C5+ fixed price	500 bbls/d	Aug. 1, 2020 – Aug. 31, 2020	CDN$32.50/bbl

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

Physical Delivery Contracts

Birchcliff also enters into physical delivery contracts to manage commodity price risk. These contracts are considered normal executory sales contracts and are not recorded at fair value through profit or loss.

At March 31, 2020 the Corporation had the following physical delivery contract in place:

Product	Type of Contract	Quantity	Remaining Term	Contract Price
Natural gas	AECO 7A basis swap[1]	5,000 MMBtu/d	Apr. 1, 2020 – Dec. 31, 2023	NYMEX HH less US$1.205/MMBtu

(1) Birchcliff sold AECO basis swap.

The following physical delivery contracts were entered into subsequent to March 31, 2020:

Product	Type of Contract	Quantity	Remaining Term[1]	Contract Price
Crude oil	MSW fixed price	2,000 bbls/d	May 1, 2020 – May 31, 2020	CDN$20.10/bbl
Crude oil	MSW fixed price	1,000 bbls/d	May 1, 2020 – May 31, 2020	CDN$20.00/bbl
Crude oil	MSW fixed price	2,000 bbls/d	Jun. 1, 2020 – Jun. 30, 2020	CDN$26.00/bbl
Crude oil	MSW fixed price	1,500 bbls/d	Jun. 1, 2020 – Jun. 30, 2020	CDN$25.67/bbl

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

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation's Credit Facilities are exposed to interest rate risk. The remainder of Birchcliff's financial assets and liabilities are not exposed directly to interest rate risk.

At March 31, 2020, Birchcliff had the following financial derivative contracts in place in order to manage interest rate risk:

Type of Contract	Index	Remaining Term[1]	Notional Amount *($million)*	Fixed Rate *(%)*	Fair Value Liability *($000s)*
Interest rate swap	One-month banker's acceptance – CDOR[2]	Apr. 1, 2020 – Mar. 1, 2024	350	2.215	17,968

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

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

At March 31, 2020 if the one-month banker's acceptance CDOR index was 0.10% higher, with all other variables held constant, after-tax net loss in the three months ended March 31, 2020 would have decreased by $1.0 million.

Foreign Currency Risk

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The exchange rate effect cannot be quantified but generally an increase in the value of the CDN dollar as compared to the US dollar will reduce the CDN dollar prices received by Birchcliff for its petroleum and natural gas sales. The Corporation had no long-term forward exchange rate contracts in place as at or during the period ended March 31, 2020.

ABBREVIATIONS

AECO	benchmark price for natural gas determined at the AECO 'C' hub in southeast Alberta
ATP	Alliance Trading Pool
bbl	barrel
bbls	barrels
bbls/d	barrels per day
boe	barrel of oil equivalent
boe/d	barrel of oil equivalent per day
C3+	propane plus
condensate	pentanes plus (C5+)
F&D	finding and development
G&A	general and administrative
GAAP	generally accepted accounting principles for Canadian public companies which are currently 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
Mcf/d	thousand cubic feet per day
Mcfe	thousand cubic feet of gas equivalent
MJ	megajoule
MM$	millions of dollars
MMBtu	million British thermal units
MMBtu/d	million British thermal units per day
MMcf	million cubic feet
MMcf/d	million cubic feet per day
MSW	price for mixed sweet crude oil at Edmonton, Alberta
NGLs	natural gas liquids consisting of ethane (C2), propane (C3) and butane (C4) and specifically excluding condensate
NGTL	NOVA Gas Transmission Ltd.
NYMEX	New York Mercantile Exchange
OPEC+	Organization of the Petroleum Exporting Countries ("**OPEC**"), with certain non-OPEC oil exporting countries
TCPL	TransCanada PipeLines Limited
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma, for crude oil of standard grade
000s	thousands
$000s	thousands of dollars

NON-GAAP MEASURES

This report contains references to "adjusted funds flow", "adjusted funds flow per basic common share", "free funds flow", "transportation and other expense", "operating netback", "adjusted funds flow netback", "total cash costs" 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.

"Adjusted funds flow" denotes cash flow from operating activities before the effects of decommissioning expenditures and changes in non-cash operating working capital and "adjusted funds flow per basic common share" denotes adjusted funds flow divided by the basic weighted average number of common shares outstanding for the period. "Free funds flow" denotes adjusted funds flow less F&D capital expenditures. "Transportation and other expense" denotes transportation expense plus marketing purchases minus marketing revenue. "Operating netback" denotes petroleum and natural gas revenue less royalty expense, less operating expense and less transportation and other expense. "Adjusted funds flow netback" denotes petroleum and natural gas revenue less royalty expense, less operating expense, less transportation and other expense, less net G&A expense, less interest expense and less any realized losses (plus realized gains) on financial instruments and plus any other cash income sources. "Total cash costs" are comprised of royalty, operating, transportation and other, G&A and interest expenses. "Total debt" is calculated as the revolving term credit facilities plus adjusted working capital deficit.

For additional information regarding these non-GAAP measures, including reconciliations to the most directly comparable GAAP measures where applicable, see *"Non-GAAP Measures"* in management's discussion and analysis for the three months ended March 31, 2020 (the "**MD&A**").

ADVISORIES

Unaudited Information

All financial and operational information contained in this report for the three months ended March 31, 2020 and 2019 is unaudited.

Currency

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

MMBtu Pricing Conversions

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

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.

Production

With respect to the disclosure of Birchcliff's production contained in this report: (i) references to "light oil" mean "light crude oil and medium crude oil" as such term is defined in National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"); (ii) unless otherwise indicated, references to "liquids" mean "light crude oil and medium crude oil" and "natural gas liquids" (including condensate) as such terms are defined in NI 51-101; and (iii) references to "natural gas" mean "shale gas", which also includes an immaterial amount of "conventional natural gas", as such terms are defined in NI 51-101. In addition, NI 51-101 includes condensate within the product type of natural gas liquids. Birchcliff has disclosed condensate separately from other natural gas liquids as the price of condensate as compared to other natural gas liquids is currently significantly higher and Birchcliff believes presenting the two commodities separately provides a more accurate description of its operations and results therefrom.

Oil and Gas Metrics

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

Initial Production Rates

Any references in this report to initial production rates or other short-term production rates are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will continue to produce and decline thereafter and are not indicative of the long-term performance or the ultimate recovery of such wells. In addition, such rates may also include recovered "load oil" or "load water" fluids used in well completion stimulation. While encouraging, readers are cautioned not to place undue reliance on such rates in calculating the aggregate production for Birchcliff. Such rates are based on field estimates and may be based on limited data available at this time.

Capital Expenditures

Unless otherwise indicated, references in this report to: (i) "F&D capital" denotes capital for land, seismic, workovers, drilling and completions and well equipment and facilities; and (ii) "total capital expenditures" denotes F&D capital plus acquisitions, less any dispositions, plus administrative assets.

Forward-Looking Statements

Certain statements contained in this report constitute forward-looking statements and forward-looking information (collectively referred to as "**forward-looking statements**") within the meaning of applicable Canadian securities laws. The forward-looking statements contained in this report relate to future events or Birchcliff's future plans, operations or performance and are based on Birchcliff's current expectations, estimates, projections, beliefs and assumptions. Such forward-looking statements have been made by Birchcliff in light of the information available to it at the time the statements were made and reflect its experience and perception of historical trends. All statements and information other than historical fact may be forward-looking statements. Such forward-looking statements are often, but not always, identified by the use of words such as "seek", "plan", "focus", "future", "outlook", "position", "expect", "project", "intend", "believe", "anticipate", "estimate", "forecast", "guidance", "potential", "proposed", "predict", "budget", "continue", "targeting", "may", "will", "could", "might", "should", "would", "on track" 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 report contains forward-looking statements relating to the following:

- Birchcliff's plans and other aspects of its anticipated future financial performance, results, operations, focus, objectives, strategies, opportunities, priorities and goals;
- Birchcliff's belief that its strong financial position, low operating cost structure and low-decline asset base provides it with the ability to withstand the challenges posed by the COVID-19 pandemic and the reduced demand for oil;
- statements regarding the Corporation's outlook for commodity prices, including: that very weak commodity prices are anticipated for Q2 2020; and that natural gas prices will continue to strengthen throughout 2020 and into 2021;
- statements that the strengthening of current and future natural gas prices in North America is key for the Corporation's current and future adjusted funds flow;
- statements regarding the Corporation's liquidity and financial flexibility;
- statements regarding Birchcliff's quarterly common share dividend, including: that the Corporation intends to reduce its quarterly common share dividend from $0.02625 per share (or $0.105 per share annually) to $0.005 per share (or $0.02 per share annually) commencing with the quarter ending June 30, 2020, which would result

in the preservation of approximately $17 million in 2020; and statements that this reduced quarterly cash dividend is expected to be declared by the Corporation's Board of Directors on June 2, 2020;

- statements regarding the Series C Preferred Shares, including that the Corporation currently has no intention to redeem the Series C Preferred Shares, but rather, to leave such shares outstanding and continue paying a quarterly cash dividend on the shares;
- the information set forth under the heading *"Outlook and Guidance"* and elsewhere in this report as it relates to Birchcliff's outlook and guidance, including: Birchcliff's competitive position and its belief that its strong financial position, low operating cost structure, high-quality, low-decline asset base and people provide it with a competitive advantage which will allow it to withstand this current period of low and volatile commodity prices; statements that Birchcliff's high-quality, low-decline asset base allows it to maintain production at or near current levels with less F&D capital each year and is also able to generate positive funds flow in a low commodity price environment; statements that the Corporation's owned-and-operated infrastructure, diverse portfolio of assets and production commodity mix provides it with significant optionality to focus on those commodities that provide it with the highest rate of return; statements that Birchcliff is focused on strengthening its liquidity and financial flexibility in this challenging environment; statements that Birchcliff continues to engage in strategic risk management activities to help reduce its exposure to volatile commodity prices and protect its balance sheet and adjusted funds flow; statements that Birchcliff is also focused on the successful and efficient execution of its 2020 Capital Program, which is expected to be completed on time and on budget; statements that the 2020 Capital Program is heavily weighted towards the first half of the year, with the majority of F&D capital expected to be spent by the end of Q2 2020; statements that the Corporation's production is expected to increase over the course of 2020 with a corresponding reduction in per unit operating costs; statements that a significant number of wells are planned to be brought on production in late Q3 2020, which will coincide with the bringing on-stream of the Inlet Liquids-Handling Facility; statements that production in Q4 2020 is expected to average approximately 81,000 to 83,000 boe/d; statements that the Corporation anticipates that natural gas prices will continue to strengthen throughout 2020 and into 2021 and that its higher production in the third and fourth quarters of 2020 will drive higher adjusted funds flow and lower per unit costs; Birchcliff's expectation that it will have significantly lower adjusted funds flow in Q2 2020 as compared to Q1 2020; statements that total debt is expected to peak early in Q3 2020; statements that as production increases and commodity prices for natural gas are expected to strengthen over the course of 2020, that Birchcliff's total debt will gradually decrease throughout the remainder of 2020, while its adjusted funds flow will steadily increase; statements that Birchcliff expects to exit 2020 in a strong position as a result of its higher production and lower costs; statements that expected proved developed producing reserves additions resulting from the 2020 Capital Program should position the Corporation well for the future; statements that the Corporation's 2021 capital program will be designed to provide Birchcliff with significant optionality to take advantage of volatile commodity prices; statements that Birchcliff's large inventory of potential future drilling locations gives it the ability to focus on natural gas, liquids-rich natural gas or light oil drilling; statements that based on current strip prices, the Corporation currently expects to return to a free funds flow model in 2021; estimates of annual and Q4 average production, annual commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, total debt and natural gas market exposure; and the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's estimate of adjusted funds flow;
- the information set forth under the heading *"Operational Update"* and elsewhere in this report as it relates to the 2020 Capital Program and Birchcliff's proposed exploration and development activities and the timing thereof, including: the focus of, the objectives of, the anticipated results from and expected benefits of the 2020 Capital Program; statements regarding the number and types of wells expected to be drilled and brought on production and the timing thereof; statements regarding the Inlet Liquids-Handling Facility (including the capacity of the facility, the anticipated timing for the completion of the facility and that the facility will give Birchcliff the ability to grow its condensate production to 10,000 bbls/d in Pouce Coupe); statements regarding other infrastructure projects and their expected benefits; statements that Birchcliff will continue to closely monitor commodity prices and capital expenditures to curtail any spending beyond its current 2020 Capital Program; and the anticipated benefits associated with multi-interval cube-style development;

- the performance and other characteristics of Birchcliff's oil and natural gas properties and expected results from its assets; and
- the forward-looking statements identified in the MD&A under the heading *"Advisories – Forward-Looking Statements".*

With respect to the forward-looking statements contained in this report, assumptions have been made regarding, among other things: the degree to which the Corporation's results of operations and financial condition will be disrupted by circumstances attributable to the COVID-19 pandemic and the responses of governments and the public to the pandemic; 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, environmental, climate change and other laws; the Corporation's ability to comply with existing and future environmental, climate change and other laws; future cash flow, debt and dividend levels; future operating, transportation, marketing, general and administrative and other expenses; Birchcliff's ability to access capital and obtain financing on acceptable terms; the timing and amount of capital expenditures and the sources of funding for capital expenditures and other activities; the sufficiency of budgeted capital expenditures to carry out planned operations; the successful and timely implementation of capital projects and the timing, location and extent of future drilling and other operations; results of operations; Birchcliff's ability to continue to develop its assets and obtain the anticipated benefits therefrom; the performance of existing and future wells; the success of new wells drilled; reserves and resource volumes and Birchcliff's ability to replace and expand reserves through acquisition, development or exploration; the impact of competition on Birchcliff; the availability of, demand for and cost of labour, services and materials; the ability to obtain any necessary regulatory or other approvals in a timely manner; the satisfaction by third parties of their obligations to Birchcliff; the ability of Birchcliff to secure adequate processing and transportation for its products; Birchcliff's ability to successfully market natural gas and liquids; the availability of hedges on terms acceptable to Birchcliff; and Birchcliff's 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 report:

- Birchcliff's 2020 guidance (as updated May 13, 2020) assumes the following commodity prices and exchange rate: an average WTI price of US$33.00/bbl; an average WTI-MSW differential of CDN$11.00/bbl; an average AECO 5A price of CDN$2.20/GJ; an average Dawn price of US$2.00/MMBtu; an average NYMEX HH price of US$2.25/MMBtu; and an exchange rate (CDN$ to US$1) of 1.38.
- With respect to estimates of 2020 capital expenditures and Birchcliff's spending plans for 2020, such estimates and plans assume that the 2020 Capital Program will be carried out as currently contemplated. Birchcliff makes acquisitions and dispositions in the ordinary course of business. Any acquisitions and dispositions completed could have an impact on Birchcliff's capital expenditures, production, adjusted funds flow, free funds flow, costs and total debt, which impact could be material. The amount and allocation of capital expenditures for exploration and development activities by area and the number and types of wells to be drilled and brought on production is dependent upon results achieved and is subject to review and modification by management on an ongoing basis throughout the year. Actual spending may vary due to a variety of factors, including commodity prices, economic conditions, results of operations and costs of labour, services and materials.
- With respect to Birchcliff's estimates of adjusted and free funds flow for 2020, such estimates assume that: the 2020 Capital Program will be carried out as currently contemplated and the level of capital spending for 2020 set forth herein will be achieved; and the targets for production, commodity mix and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met.
- With respect to Birchcliff's production guidance, such guidance assumes that: the 2020 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.

- 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: the risks posed by pandemics (including COVID-19) and epidemics and their impacts on supply and demand and commodity prices; actions taken by OPEC+ and other major producers of crude oil and the impact such actions may have on supply and demand and commodity prices; 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 exchange and interest rates; stock market volatility; loss of market demand; an inability to access sufficient capital from internal and external sources on terms acceptable to the Corporation; 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, severe weather, explosions, blow-outs, equipment failures, transportation incidents and other similar events affecting Birchcliff or other parties whose operations or assets directly or indirectly affect Birchcliff; an inability to access sufficient water or other fluids needed for operations; uncertainty that development activities in connection with Birchcliff's assets will be economic; an inability to access or implement some or all of the technology necessary to efficiently and effectively operate its assets and achieve expected future results; uncertainties associated with estimating oil and natural gas reserves and resources; the accuracy of estimates of reserves, future net revenue and 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; 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 to the regulatory framework in the locations where the Corporation operates, including changes to tax laws, Crown royalty rates, environmental laws, climate change laws, carbon tax regimes, incentive programs and other regulations that affect the oil and natural gas industry and other actions by government authorities; an inability of the Corporation to comply with existing and future environmental, climate change and other laws; the cost of compliance with current and future environmental laws; political uncertainty and uncertainty associated with government policy changes; dependence on facilities, gathering lines and pipelines, some of which the Corporation does not control; uncertainties and risks associated with pipeline restrictions and outages to third-party infrastructure that could cause disruptions to production; the lack of available pipeline capacity and an inability to secure adequate and cost effective processing and transportation for Birchcliff's products; an inability to satisfy obligations under Birchcliff's firm marketing and transportation arrangements; a failure to comply with covenants under Birchcliff's credit facilities; 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 and climate change risks, claims and liabilities; potential litigation; default under or breach of agreements by counterparties and potential enforceability issues in contracts; claims by Indigenous peoples; the reassessment by taxing or regulatory authorities of the Corporation's prior transactions and filings; unforeseen title defects; third-party claims regarding the Corporation's right to use technology and equipment; uncertainties associated with the outcome of litigation or other proceedings involving Birchcliff; uncertainties associated with credit facilities and counterparty credit risk; risks associated with Birchcliff's risk management activities and the risk that hedges on terms acceptable to Birchcliff may not be available; risks associated with the declaration and payment of future 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 complete or 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 and fossil fuels, including transportation and hydraulic fracturing involving fossil fuels; the Corporation's reliance on hydraulic fracturing; market competition, including from alternative energy sources; changing demand for petroleum products; the availability of insurance and the risk that certain losses may not be insured; breaches or failure of information systems and security (including risks associated with cyber-attacks); risks associated with the ownership of the Corporation's securities; the accuracy of the Corporation's accounting estimates and judgments; and potential requirements under applicable accounting standards for the impairment or reversal of estimated recoverable amounts of the Corporation's assets from time to time.

Without limitation of the foregoing, the declaration and payment of future dividends (and the amount thereof) is subject to the discretion of the Board of Directors and may vary depending on a variety of factors and conditions existing from time to time, including fluctuations in commodity prices, the financial condition of Birchcliff, production levels, results of operations, capital expenditure requirements, working capital requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates, interest rates, contractual restrictions, Birchcliff's hedging activities or programs, available investment opportunities, Birchcliff's business plan, strategies and objectives and the satisfaction of the solvency and liquidity tests imposed by the *Business Corporations Act* (Alberta). Additionally, pursuant to the agreement governing the Credit Facilities, the Corporation is not permitted to make any distribution (which includes dividends) at any time when an event of default exists or would reasonably be expected to exist upon making such distribution, unless such event of default arose subsequent to the ordinary course declaration of the applicable distribution. For further information relating to risks relating to dividends, see *"Risk Factors – Dividends"* in the AIF.

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 report contains information that may constitute future-orientated financial information or financial outlook information (collectively, "**FOFI**") about Birchcliff's prospective results of operations including, without limitation, adjusted funds flow, free funds flow and total debt, 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, FOFI. Birchcliff has included FOFI in order to provide readers with a more complete perspective on Birchcliff's future operations and management's current expectations relating to Birchcliff's future performance. Readers are cautioned that such information may not be appropriate for other purposes. FOFI contained herein was made as of the date of this report. Unless required by applicable laws, Birchcliff does not undertake any obligation to publicly update or revise any FOFI statements, whether as a result of new information, future events or otherwise.

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

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

CORPORATE INFORMATION

EXECUTIVE OFFICERS

A. Jeffery Tonken
President & Chief Executive Officer

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

Chris A. Carlsen
Vice-President, Engineering

Bruno P. Geremia
Vice-President & Chief Financial Officer

David M. Humphreys
Vice-President, Operations

DIRECTORS

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

Dennis A. Dawson
Lead Independent Director
Calgary, Alberta

Debra A. Gerlach
Independent Director
Calgary, Alberta

Stacey E. McDonald
Independent Director
Calgary, Alberta

James W. Surbey
Non-Independent Director
Calgary, Alberta

MANAGEMENT

Gates Aurigemma
Manager, General Accounting

Robyn Bourgeois
General Counsel & Corporate Secretary

Jesse Doenz
Controller & Investor Relations Manager

George Fukushima
Manager of Engineering

Andrew Fulford
Surface Land Manager

Paul Messer
Manager of IT

Tyler Murray
Mineral Land Manager

Bruce Palmer
Manager of Geology

Brian Ritchie
Asset Manager – Gordondale

Michelle Rodgerson
Manager of Human Resources & Corporate Services

Jeff Rogers
Facilities Manager

Randy Rousson
Drilling & Completions Manager

Vic Sandhawalia
Manager of Finance

Ryan Sloan
Health, Safety & Environment Manager

Duane Thompson
Production Manager

Hue Tran
Business Development Manager

Theo van der Werken
Asset Manager – Pouce Coupe

BANKERS

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

AUDITORS

KPMG LLP, Chartered Professional Accountants
Calgary, Alberta

RESERVES EVALUATORS

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