BIRCHCLIFF ENERGY LTD. ANNOUNCES EXCELLENT Q1 2022 RESULTS, DOUBLING OF QUARTERLY COMMON SHARE DIVIDEND FOR Q2 2022 AND PLANS TO INCREASE COMMON SHARE DIVIDEND IN 2023

Calgary, Alberta (May 11, 2022) – Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") (TSX: BIR) is pleased to announce its Q1 2022 financial and operational results, the doubling of its quarterly common share dividend for the quarter ending June 30, 2022 and plans to further increase the Corporation's common share dividend in 2023.

"We continue to be committed to maximizing free funds flow generation and significantly reducing indebtedness. I am pleased to report that Birchcliff delivered on both fronts in Q1 2022. Our quarterly average production was 76,024 boe/d and we generated quarterly adjusted funds flow(1) of $183.7 million and record first quarter free funds flow(1) of $95.4 million. As a result of the free funds flow we generated in the quarter, we were able to significantly reduce our total debt(2) at March 31, 2022 by $368.4 million (47%) from March 31, 2021 and by $90.4 million (18%) from December 31, 2021," commented Jeff Tonken, Chief Executive Officer of Birchcliff.

Mr. Tonken continued: "Based on the strength of the forward commodity price environment and our excellent results year-to-date, we have increased our full-year 2022 targets for adjusted funds flow to $1.18 billion and free funds flow to $920 million to $940 million(3) and updated our five year plan for 2022 to 2026. We expect to reach zero total debt in Q4 2022 and have a surplus(2) of $260 million to $280 million at year-end 2022(3). As a result, we have accelerated our plans for increasing shareholder returns. Our board of directors has declared a doubled quarterly common share dividend of $0.02 per common share for the quarter ending June 30, 2022. In addition, we are currently targeting increasing our annual common share dividend in 2023 to at least $0.80 per share ($212 million annually), subject to commodity prices and the approval of our board of directors. After the payment of this targeted common share dividend in 2023, we are forecasting a surplus of $575 million at year-end 2023(4). We believe that this increased dividend would be sustainable at an average WTI price of US$70.00/bbl and an average AECO price of CDN$3.00/GJ."

UPDATED OUTLOOK AND INCREASED SHAREHOLDER RETURNS HIGHLIGHTS

- Birchcliff is maintaining its previous 2022 guidance for annual average production at 78,000 to 80,000 boe/d and F&D capital expenditures at $240 million to $260 million, with F&D capital expenditures currently anticipated to be on the high end of the guidance range.
- Birchcliff anticipates that it will generate adjusted funds flow of $1.18 billion and free funds flow of $920 million to $940 million in 2022 based on current strip pricing(3). Birchcliff does not have any fixed price commodity hedges in place and does not currently intend to hedge any future production, which allows the Corporation to take full advantage of the robust commodity price environment.
- Subject to the approval of Birchcliff's board of directors, Birchcliff currently intends to redeem all of its outstanding Series A and Series C preferred shares at the end of Q3 2022.
- Birchcliff expects to reach zero total debt in Q4 2022, even after the proposed redemption of its Series A and Series C preferred shares, with an anticipated surplus of $260 million to $280 million at year-end 2022, based on current strip pricing(3).
- Birchcliff's board of directors has declared a quarterly cash dividend of $0.02 per common share for the quarter ending June 30, 2022, which represents a 100% increase over the prior quarter. This is the second time in the past twelve months that Birchcliff has doubled its quarterly common share dividend, which demonstrates Birchcliff's commitment to increasing shareholder returns.

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(1) Non-GAAP financial measure. See *"Non-GAAP and Other Financial Measures"*.

(2) Capital management measure. See *"Non-GAAP and Other Financial Measures"*.

(3) Birchcliff's updated guidance for its adjusted funds flow, free funds flow and surplus in 2022 is based on an annual average production rate of 79,000 boe/d, which is the mid-point of Birchcliff's annual average production range for 2022. See *"Outlook and Guidance – Updated 2022 Guidance"* for further information regarding Birchcliff's updated guidance for 2022 and its updated commodity price and exchange rate assumptions. See also *"Advisories – Forward-Looking Statements"*.

(4) See *"Outlook and Guidance – Updated Five Year Outlook and Plans to Increase Common Share Dividend in 2023"* for further information regarding Birchcliff's estimate of surplus at year-end 2023 and its updated commodity price and exchange rate assumptions for the updated five year plan. See also *"Advisories – Forward-Looking Statements"*.

- Birchcliff will consider additional increases to its common share dividend in 2022, depending on commodity prices and free funds flow levels, among other things.
- Subject to commodity prices, Birchcliff achieving its target of zero total debt in Q4 2022 and the approval of the board of directors, the Corporation is currently targeting increasing its annual common share dividend in 2023 to at least $0.80 per common share, which is expected to be paid quarterly at a rate of $0.20 per share, commencing with the quarter ending March 31, 2023. After the payment of this targeted common share dividend, the Corporation is forecasting a surplus of $575 million at year-end 2023(4).
- This targeted dividend of $0.80 per common share ($212 million annually)(5) and Birchcliff's targeted F&D capital expenditures would be funded over the course of the Corporation's five year plan at an average WTI price of US$70.00/bbl, an average AECO price of CDN$3.00/GJ and average Dawn and NYMEX prices of US$3.30/MMBtu(6). Assuming these commodity prices, Birchcliff forecasts a surplus of $218 million at year-end 2023(6).

Q1 2022 HIGHLIGHTS

- Achieved quarterly average production of 76,024 boe/d, a 1% increase from Q1 2021. Liquids accounted for 20% of Birchcliff's total production in Q1 2022 as compared to 23% in Q1 2021.
- Generated quarterly adjusted funds flow of $183.7 million, or $0.69 per basic common share(7), a 109% increase from Q1 2021. Cash flow from operating activities was $154.2 million, an 87% increase from Q1 2021.
- Delivered record first quarter free funds flow of $95.4 million, or $0.36 per basic common share(7).
- Significantly reduced total debt at March 31, 2022 to $409.0 million, a reduction of $368.4 million (47%) from March 31, 2021.
- Earned quarterly net income to common shareholders of $125.8 million, or $0.47 per basic common share, a 467% and 488% increase, respectively, from Q1 2021.
- Achieved an operating netback(7) of $28.47/boe, a 67% increase from Q1 2021.
- Realized an operating expense(8) of $3.49/boe, a 10% increase from Q1 2021.
- F&D capital expenditures were $88.3 million in Q1 2022. In Q1 2022, Birchcliff drilled 11 (11.0 net) wells and brought 6 (6.0 net) wells on production.
- In Q1 2022, Birchcliff purchased 1,303,196 common shares pursuant to its normal course issuer bid (the "**NCIB**") at an average price of $6.66 per common share for an aggregate gross cost of $8.7 million (before fees). Year-to-date, Birchcliff has purchased 4,422,192 common shares pursuant to the NCIB at an average price of $8.58 per common share for an aggregate gross cost of $38.0 million (before fees).

Birchcliff's unaudited interim condensed financial statements for the three months ended March 31, 2022 and related management's discussion and analysis will be available on its website at www.birchcliffenergy.com and on SEDAR at www.sedar.com.

EXTENSION OF CREDIT FACILITIES AND MAINTENANCE OF BORROWING BASE LIMIT

- Subsequent to the end of Q1 2022, Birchcliff's syndicate of lenders completed its regular semi-annual review of the borrowing base limit under the Corporation's extendible revolving credit facilities (the "**Credit Facilities**").
- In connection therewith, the agreement governing the Credit Facilities was amended effective May 3, 2022 to extend the maturity dates of each of the syndicated extendible revolving term credit facility and the extendible revolving working capital facility from May 11, 2024 to May 11, 2025. In addition, the lenders confirmed the borrowing base limit at $850.0 million. The Credit Facilities do not contain any financial maintenance covenants.

*This press release 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". With respect to the disclosure of Birchcliff's production contained in this press release, see "Advisories – Production". In addition, this press release uses various "non-GAAP financial measures", "non-GAAP ratios", "supplementary financial measures" and "capital management measures" as such terms are defined in National Instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure ("**NI 52-112**"). Non-GAAP financial measures and non-GAAP ratios are not standardized financial measures under GAAP and might not be comparable to similar financial measures disclosed by other issuers where similar terminology is used. For further information regarding the non-GAAP and other financial measures used in this press release, see "Non-GAAP and Other Financial Measures".*

(5) Assumes 265 million common shares outstanding.
(6) Assuming no other changes to the Corporation's targeted metrics under the five year plan.
(7) Non-GAAP ratio. See *"Non-GAAP and Other Financial Measures"*.
(8) Supplementary financial measure. See *"Non-GAAP and Other Financial Measures"*.

Q1 2022 FINANCIAL AND OPERATIONAL SUMMARY

	Three months ended March 31, 2022	Three months ended March 31, 2021
OPERATING		
Average production		
Light oil *(bbls/d)*	2,369	3,355
Condensate *(bbls/d)*	4,796	5,467
NGLs *(bbls/d)*	7,976	8,734
Natural gas *(Mcf/d)*	365,296	345,057
Total *(boe/d)*	**76,024**	**75,065**
Average realized sales price *(CDN$)*[(1)(2)]		
Light oil *(per bbl)*	115.47	67.02
Condensate *(per bbl)*	121.56	74.22
NGLs *(per bbl)*	43.56	24.69
Natural gas *(per Mcf)*	5.40	3.52
Total *(per boe)*	**41.79**	**27.47**
NETBACK AND COST *($/boe)*[(2)]		
Petroleum and natural gas revenue[(1)]	41.80	27.47
Royalty expense	(4.41)	(1.72)
Operating expense	(3.49)	(3.18)
Transportation and other expense[(3)]	(5.43)	(5.52)
Operating netback[(3)]	**28.47**	**17.05**
G&A expense, net	(1.12)	(0.92)
Interest expense	(0.48)	(1.21)
Realized loss on financial instruments	(0.03)	(2.29)
Other cash income	0.01	0.37
Adjusted funds flow[(3)]	**26.85**	**13.00**
Depletion and depreciation expense	(7.47)	(7.47)
Unrealized gain (loss) on financial instruments	5.07	(1.13)
Other (expense) income[(4)]	(0.08)	0.25
Dividends on preferred shares	(0.25)	(0.25)
Deferred income tax expense	(5.74)	(1.12)
Net income to common shareholders	**18.38**	**3.28**
FINANCIAL		
Petroleum and natural gas revenue *($000s)*[(1)]	285,976	185,609
Cash flow from operating activities *($000s)*	154,152	82,608
Adjusted funds flow *($000s)*[(5)]	183,699	87,820
Per basic common share *($)*[(3)]	0.69	0.33
Free funds flow *($000s)*[(5)(6)]	95,417	(8,020)
Per basic common share *($)*[(3)(6)]	0.36	(0.03)
Net income to common shareholders *($000s)*	125,792	22,166
Per basic common share *($)*	0.47	0.08
End of period basic common shares *(000s)*	266,810	266,045
Weighted average basic common shares *(000s)*	265,530	265,989
Dividends on common shares *($000s)*	2,658	1,330
Dividends on preferred shares *($000s)*	1,717	1,746
F&D capital expenditures *($000s)*[(7)]	88,282	95,840
Total capital expenditures *($000s)*[(5)]	88,124	96,625
Long-term debt *($000s)*	397,752	701,735
Total debt *($000s)*[(8)]	408,998	777,385

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

(2) Average realized sales prices and the component values of netback and cost set forth in the table above are supplementary financial measures unless otherwise indicated. See *"Non-GAAP and Other Financial Measures"*.

(3) Non-GAAP ratio. See *"Non-GAAP and Other Financial Measures"*.

(4) Includes non-cash items such as compensation, accretion, amortization of deferred financing fees and other gains and losses.

(5) Non-GAAP financial measure. See *"Non-GAAP and Other Financial Measures"*.

(6) Negative free funds flow denotes F&D capital expenditures in excess of adjusted funds flow.

(7) See *"Advisories – F&D Capital Expenditures"*.

(8) Capital management measure. See *"Non-GAAP and Other Financial Measures"*.

OUTLOOK AND GUIDANCE

Updated 2022 Guidance

Birchcliff is updating its 2022 guidance as a result of the strong commodity price environment and the excellent results it has achieved year-to-date. Significant changes to Birchcliff's guidance include the following:

- Adjusted funds flow guidance has been increased to $1.18 billion, primarily as a result of the improvement in the commodity price forecast. Birchcliff does not have any fixed price commodity hedges in place and does not currently intend to hedge any future production, which allows the Corporation to take full advantage of the robust commodity price environment.
- Free funds flow guidance has been increased to $920 million to $940 million, primarily as a result of higher anticipated adjusted funds flow in 2022.
- Birchcliff is now forecasting that it will reach zero total debt in Q4 2022 and have a surplus of $260 million to $280 million at December 31, 2022 as compared to its original guidance of total debt of $175 million to $195 million. The change to a surplus position is largely as a result of Birchcliff's higher anticipated free funds flow in 2022, which is primarily being used to reduce indebtedness.
- Average royalty expense guidance has been increased to $7.10/boe to $7.30/boe, primarily as a result of the improvement in the commodity price forecast.
- Average interest expense guidance has been decreased to $0.20/boe to $0.40/boe, primarily as a result of the anticipated repayment in full of the Corporation's Credit Facilities in 2022.
- Birchcliff's updated 2022 guidance reflects an increased quarterly common share dividend, as well as the proposed redemption of all of Birchcliff's outstanding cumulative redeemable preferred shares, series A (the "**Series A Preferred Shares**") and cumulative redeemable preferred shares, series C (the "**Series C Preferred Shares**") at the end of Q3 2022. The proposed redemption of the Series A and Series C Preferred Shares is subject to the approval of the board of directors. See *"Intended Redemption of the Series A and Series C Preferred Shares"*.

The Corporation is maintaining its previous guidance for annual average production at 78,000 to 80,000 boe/d and F&D capital expenditures at $240 million to $260 million, with F&D capital expenditures currently anticipated to be on the high end of the guidance range. Birchcliff's operations in 2022 have been impacted by cost inflation, labour shortages and supply constraints; however, the Corporation has been able to navigate the impact of these challenges year-to-date. The Corporation will continue to actively monitor the impacts of these pressures throughout the remainder of the year and into 2023.

The following table sets forth Birchcliff's updated and original guidance and commodity price assumptions for 2022, as well as its free funds flow sensitivity:

2022 Guidance and Commodity Price Assumptions

	Updated 2022 guidance and assumptions – May 11, 2022(1)	Original 2022 guidance and assumptions – January 19, 2022
Production		
Annual average production *(boe/d)*	78,000 – 80,000	78,000 – 80,000
% Light oil	3%	3%
% Condensate	7%	7%
% NGLs	10%	10%
% Natural gas	80%	80%
Q4 average production *(boe/d)*	81,000 – 83,000	81,000 – 83,000
Average Expenses *($/boe)*		
Royalty(2)	7.10 – 7.30	3.10 – 3.30
Operating(2)	3.15 – 3.35	3.15 – 3.35
Transportation and other(3)	5.20 – 5.40	4.90 – 5.10
Interest(2)	0.20 – 0.40	0.50 – 0.60
Adjusted Funds Flow *(millions)*(4)	$1,180(5)	$590
F&D Capital Expenditures *(millions)*	$240 – $260(6)	$240 – $260
Free Funds Flow *(millions)*(4)	$920 – $940	$330 – $350
Excess Free Funds Flow *(millions)*(4)(7)	$900 – $920	N/A

	Updated 2022 guidance and assumptions – May 11, 2022[1]	Original 2022 guidance and assumptions – January 19, 2022
Surplus (Total Debt) at Year End *(millions)*[8]	$260 – $280[9]	($175 – $195)
Natural Gas Market Exposure[10]		
AECO exposure as a % of total natural gas production	19%	19%
Dawn exposure as a % of total natural gas production	42%	42%
NYMEX HH exposure as a % of total natural gas production	38%	38%
Alliance exposure as a % of total natural gas production	1%	1%
Commodity Prices		
Average WTI price *(US$/bbl)*	99.50[11]	76.00
Average WTI-MSW differential *(CDN$/bbl)*	3.10[11]	5.00
Average AECO price *(CDN$/GJ)*	6.50[11]	3.50
Average Dawn price *(US$/MMBtu)*	6.85[11]	3.90
Average NYMEX HH price *(US$/MMBtu)*	6.95[11]	4.00
Exchange rate *(CDN$ to US$1)*	1.28[11]	1.26

Forward Nine Months' Free Funds Flow Sensitivity[12]

Forward nine months' sensitivity	Estimated change to 2022 free funds flow *(millions)*
Change in WTI US$1.00/bbl	$2.7
Change in NYMEX HH US$0.10/MMBtu	$4.2
Change in Dawn US$0.10/MMBtu	$4.7
Change in AECO CDN$0.10/GJ	$2.3
Change in CDN/US exchange rate CDN$0.01	$5.3

(1) Birchcliff's guidance for its production commodity mix, adjusted funds flow, free funds flow, excess free funds flow, surplus and natural gas market exposure in 2022 is based on an annual average production rate of 79,000 boe/d, which is the mid-point of Birchcliff's annual average production guidance range for 2022.

(2) Supplementary financial measure. See *"Non-GAAP and Other Financial Measures".*

(3) Non-GAAP ratio. See *"Non-GAAP and Other Financial Measures".*

(4) Non-GAAP financial measure. See *"Non-GAAP and Other Financial Measures".*

(5) Birchcliff's updated estimate of adjusted funds flow takes into account the effects of its physical and financial basis swap contracts outstanding as at May 11, 2022 and excludes annual cash incentive payments that have not been approved by Birchcliff's board of directors.

(6) Birchcliff's estimate of F&D capital expenditures excludes any net potential acquisitions and dispositions and the capitalized portion of annual cash incentive payments that have not been approved by Birchcliff's board of directors. See *"Advisories – F&D Capital Expenditures".*

(7) Excess free funds flow is defined as free funds flow less common share dividends paid. The estimate of excess free funds flow set forth in the table above assumes that: (i) a quarterly common share dividend of $0.02 per common share is paid for the quarters ending June 30, 2022, September 30, 2022 and December 31, 2022; and (ii) there are 265 million common shares outstanding, with no further buybacks of common shares occurring during 2022. Other than the dividend declared for the quarter ending June 30, 2022, the declaration of dividends is subject to the approval of the board of directors and is subject to change. See *"Advisories – Forward-Looking Statements"*. This measure was not disclosed on January 19, 2022.

(8) Capital management measure. See *"Non-GAAP and Other Financial Measures".*

(9) Surplus is equivalent to adjusted working capital surplus as disclosed in the Corporation's financial statements (see *"Non-GAAP and Other Financial Measures"*). The estimate of surplus at December 31, 2022 is expected to be largely comprised of cash on hand plus accounts receivable less accounts payable at the end of the year and assumes the following: (i) that any free funds flow remaining after the payment of dividends, asset retirement obligations and other amounts for administrative assets, financing fees and capital lease obligations is allocated towards debt reduction; (ii) that there are 265 million common shares outstanding, with no further buybacks of common shares occurring during 2022, and a quarterly common share dividend of $0.02 per share is paid for the quarters ending June 30, 2022, September 30, 2022 and December 31, 2022; (iii) that there are 2,000,000 Series A and 1,528,619 Series C Preferred Shares outstanding, with such shares redeemed by the Corporation at the end of the third quarter of 2022, and a quarterly dividend of $0.523375 per Series A Preferred Share and $0.4375 per Series C Preferred Share is paid for the quarters ending June 30, 2022 and September 30, 2022; (iv) that no significant acquisitions or dispositions are completed by the Corporation and there is no repayment of debt using the proceeds from equity issuances during 2022; (v) that there are no further proceeds received from the exercise of stock options or performance warrants during 2022; (vi) that the 2022 capital program will be carried out as currently contemplated with capital spending of $260 million, being the high end of the Corporation's F&D capital expenditures guidance range; and (vii) the targets for production, 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 that have not been approved by Birchcliff's board of directors. Birchcliff previously referred to "surplus" as "cash".

(10) Birchcliff's guidance regarding its natural gas market exposure assumes: (i) 175,000 GJ/d being sold on a physical basis at the Dawn price; (ii) 12,499 GJ/d being sold at Alliance on a physical basis at the AECO 5A price plus a premium; and (iii) 152,500 MMBtu/d being contracted on a financial and physical basis at an average fixed basis differential price between AECO 7A and NYMEX HH of approximately US$1.23/MMBtu.

(11) Birchcliff's updated commodity price and exchange rate assumptions for 2022 are based on anticipated full-year averages, which include settled benchmark commodity prices and exchange rate for the period from January 1, 2022 to April 30, 2022 and forward strip benchmark commodity prices and CDN/US exchange rate as of May 4, 2022 for the period from May 1, 2022 to December 31, 2022.

(12) Illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's estimate of free funds flow for 2022 of $920 million to $940 million. The sensitivity is based on the updated commodity price and exchange rate assumptions set forth in the table above. The calculated impact on free 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 and/or when the magnitude of the change increases.

Updated Five Year Outlook and Plans to Increase Common Share Dividend in 2023

Birchcliff's five year plan for 2022 to 2026 (the "**Five Year Plan**"), which was previously announced on January 19, 2022, has been updated to reflect the strong commodity price environment and the changes to the Corporation's 2022 guidance.

- The Corporation's targets for adjusted funds flow and free funds flow have been increased each year, primarily as a result of the improvement in the commodity price forecast.
- The Corporation is now targeting a surplus of $260 million to $280 million at December 31, 2022 and has increased its targets for surplus in the remaining years of the Five Year Plan. The Corporation had previously targeted total debt of $175 million to $195 million at December 31, 2022, with zero total debt to be achieved in 2023.
- The Corporation's targeted royalty expense has increased each year, primarily as a result of the improvement in the commodity price forecast. The Corporation's targeted interest expense in 2022 decreased as a result of the anticipated repayment in full of the Corporation's Credit Facilities in 2022.
- Birchcliff now anticipates that it will be required to pay Canadian income taxes commencing in 2023 given the improvement in the commodity price forecast and the anticipated increases to its adjusted funds flow, which has resulted in the expectation for higher taxable income in 2023 to 2026. The Corporation previously anticipated that it would be required to pay Canadian income taxes starting in 2024.
- The potential free funds flow to be generated during the Five Year Plan provides Birchcliff with significant capacity to sustainably increase shareholder returns.
- Subject to commodity prices, Birchcliff achieving its target of zero total debt in Q4 2022 and the approval of the board of directors, the Corporation is currently targeting increasing its annual common share dividend in 2023 to at least $0.80 per common share, which is expected to be paid quarterly at a rate of $0.20 per share, commencing with the quarter ending March 31, 2023. This would equate to $212 million of common share dividends paid in 2023, based on 265 million common shares outstanding.
    - Birchcliff believes that this targeted dividend is sustainable at substantially lower commodity prices, with such targeted dividend and Birchcliff's targeted F&D capital expenditures expected to be funded over the course of the Five Year Plan at an average WTI price of US$70.00/bbl, an average AECO price of CDN$3.00/GJ and average Dawn and NYMEX prices of US$3.30/MMBtu[(9)].
    - The declaration of dividends is subject to the approval of the board of directors and the details of any dividends declared (including the final dividend amount) will be communicated to shareholders via press release, as and when such dividends are declared. Birchcliff's common share dividend policy and the amount of common share dividends will continue to be evaluated by Birchcliff on an ongoing basis and will depend on commodity prices and free funds flow levels, among other things.
- Birchcliff's Five Year Plan contemplates significant excess free funds flow after the payment of common share dividends, providing it with the ability to further enhance shareholder returns. Birchcliff will continue to strategically evaluate the potential uses for excess free funds flow and additional steps to enhance shareholder returns, which may include further dividend increases, common share buybacks and other opportunities that would complement or otherwise improve the Corporation's business and enhance long-term shareholder value.
    - Birchcliff currently expects to use its common share dividend as its primary mechanism for shareholder returns over the course of the Five Year Plan.
    - Birchcliff anticipates that it will continue to repurchase its common shares to help offset the dilution resulting from the exercise of stock options. In addition, Birchcliff will continue to evaluate opportunistic repurchases of its common shares when the intrinsic value of such shares exceeds the current market price.
- Excess free funds flow remaining after the payment of this targeted common share dividend of $0.80 per common share is forecast to be $323 million in 2023, with a forecasted surplus at year-end 2023 of $575 million.
- There are no changes to the Corporation's average production, production commodity mix or F&D capital expenditures in the updated Five Year Plan. Birchcliff reviews its capital expenditures and other financial metrics on an ongoing basis

(9) Assuming no other changes to the Corporation's targeted metrics under the Five Year Plan.

and will continue to monitor the impact of cost inflation in order to determine whether any adjustments to the Five Year Plan are necessary.

The focus of the Five Year Plan is unchanged and remains on increasing shareholder value by maximizing free funds flow and reducing the Corporation's indebtedness, increasing shareholder returns and fully utilizing the available processing capacity of the Corporation's existing infrastructure.

The following tables set forth the updated targeted production and financial metrics, commodity price assumptions and cumulative free funds flow sensitivity for the Five Year Plan(1):

Five Year Plan – Production and Financial Metrics

	2022	2023	2024	2025	2026
Average Production *(boe/d)*	78,000 – 80,000	81,000	86,000	90,000	90,000
Liquids *(%)*	20%	20%	20%	19%	18%
Adjusted Funds Flow *(millions)*(2)(3)	$1,180	$795	$860	$880	$865
F&D Capital Expenditures *(millions)*(4)	$240 – $260	$260	$255	$245	$225
Free Funds Flow *(millions)*(2)	$920 – $940	$535	$605	$635	$640
Common Share Dividends *(millions)*(5)	$20	$212	$212	$212	$212
Excess Free Funds Flow *(millions)*(2)(5)	$900 – $920	$323	$393	$423	$428
Surplus at Year End *(millions)*(6)(7)	$260 – $280	$575	$960	$1,380	$1,800
Cumulative Free Funds Flow *(millions)*(2)(6)	$920 – $940	$1,455	$2,060	$2,695	$3,335

Average Expenses and Commodity Price Assumptions

	2022	2023	2024	2025	2026
Average Expenses *($/boe)*					
Royalty(8)	7.10 – 7.30	5.05	5.10	4.95	4.85
Operating(8)	3.15 – 3.35	3.15	3.00	2.90	2.90
Transportation and other(9)	5.20 – 5.40	4.85	4.60	4.40	4.40
Interest(8)	0.20 – 0.40	–	–	–	–
Current income tax(8)(10)	–	5.20	5.65	5.60	5.50
Commodity Prices(11)					
Average WTI price *(US$/bbl)*	99.50	88.00	88.00	88.00	88.00
Average WTI-MSW differential *(CDN$/bbl)*	3.10	5.00	5.00	5.00	5.00
Average AECO price *(CDN$/GJ)*	6.50	5.20	5.20	5.20	5.20
Average Dawn price *(US$/MMBtu)*	6.85	5.40	5.40	5.40	5.40
Average NYMEX HH price *(US$/MMBtu)*	6.95	5.50	5.50	5.50	5.50
Exchange rate *(CDN$ to US$1)*	1.28	1.28	1.28	1.28	1.28

Cumulative Free Funds Flow Sensitivity(12)

	Estimated change to 2022 to 2026 cumulative free funds flow *(millions)*
Change in WTI US$1.00/bbl	$17.1
Change in NYMEX HH US$0.10/MMBtu	$20.1
Change in Dawn US$0.10/MMBtu	$25.5
Change in AECO CDN$0.10/GJ	$17.9
Change in CDN/US exchange rate CDN$0.01	$28.5

(1) For illustrative purposes only and should not be relied upon as indicative of future results. The internal projections, expectations and beliefs underlying the Five Year Plan are subject to change in light of ongoing results and prevailing economic and industry conditions. Birchcliff's F&D capital budgets for 2023 to 2026 have not been finalized and are subject to approval by Birchcliff's board of directors. Accordingly, the levels of F&D capital expenditures set forth herein are subject to change, which would have an impact on the targeted production, production commodity mix, adjusted funds flow, free funds flow, excess free funds flow, surplus at year end and expenses set forth herein. See *"Advisories – Forward-Looking Statements"*.

(2) Non-GAAP financial measure. See *"Non-GAAP and Other Financial Measures"*.

(3) Birchcliff's updated estimates of adjusted funds flow take into account the effects of its physical and financial basis swap contracts outstanding as at May 11, 2022 and exclude annual cash incentive payments that have not been approved by Birchcliff's board of directors.

(4) The Five Year Plan contemplates that approximately 170 to 180 wells will be brought on production by the Corporation over 2022 to 2026.

(5) Assumes that: (i) for 2022, a quarterly common share dividend of $0.02 per common share is paid for the quarters ending June 30, 2022, September 30, 2022 and December 31, 2022; (ii) for 2023 to 2026, an annual common share dividend of $0.80 per common share is paid; and (iii) there are 265 million common shares outstanding. Other than the dividend declared for the quarter ending June 30, 2022, the declaration of dividends is subject to the approval of the board of directors and is subject to change. See *"Advisories – Forward-Looking Statements".*

(6) The Corporation has used the low-point of its 2022 guidance for free funds flow and surplus at year end in determining the cumulative free funds flow and surplus at year end for 2023 to 2026.

(7) Capital management measure. The estimates of surplus at year end are expected to be largely comprised of cash on hand plus accounts receivable less accounts payable at the end of the year and assume the following: (i) that any free funds flow remaining after the payment of dividends, asset retirement obligations and other amounts for administrative assets, financing fees and capital lease obligations is allocated towards debt reduction; (ii) that there are 265 million common shares outstanding, with no further buybacks of common shares occurring during 2022 and no buybacks occurring during 2023 to 2026; (iii) that a quarterly common share dividend of $0.02 per share is paid for the quarters ending June 30, 2022, September 30, 2022 and December 31, 2022 and that a quarterly common share dividend of $0.20 per share is paid in 2023 to 2026; (iv) that the Series A Preferred Shares and the Series C Preferred Shares are redeemed by the Corporation at the end of the third quarter of 2022 and a quarterly dividend of $0.523375 per Series A Preferred Share and $0.4375 per Series C Preferred Share is paid for the quarters ending June 30, 2022 and September 30, 2022; (v) that no significant acquisitions or dispositions are completed by the Corporation and there is no repayment of debt using the proceeds from equity issuances during 2022 to 2026; (vi) that there are no further proceeds received from the exercise of stock options or performance warrants during 2022 to 2026; (vii) that the capital program for each year will be carried out as currently contemplated and the level of capital spending set forth herein will be achieved; and (viii) the targets for production, 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 that have not been approved by Birchcliff's board of directors. Birchcliff previously referred to "surplus" as "cash".

(8) Supplementary financial measure. See *"Non-GAAP and Other Financial Measures".*

(9) Non-GAAP ratio. See *"Non-GAAP and Other Financial Measures".*

(10) The Corporation currently expects that it will be required to pay Canadian income taxes commencing in 2023.

(11) Updated commodity price and exchange rate assumptions for 2022 are based on anticipated full-year averages, which include settled benchmark commodity prices and exchange rate for the period from January 1, 2022 to April 30, 2022 and forward strip benchmark commodity prices and exchange rate as of May 4, 2022 for the period from May 1, 2022 to December 31, 2022. Updated commodity price and exchange rate assumptions for 2023 to 2026 are based on anticipated full-year averages from forward strip benchmark commodity prices and exchange rates as of May 4, 2022.

(12) Illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's target of potential cumulative free funds flow of $3.3 billion generated during 2022 to 2026. The sensitivity is based on the updated commodity price and exchange rate assumptions set forth in the table above. The calculated impact on cumulative free 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 and/or when the magnitude of the change increases.

Changes in assumed commodity prices and variances in production estimates can have an impact on the Corporation's estimates of adjusted and free funds flow, the Corporation's other metrics for the Five Year Plan, dividend levels and the declaration and payment of targeted dividends, which impact may be material. In addition, any acquisitions and dispositions completed over the course of the Five Year Plan could have an impact on Birchcliff's production, adjusted funds flow, free funds flow, surplus, expenses, dividend levels and the declaration and payment of targeted dividends, which impact could be material. For further information, see *"Advisories – Forward-Looking Statements"*.

Q1 2022 FINANCIAL AND OPERATIONAL RESULTS

Production

Birchcliff's production averaged 76,024 boe/d in Q1 2022, a 1% increase from 75,065 boe/d in Q1 2021. The increase was primarily due to incremental production volumes from the new Montney/Doig wells brought on production since Q1 2021, including the new 6-well (13-29) pad in Pouce Coupe brought on production during February 2022, partially offset by natural production declines.

Liquids accounted for 20% of Birchcliff's total production in Q1 2022 as compared to 23% in Q1 2021, with a liquids-to-gas ratio in Q1 2022 of 41.4 bbls/MMcf (47% high-value light oil and condensate). The decrease in the liquids production weighting was primarily due to the Corporation targeting horizontal natural gas wells in liquids-rich zones in the Pouce Coupe and Gordondale areas since Q1 2021 and natural production declines from light oil and condensate-rich natural gas wells producing since Q1 2021.

Adjusted Funds Flow and Cash Flow From Operating Activities

Birchcliff achieved adjusted funds flow of $183.7 million, or $0.69 per basic common share, in Q1 2022, a 109% increase from $87.8 million and $0.33 per basic common share in Q1 2021. The increases were primarily due to higher reported petroleum and natural gas revenue and lower realized losses on financial instruments, partially offset by a higher royalty expense. Petroleum and natural gas revenue and royalty expense were largely impacted by a 52% increase in the average realized sales price received for Birchcliff's production in Q1 2022. The average realized sales price in Q1 2022 benefited from the significant increase in benchmark oil and natural gas prices since Q1 2021. See *"Q1 2022 Financial and Operational Results – Commodity Prices".*

Birchcliff's cash flow from operating activities was $154.2 million in Q1 2022, an 87% increase from $82.6 million in Q1 2021. The reasons for the increase are consistent with the explanation for the increase to adjusted funds flow; however, cash flow from operating activities was also impacted by increased non-cash operating working capital, partially offset by decreased decommissioning expenditures.

Free Funds Flow

Birchcliff delivered free funds flow of $95.4 million, or $0.36 per basic common share, in Q1 2022. In Q1 2021, Birchcliff's F&D capital expenditures exceeded its adjusted funds flow by $8.0 million. The change to a free funds flow position was due to higher adjusted funds flow and lower F&D capital expenditures.

Net Income to Common Shareholders

Birchcliff earned net income to common shareholders of $125.8 million, or $0.47 per basic common share, in Q1 2022, a 467% and 488% increase, respectively, from $22.2 million and $0.08 per basic common share in Q1 2021. The increases were primarily due to higher adjusted funds flow and an unrealized mark-to-market gain on financial instruments, which were partially offset by an increase in deferred income tax expense in Q1 2022. Birchcliff recorded an unrealized mark-to-market gain on financial instruments of $34.7 million in Q1 2022 as compared to an unrealized mark-to-market loss on financial instruments of $7.6 million in Q1 2021.

Operating Netback and Selected Cash Costs

In Q1 2022, Birchcliff's operating netback was $28.47/boe, a 67% increase from $17.05/boe in Q1 2021. The increase was primarily due to higher per boe petroleum and natural gas revenue, partially offset by a higher per boe royalty expense, both of which were both largely impacted by a 52% increase in the average realized sales price received for Birchcliff's production in Q1 2022.

The following table sets forth Birchcliff's selected cash costs for the periods indicated:

	Three months ended March 31,		
($/boe)	**2022**	**2021**	**% Change**
Royalty expense[1]	4.41	1.72	156
Operating expense[1]	3.49	3.18	10
Transportation and other expense[2]	5.43	5.52	(2)
G&A expense, net[1]	1.12	0.92	22
Interest expense[1]	0.48	1.21	(60)

(1) Supplementary financial measure. See *"Non-GAAP and Other Financial Measures"*.

(2) Non-GAAP financial ratio. See *"Non-GAAP and Other Financial Measures"*.

Royalty expense per boe increased by 156% from Q1 2021, primarily due to the significant increase in the average realized sales price received for Birchcliff's production, partially offset by a prior period gas cost allowance adjustment of $2.6 million recorded in Q1 2022.

Operating expense per boe increased by 10% from Q1 2021, primarily due to higher power and fuel costs, municipal property taxes, regulatory fees and field labour costs in Q1 2022.

G&A expense per boe increased by 22% from Q1 2021, primarily due to higher employee-related expenses, an increase in corporate travel-related costs due to the easing of COVID-19 restrictions in Alberta and higher general business expenditures.

Interest expense per boe decreased by 60% from Q1 2021, primarily due to a decrease in the Corporation's average effective interest rate and a lower average outstanding balance under the Credit Facilities in Q1 2022.

Debt and Credit Facilities

Total debt at March 31, 2022 was $409.0 million, a decrease of 47% from $777.4 million at March 31, 2021. At March 31, 2022, Birchcliff had long-term bank debt under its Credit Facilities of $397.8 million (March 31, 2021: $701.7 million) from available credit facilities of $850.0 million (March 31, 2021: $1.0 billion), leaving $448.6 million of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized fees.

Commodity Prices

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

	Three months ended March 31,		
	2022	2021	% Change
Light oil – WTI Cushing *(US$/bbl)*	94.29	57.78	63
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	115.64	66.46	74
Natural gas – NYMEX HH *(US$/MMBtu)*[(1)]	4.95	2.69	84
Natural gas – AECO 5A Daily *(CDN$/GJ)*	4.49	2.70	66
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*[(1)]	3.61	2.16	67
Natural gas – Dawn Day Ahead *(US$/MMBtu)*[(1)]	4.42	2.97	49
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	4.58	4.03	14
Exchange rate *(CDN$ to US$1)*	1.2699	1.2663	-
Exchange rate *(US$ to CDN$1)*	0.7875	0.7897	-

(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 2022, after taking into account the Corporation's financial instruments:

	Three months ended March 31, 2022					
	Effective sales[(1)] *(CDN$000s)*	Percentage of total sales *(%)*	Effective production *(per day)*	Percentage of total natural gas production *(%)*	Percentage of total corporate production *(%)*	Effective average realized sales price[(1)] *(CDN$)*
Market						
AECO[(2)(3)]	29,913	10	64,120 Mcf	18	14	5.18/Mcf
Dawn[(4)]	83,830	27	161,291 Mcf	44	35	5.77/Mcf
NYMEX HH[(1)(2)(5)]	86,419	28	139,885 Mcf	38	31	6.86/Mcf
Total natural gas[(1)]	**200,162**	**65**	**365,296 Mcf**	**100**	**80**	**6.09/Mcf**
Light oil	24,624	8	2,369 bbls		4	115.47/bbl
Condensate	52,466	17	4,796 bbls		6	121.56/bbl
NGLs	31,265	10	7,976 bbls		10	43.56/bbl
Total liquids	**108,355**	**35**	**15,141 bbls**		**20**	**79.52/bbl**
Total corporate[(1)]	**308,517**	**100**	**76,024 boe**		**100**	**45.09/boe**

(1) Effective sales is a non-GAAP financial measure and effective average realized sales price is a non-GAAP ratio. See "*Non-GAAP and Other Financial Measures*".

(2) AECO sales and production that effectively received NYMEX HH pricing under Birchcliff's long-term physical NYMEX/AECO 7A basis swap contracts have been included as effective sales and production in the NYMEX HH market. Birchcliff sold physical AECO 7A basis swaps for 5,000 MMBtu/d at an average contract price of NYMEX HH less US$1.205/MMBtu during Q1 2022.

(3) Birchcliff has short-term physical sales agreements with third-party marketers to sell and deliver into the Alliance pipeline system. All of Birchcliff's short-term physical Alliance sales and production during Q1 2022 received AECO premium pricing and have therefore been included as effective sales and production in the AECO market.

(4) Birchcliff has agreements for the firm service transportation of an aggregate of 175,000 GJ/d of natural gas on TransCanada PipeLines' Canadian Mainline, whereby natural gas is transported to the Dawn trading hub in Southern Ontario.

(5) NYMEX HH sales and production includes financial and physical AECO 7A basis swaps for 152,500 MMBtu/d at an average contract price of NYMEX HH less US$1.226/MMBtu during Q1 2022. Birchcliff's effective average realized sales price for NYMEX HH of CDN$6.86/Mcf (US$4.96/MMBtu) was determined on a gross basis before giving effect to the average NYMEX HH/AECO 7A fixed contract basis differential price of CDN$1.70/Mcf (US$1.23/MMBtu). After giving effect to the NYMEX HH/AECO 7A basis contact price, Birchcliff's effective average realized net sales price for NYMEX HH was CDN$5.16/Mcf (US$3.73/MMBtu) in Q1 2022.

The following table sets 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, 2022						
	Natural gas sales[1] *(CDN$000s)*	**Percentage of natural gas sales** *(%)*	**Natural gas production** *(Mcf/d)*	**Percentage of natural gas production** *(%)*	**Average realized natural gas sales price[1][2]** *(CDN$/Mcf)*	**Natural gas transportation costs[2][3]** *(CDN$/Mcf)*	**Natural gas sales netback[2][4]** *(CDN$/Mcf)*
AECO	72,361	41	158,501	43	5.07	0.52	4.55
Dawn	83,830	47	161,291	44	5.77	1.57	4.20
Alliance[5]	21,419	12	45,504	13	5.23	-	5.23
Total	**177,610**	**100**	**365,296**	**100**	**5.40**	**0.92**	**4.48**

	Three months ended March 31, 2021						
	Natural gas sales[1] *(CDN$000s)*	**Percentage of natural gas sales** *(%)*	**Natural gas production** *(Mcf/d)*	**Percentage of natural gas production** *(%)*	**Average realized natural gas sales price[1][2]** *(CDN$/Mcf)*	**Natural gas transportation costs[2][3]** *(CDN$/Mcf)*	**Natural gas sales netback[2][4]** *(CDN$/Mcf)*
AECO	39,392	36	133,379	39	3.28	0.51	2.77
Dawn	53,869	49	160,280	46	3.73	1.57	2.16
Alliance[5]	16,180	15	51,398	15	3.50	-	3.50
Total	**109,441**	**100**	**345,057**	**100**	**3.52**	**0.93**	**2.59**

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

(2) Supplementary financial measure. See *"Non-GAAP and Other Financial Measures"*.

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

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

(5) Birchcliff has short-term physical sales agreements with third-party marketers to sell and deliver into the Alliance pipeline system. Alliance sales are recorded net of transportation tolls.

Capital Activities and Investment

In Q1 2022, Birchcliff drilled 11 (11.0 net) wells and brought 6 (6.0 net) wells on production. F&D capital expenditures were $88.3 million in Q1 2022.

OPERATIONS UPDATE

Birchcliff has had a strong start to its 2022 capital program, with 15 wells drilled year-to-date and 16 wells completed (which includes 5 wells that were drilled and rig released in Q4 2021). The following table sets forth the wells that are part of the Corporation's 2022 capital program, including the anticipated timing of the remaining wells to be drilled, completed and brought on production in 2022:

		Total # of wells to be brought on production	**Drilled**	**Completed**	**On production**
POUCE COUPE					
13-29 pad	Basal Doig/Upper Montney	2	0	2	2
	Montney D1	4	1	4	4
	Total	**6[1]**	**1**	**6**	**6**
01-08 pad	Basal Doig/Upper Montney	4	4	4	Q2
	Montney D1	5	5	5	Q2
	Montney C	1	1	1	Q2
	Total	**10**	**10**	**10**	
04-04 pad	Basal Doig/Upper Montney	6	3	Q2	Q3
	Montney D1	3	0	Q2	Q3
	Montney C	1	1	Q2	Q3
	Total	**10**	**4**		
GORDONDALE					
06-35 pad	Montney D2	5	Q2	Q3	Q3
	Montney D1	4	Q2	Q3	Q3
	Total	**9**			
	TOTAL	**35[1]**	**15**	**16**	**6**

(1) Includes 5 wells that were drilled and rig released in Q4 2021.

Birchcliff's 13-29 pad in Pouce Coupe was drilled in Q1 2022 and brought on production in March 2022 through Birchcliff's owned and operated infrastructure. The wells from the 13-29 pad have now been producing for over 60 days and have produced at better rates than previously forecast. During the initial 30 and 60 days of production, the pad was flowing inline post-fracture condensate, raw natural gas and frac water. The production rates of the wells are stabilized and the frac water flowing back to surface continues to diminish over time. The following table summarizes the aggregate and average production rates for the 6 wells from the 13-29 pad:

	IP 30[(1)]	IP 60[(1)]
Aggregate production rate *(boe/d)*	**7,261**	**6,789**
Aggregate natural gas production rate *(Mcf/d)*	42,235	39,776
Aggregate condensate production rate *(bbls/d)*	222	160
Average per well production rate *(boe/d)*	**1,210**	**1,132**
Average per well natural gas production rate *(Mcf/d)*	7,039	6,629
Average per well condensate production rate *(bbls/d)*	37	27
Condensate-to-gas ratio *(bbls/MMcf)*	**5**	**4**

(1) Represents the cumulative volumes for each well measured at the wellhead separator for the 30 or 60 days (as applicable) of production immediately after each well was considered stabilized after producing fracture treatment fluid back to surface in an amount such that flow rates of hydrocarbons became reliable. See *"Advisories – Initial Production Rates"*.

The Corporation recently finished completion operations on its 01-08 pad in Pouce Coupe and all 10 wells are expected to be brought on production in Q2 2022.

In addition to its drilling and completion activities, Birchcliff has successfully completed several large gathering infrastructure projects that will allow for stable base production declines and provide additional pipeline capacity to support future growth.

In April 2022, Birchcliff successfully completed its planned two-week turnaround at its 100% owned and operated natural gas processing plant in Pouce Coupe (the "**Pouce Coupe Gas Plant**") ahead of schedule and on-budget, while effectively mitigating the impact to production volumes. The scheduled turnaround at AltaGas' deep-cut sour gas processing facility in Gordondale (the "**AltaGas Facility**") is planned for two weeks starting at the end of May 2022.

As part of its long-term planning strategy, the Corporation has secured multi-year contracts with its key services providers to ensure the efficient execution of its short and long-term plans.

DECLARATION OF QUARTERLY COMMON SHARE AND PREFERRED SHARE DIVIDENDS

Birchcliff's board of directors today declared the following quarterly cash dividends for the quarter ending June 30, 2022:

Shares	TSX stock symbol	Dividend per share
Common Shares	BIR	$0.02
Series A Preferred Shares	BIR.PR.A	$0.523375
Series C Preferred Shares	BIR.PR.C	$0.4375

The dividends are payable on June 30, 2022 to shareholders of record at the close of business on June 15, 2022. The ex-dividend date is June 14, 2022.

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

INTENDED REDEMPTION OF THE SERIES A AND SERIES C PREFERRED SHARES

Subject to the approval of the board of directors, Birchcliff currently intends to redeem all of its outstanding Series A and Series C Preferred Shares at the end of the third quarter of 2022. As Friday, September 30, 2022 is a federal holiday, the proposed redemptions, if approved, are expected to occur on the next business day, being Monday, October 3, 2022.

Subject to the provisions of the Series A Preferred Shares (the "**Series A Provisions**"), on September 30, 2022 and every five years thereafter, the Corporation, upon giving notice as provided in the Series A Provisions, may redeem all or any part of the Series A Preferred Shares by the payment of an amount in cash for each share to be redeemed equal to $25.00 plus all accrued and unpaid dividends thereon to but excluding the date fixed for redemption.

Subject to the provisions of the Series C Preferred Shares (the "**Series C Provisions**"), the Corporation may, upon giving notice as provided in the Series C Provisions, redeem at any time all or any number of the outstanding Series C Preferred Shares on the payment of the redemption price. The redemption price per share at which any Series C Preferred Share is redeemable shall be $25.00, together with an amount equal to all accrued and unpaid dividends thereon to but excluding the date fixed for redemption.

This announcement does not constitute a notice of redemption for the Series A or Series C Preferred Shares. If a decision is made to proceed with the redemption of all or any part of the Series A or Series C Preferred Shares and the approval of the board of directors is obtained, formal notice will be provided in accordance with the Series A Provisions and the Series C Provisions, copies of which are available on SEDAR under the Corporation's company profile at www.sedar.com. See *"Advisories – Forward-Looking Statements".*

ANNUAL MEETING OF SHAREHOLDERS – MAY 12, 2022

Birchcliff's annual meeting of shareholders is scheduled to take place tomorrow, Thursday, May 12, 2022, at 3:00 p.m. (Mountain Daylight Time) in the McMurray Room at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta.

ABBREVIATIONS

AECO	benchmark price for natural gas determined at the AECO 'C' hub in southeast Alberta
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
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
IP	initial production
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
MMBtu	million British thermal units
MMBtu/d	million British thermal units per day
MMcf	million cubic feet
MPa	megapascal
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
NYMEX	New York Mercantile Exchange
OPEC	Organization of the Petroleum Exporting Countries
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 AND OTHER FINANCIAL MEASURES

This press release uses various "non-GAAP financial measures", "non-GAAP ratios", "supplementary financial measures" and "capital management measures" (as such terms are defined in NI 52-112), which are described in further detail below. These measures facilitate management's comparisons to the Corporation's historical operating results in assessing its results and strategic and operational decision-making and may be used by financial analysts and others in the oil and natural gas industry to evaluate the Corporation's performance.

Non-GAAP Financial Measures

NI 52-112 defines a non-GAAP financial measure as a financial measure that: (i) depicts the historical or expected future financial performance, financial position or cash flow of an entity; (ii) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity; (iii) is not disclosed in the financial statements of the entity; and (iv) is not a ratio, fraction, percentage or similar representation. The non-GAAP financial measures used in this press release are not standardized financial measures under GAAP and might not be comparable to similar measures presented by other companies where similar terminology is used. Investors are cautioned that non-GAAP financial measures should not be construed as alternatives to or more meaningful than the most directly comparable GAAP measures as indicators of Birchcliff's performance. Set forth below is a description of the non-GAAP financial measures used in this press release.

Adjusted Funds Flow, Free Funds Flow and Excess Free Funds Flow

Birchcliff defines "adjusted funds flow" as cash flow from operating activities before the effects of decommissioning expenditures and changes in non-cash operating working capital. 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. Adjusted funds flow can also be derived from petroleum and natural gas revenue less royalty expense, operating expense, transportation and other expense, net G&A expense, interest expense and any realized losses (plus realized gains) on financial instruments and plus any other cash income sources. Management believes that adjusted funds flow assists management and investors in assessing Birchcliff's financial performance after deducting all operating and corporate cash costs, as well as its ability to generate the cash necessary to fund sustaining and/or growth capital expenditures, repay debt, settle decommissioning obligations, repurchase common shares and pay common share and preferred share dividends.

Birchcliff defines "free funds flow" as adjusted funds flow less F&D capital expenditures. Management believes that free funds flow assists management and investors in assessing Birchcliff's ability to generate shareholder returns through a number of initiatives, including but not limited to, debt repayment, preferred share redemptions, common share repurchases, the payment of dividends and acquisitions.

Birchcliff defines "excess free funds flow" as free funds flow less common share dividends paid. Management believes that excess free funds flow assists management and investors in assessing Birchcliff's ability to further enhance shareholder returns after the payment of its common share dividend, which may include dividend increases, common share buybacks and other opportunities that would complement or otherwise improve the Corporation's business and enhance long-term shareholder value.

The following table provides a reconciliation of cash flow from operating activities, as determined in accordance with GAAP, to adjusted funds flow, free funds flow and excess free funds flow for the periods indicated:

	Three months ended March 31,	
($000s)	**2022**	**2021**
Cash flow from operating activities	**154,152**	**82,608**
Change in non-cash operating working capital	28,830	4,129
Decommissioning expenditures	717	1,083
Adjusted funds flow	**183,699**	**87,820**
F&D capital expenditures	(88,282)	(95,840)
Free funds flow	**95,417**	**(8,020)**
Dividends on common shares	(2,658)	(1,330)
Excess free funds flow	**92,759**	**(9,350)**

Transportation and Other Expense

Birchcliff defines "transportation and other expense" as transportation expense plus marketing purchases less 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. The following table provides a reconciliation of transportation expense, as determined in accordance with GAAP, to transportation and other expense for the periods indicated:

($000s)	Three months ended March 31, 2022	2021
Transportation expense	37,837	37,684
Marketing purchases	3,569	2,047
Marketing revenue	(4,234)	(2,458)
Marketing gain	**(665)**	**(411)**
Transportation and other expense	**37,172**	**37,273**

Operating Netback

Birchcliff defines "operating netback" as petroleum and natural gas revenue less royalty expense, operating expense and transportation and other expense. Management believes that operating netback assists management and investors in assessing Birchcliff's operating profits after deducting the cash costs that are directly associated with the sale of its production, which can then be used to pay other corporate cash costs or satisfy other obligations. The following table provides a breakdown of Birchcliff's operating netback for the periods indicated:

($000s)	Three months ended March 31, 2022	2021
Petroleum and natural gas revenue	285,976	185,609
Royalty expense	(30,158)	(11,627)
Operating expense	(23,847)	(21,498)
Transportation and other expense	(37,172)	(37,273)
Operating netback – Corporate	**194,799**	**115,211**

Effective Sales – Total Corporate, Total Natural Gas, AECO Market and NYMEX HH Market

Birchcliff defines "effective sales" in the AECO market and NYMEX HH market as the sales amount received from the production of natural gas that is effectively attributed to the AECO and NYMEX HH market pricing, respectively, and does not consider the physical sales delivery point in each case. Effective sales in the NYMEX HH market includes realized gains and losses on financial instruments and excludes the notional fixed basis costs associated with the underlying financial contract in the period. Birchcliff defines "effective total natural gas sales" as the aggregate of the effective sales amount received in each natural gas market. Birchcliff defines "effective total corporate sales" as the aggregate of the effective total natural gas sales and the sales amount received from the production of light oil, condensate and NGLs. Management believes that disclosing effective sales for each natural gas market assists management and investors in assessing Birchcliff's natural gas diversification and commodity price exposure to each market. The following table provides a reconciliation of natural gas sales, as determined in accordance with GAAP, to effective total natural gas sales and effective total corporate sales for the periods indicated:

($000s)	Three months ended March 31, 2022	2021(1)
Natural gas sales	177,610	109,441
Realized loss on financial instruments	1,167	(14,009)
Notional fixed basis costs(2)	21,385	21,325
Effective total natural gas sales	**200,162**	**116,757**
Light oil sales	24,624	20,238
Condensate sales	52,466	36,516
NGLs sales	31,265	19,407
Effective total corporate sales	**308,517**	**192,918**

(1) Prior period amounts have been adjusted to include the aggregate notional fixed basis cost for comparison purposes.

(2) Reflects the aggregate notional fixed basis cost associated with Birchcliff's financial and physical NYMEX HH/AECO 7A basis swaps in the period.

Non-GAAP Ratios

NI 52-112 defines a non-GAAP ratio as a financial measure that: (i) is in the form of a ratio, fraction, percentage or similar representation; (ii) has a non-GAAP financial measure as one or more of its components; and (iii) is not disclosed in the financial statements of the entity. The non-GAAP ratios used in this press release are not standardized financial measures under GAAP and might not be comparable to similar measures presented by other companies where similar terminology is used. Set forth below is a description of the non-GAAP ratios used in this press release.

Adjusted Funds Flow Per Boe and Adjusted Funds Flow Per Basic Common Share

Birchcliff calculates "adjusted funds flow per boe" as aggregate adjusted funds flow in the period divided by the production (boe) in the period. Management believes that adjusted funds flow per boe assists management and investors in assessing Birchcliff's financial profitability and sustainability on a cash basis by isolating the impact of production volumes to better analyze its performance against prior periods on a comparable basis. The Corporation previously referred to adjusted funds flow per boe as "adjusted funds flow netback".

Birchcliff calculates "adjusted funds flow per basic common share" as aggregate adjusted funds flow in the period divided by the basic common shares outstanding at the end of the period. Management believes that adjusted funds flow per basic common share assists management and investors in assessing Birchcliff's financial strength on a per common share basis.

Free Funds Flow Per Basic Common Share

Birchcliff calculates "free funds flow per basic common share" as aggregate free funds flow in the period divided by the basic common shares outstanding at the end of the period. Management believes that free funds flow per basic common share assists management and investors in assessing Birchcliff's financial strength and its ability to generate shareholder returns on a per common share basis.

Transportation and Other Expense Per Boe

Birchcliff calculates "transportation and other expense per boe" as aggregate transportation and other expense in the period divided by the production (boe) in the period. Management believes that transportation and other expense per boe assists management and investors in assessing Birchcliff's cost structure as it relates to its transportation and marketing activities by isolating the impact of production volumes to better analyze performance against prior periods on a comparable basis.

Operating Netback Per Boe

Birchcliff calculates "operating netback per boe" as aggregate operating netback in the period divided by the production (boe) in the period. Management believes that operating netback per boe assists management and investors in assessing Birchcliff's operating profitability and sustainability by isolating the impact of production volumes to better analyze its performance against prior periods on a comparable basis.

Effective Average Realized Sales Price – Total Corporate, Total Natural Gas, AECO Market and NYMEX HH Market

Birchcliff calculates "effective average realized sales price" as effective sales, in each of total corporate, total natural gas, AECO market and NYMEX HH market, as the case may be, divided by the effective production in each of the markets during the period. Management believes that disclosing effective average realized sales price for each natural gas market assists management and investors in comparing Birchcliff's commodity price realizations in each natural gas market on a per unit basis.

Supplementary Financial Measures

NI 52-112 defines a supplementary financial measure as a financial measure that: (i) is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of an entity; (ii) is not disclosed in the financial statements of the entity; (iii) is not a non-GAAP financial measure; and (iv) is not a non-GAAP ratio. The supplementary financial measures used in this press release are either a per unit disclosure of a corresponding GAAP measure, or a component of a corresponding GAAP measure, presented in the financial statements. Supplementary financial measures that are disclosed on a per unit basis are calculated by dividing the aggregate GAAP measure (or component thereof) by the applicable unit for the period. Supplementary financial measures that are disclosed on a component basis of a corresponding GAAP measure are a granular representation of a financial statement line item and are determined in accordance with GAAP.

Capital Management Measures

NI 52-112 defines a capital management measure as a financial measure that: (i) is intended to enable an individual to evaluate an entity's objectives, policies and processes for managing the entity's capital; (ii) is not a component of a line item disclosed in the primary financial statements of the entity; (iii) is disclosed in the notes to the financial statements of the entity; and (iv) is not disclosed in the primary financial statements of the entity. Set forth below is a description of the capital management measures used in this press release.

Total Debt and Adjusted Working Capital Deficit (Surplus)

Birchcliff calculates "total debt" as the amount outstanding under the Corporation's Credit Facilities plus adjusted working capital deficit (surplus). "Adjusted working capital deficit (surplus)" is calculated as working capital (current assets less current liabilities) less fair value of financial instruments and capital securities. Surplus as disclosed in this press release is equivalent to adjusted working capital surplus. Management believes that total debt assists management and investors in assessing Birchcliff's overall liquidity and financial position at the end of the period. Management believes that adjusted working capital deficit (surplus) assists management and investors in assessing Birchcliff's short-term liquidity. The following table provides a reconciliation of the amount outstanding under the Credit Facilities and working capital deficit, as determined in accordance with GAAP, to total debt and adjusted working capital deficit (surplus), respectively:

As at, *($000s)*	**March 31, 2022**	**December 31, 2021**
Revolving term credit facilities	397,752	500,870
Working capital deficit	46,213	53,312
Fair value of financial instruments	3,249	(16,517)
Capital securities	(38,216)	(38,268)
Adjusted working capital deficit (surplus)	**11,246**	**(1,473)**
Total debt	**408,998**	**499,397**

ADVISORIES

Unaudited Information

All financial and operational information contained in this press release for the three months ended March 31, 2022 and 2021 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.

Boe Conversions

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

MMBtu Pricing Conversions

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

Oil and Gas Metrics

This press release contains metrics commonly used in the oil and natural gas industry, including netbacks. These oil and gas metrics do not have any standardized meanings or standard methods of calculation and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. As such, they should not be used to make comparisons. Management uses these oil and gas metrics for its own performance measurements and to provide 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 and Other Financial Measures".*

Production

With respect to the disclosure of Birchcliff's production contained in this press release: (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) except where otherwise stated, 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.

Initial Production Rates

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

With respect to the production rates for the Corporation's 6-well (13-29) pad in Pouce Coupe disclosed herein, such rates represent the cumulative volumes for each well measured at the wellhead separator for the 30 and 60 days (as applicable) of production immediately after each well was considered stabilized after producing fracture treatment fluid back to surface in an amount such that flow rates of hydrocarbons became reliable (between 0 and 4 days), divided by 30 or 60 (as applicable), which were then added together to determine the aggregate production rates for the 6-well pad and then divided by 6 to determine the per well average production rates. The production rates excluded the hours and days when the wells did not produce. Approximate tubing pressures for the 6 wells were stabilized between 3.3 and 3.6 MPa for IP 30 production rates and between 3.2 and 3.5 MPa for IP 60 production rates. Approximate casing pressures for the 6 wells were stabilized between 8.8 and 12.9 MPa for IP 30 production rates and between 8.3 and 12.1 MPa for IP 60 production rates. To-date, no pressure transient or well-test interpretation has been carried out on any of the wells. The natural gas volumes represent raw natural gas volumes as opposed to sales gas volumes.

F&D Capital Expenditures

Unless otherwise stated, references in this press release to "F&D capital expenditures" denotes exploration and development expenditures determined in accordance with GAAP. Management believes that F&D capital expenditures assists management and investors in assessing Birchcliff capital cost outlay associated with its exploration and development activities for the purposes of finding and developing its reserves.

Forward-Looking Statements

Certain statements contained in this press release constitute forward-looking statements and forward-looking information (collectively referred to as "**forward-looking statements**") within the meaning of applicable Canadian securities laws. The forward-looking statements contained in this press release relate to future events or Birchcliff's future plans, strategy, operations, performance or financial position 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", "maintain" and other similar words and expressions.

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

In particular, this press release contains forward-looking statements relating to the following:

- Birchcliff's plans and other aspects of its anticipated future financial performance, results, operations, focus, objectives, strategies, opportunities, priorities and goals, including: that Birchcliff continues to be committed to maximizing free funds flow generation and significantly reducing indebtedness; that Birchcliff does not have any fixed price commodity hedges in place and does not currently intend to hedge any future production, which allows the Corporation to take full advantage of the robust commodity price environment; Birchcliff's commitment to increasing shareholder returns; that Birchcliff will consider additional increases to its common share dividend in 2022, depending on commodity prices and free funds flow levels, among other things; that excess free funds flow remaining after the payment of the targeted common share dividend of $0.80 per common share is forecast to be $323 million in 2023, with a forecasted surplus at year-end 2023 of $575 million; that the targeted dividend of $0.80 per common share ($212 million annually) and Birchcliff's targeted F&D capital expenditures would be funded over the course of the Five Year Plan at an average WTI price of US$70.00/bbl, an average AECO price of CDN$3.00/GJ and average Dawn and NYMEX prices of US$3.30/MMBtu and that assuming these commodity prices, the Corporation is forecasting a surplus of $218 million at year-end 2023; and the anticipated repayment in full of the Corporation's Credit Facilities in 2022;

- the information set forth under the heading *"Outlook and Guidance – Updated 2022 Guidance"* and elsewhere in this press release as it relates to Birchcliff's updated outlook and guidance for 2022, including: estimates of annual and Q4 average production, production commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, excess free funds flow, surplus at year end and natural gas market exposure; that the estimate of surplus at December 31, 2022 is expected to be largely comprised of cash on hand plus accounts receivable less accounts payable at the end of the year; the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's estimate of free funds flow; that Birchcliff expects to reach zero total debt in Q4 2022; that Birchcliff's free funds flow in 2022 is primarily being used to reduce indebtedness; and that Birchcliff's F&D capital expenditures are currently anticipated to be on the high end of the guidance range;
- Birchcliff's plans for increases to its common share dividend, including: that subject to commodity prices, Birchcliff achieving its target of zero total debt in Q4 2022 and the approval of the board of directors, the Corporation is currently targeting increasing its annual common share dividend in 2023 to at least $0.80 per common share, which is expected to be paid quarterly at a rate of $0.20 per share, commencing with the quarter ending March 31, 2023; that this targeted dividend would equate to $212 million of common share dividends paid in 2023; and that Birchcliff believes that this increased dividend would be sustainable at an average WTI price of US$70.00/bbl and an average AECO price of CDN$3.00/GJ;
- the information set forth under the heading "*Outlook and Guidance – Updated Five Year Outlook and Plans to Increase Common Share Dividend in 2023"* and elsewhere in this press release as it relates to Birchcliff's updated Five Year Plan, including: estimates and targets of average production, production commodity mix, adjusted funds flow, F&D capital expenditures, free funds flow, common share dividends, excess free funds flow, surplus at year end and average expenses; that the estimates of surplus at year end are expected to be largely comprised of cash on hand plus accounts receivable less accounts payable at the end of the year; the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's target of potential cumulative free funds flow; that the Corporation now anticipates that it will be required to pay Canadian income taxes commencing in 2023 and the Corporation's expectation for higher taxable income in 2023 to 2026; that the potential free funds flow to be generated during the Five Year Plan provides Birchcliff with significant capacity to sustainably increase shareholder returns; that the Five Year Plan contemplates significant excess free funds flow after the payment of common share dividends, providing Birchcliff with the ability to further enhance shareholder returns; that Birchcliff will continue to strategically evaluate the potential uses for excess free funds flow and additional steps to enhance shareholder returns, which may include further dividend increases, common share buybacks and other opportunities that would complement or otherwise improve the Corporation's business and enhance long-term shareholder value; that Birchcliff currently expects to use its common share dividend as its primary mechanism for shareholder returns over the course of the Five Year Plan; that Birchcliff anticipates that it will continue to repurchase its common shares to help offset the dilution resulting from the exercise of stock options; that Birchcliff will continue to evaluate opportunistic repurchases of its common shares when the intrinsic value of such shares exceeds the current market price; and that the focus of the Five Year Plan is unchanged and remains on increasing shareholder value by maximizing free funds flow and reducing the Corporation's indebtedness, increasing shareholder returns and fully utilizing the available processing capacity of the Corporation's existing infrastructure;
- statements under the heading *"Operations Update"* regarding Birchcliff's 2022 capital program and its exploration, production and development activities and the timing thereof, including: the number and types of wells to be drilled and brought on production in 2022; and planned facility turnarounds; and
- the proposed redemption of the Series A and Series C Preferred Shares, including the anticipated timing thereof.

With respect to the forward-looking statements contained in this press release, 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; prevailing and future commodity prices and differentials, 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, G&A and other expenses; Birchcliff's ability to access capital and obtain financing on acceptable terms; the timing and amount of capital expenditures and the sources of funding for capital expenditures and other activities; the sufficiency of budgeted capital expenditures to carry out planned operations; the successful and timely implementation of capital projects 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; reserves 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; board of director approval of proposed dividends and the proposed redemption of the Series A and Series C Preferred Shares; 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 results of the Corporation's risk management and market diversification activities; 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 press release:

- Birchcliff's 2022 guidance (as updated on May 11, 2022) assumes the following commodity prices and exchange rate: an average WTI price of US$99.50/bbl; an average WTI-MSW differential of CDN$3.10/bbl; an average AECO price of CDN$6.50/GJ; an average Dawn price of US$6.85/MMBtu; an average NYMEX HH price of US$6.95/MMBtu; and an exchange rate (CDN$ to US$1) of 1.28.
- With respect to estimates of capital expenditures for 2022, such estimates assume that the 2022 capital program will be carried out as currently contemplated. 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 funds flow, free funds flow and excess free funds flow for 2022, such estimates assume that: the 2022 capital program will be carried out as currently contemplated and the level of capital spending for 2022 set forth herein will be achieved; and the targets for production, production commodity mix, expenses and natural gas market exposure and the commodity price and exchange rate assumptions are met.
- With respect to Birchcliff's production guidance for 2022, such guidance assumes that: the 2022 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.
- With respect to statements of future wells to be drilled and brought on production, such statements assume: 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 the Five Year Plan (as updated on May 11, 2022), the plan is based on the commodity price, exchange rate and other assumptions set forth under the heading *"Outlook and Guidance – Updated Five Year Outlook and Plans to Increase Common Share Dividend in 2023"*. In addition:
    - The forecast production estimates contained in the Five Year Plan are subject to similar assumptions set forth herein for Birchcliff's other production guidance.
    - With respect to Birchcliff's estimates of capital expenditures and spending plans, such estimates and plans assume that Birchcliff's capital programs are carried out as currently contemplated, with the Pouce Coupe Gas Plant and the AltaGas Facility being filled by the end of 2024. The Five Year Plan also forecasts that approximately 170 to 180 wells will be brought on production over the five year period, which forecast is subject to similar assumptions regarding wells drilled and brought on production as set forth herein.
    - With respect to Birchcliff's estimates of adjusted funds flow, free funds flow and excess free funds flow, such estimates assume that: Birchcliff's capital programs will be carried out as currently contemplated and the level of capital spending for each year will be achieved; and the targets for production and production commodity mix and the commodity price and exchange rate assumptions set forth herein are met.
    - The Corporation's expectation that it will be required to pay Canadian income taxes commencing in 2023 is based on the current tax regime in Canada, the Corporation's current available income tax pools and the commodity price assumptions set forth herein. In addition, this expectation is based on the Five Year Plan as illustrated herein and assumes, among other things, that the levels of spending and production set forth under the heading "*Outlook and Guidance – Updated Five Year Outlook and Plans to Increase Common Share Dividend in 2023"* are achieved.

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), epidemics and global conflict 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; risks associated with increasing costs, whether due to high inflation rates, supply chain disruptions or other factors; fluctuations in 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; risks associated with Birchcliff's Credit Facilities, including a failure to comply with covenants under the agreement governing the Credit Facilities and the risk that the borrowing base limit may be redetermined; 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; 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 operate its assets and achieve expected future results; 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; 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; actions by government authorities, including those with respect to the COVID-19 pandemic; 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; 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; 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 counterparty credit risk; risks associated with Birchcliff's risk management and market diversification activities; 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; 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; and the accuracy of the Corporation's accounting estimates and judgments.

While Birchcliff anticipates approval by the board of directors of the proposed redemption of the Series A and Series C Preferred Shares and the proposed increase to the annual common share dividend to $0.80 per share in 2023, the proposed redemption and the payment of the increased common share dividend remain subject to the approval of the board of directors. In addition, the proposed increase to the common share dividend in 2023 is subject to commodity prices and Birchcliff achieving its target of zero total debt in Q4 2022. The proposed redemption of the Series A and Series C Preferred Shares and the declaration and payment of any proposed dividends are subject to the discretion of the board of directors and may not be approved or may vary depending on a variety of factors and conditions existing from time to time, including commodity prices, free funds flow, current and forecast commodity prices, fluctuations in working capital, financial requirements of Birchcliff, applicable laws (including solvency tests under the *Business Corporations Act* (Alberta) for the declaration and payment of dividends) and other factors beyond Birchcliff's control. The redemption of the Series A and Series

C Preferred Shares and the payment of dividends to shareholders is not assured or guaranteed and dividends may be reduced or suspended entirely. In addition to the foregoing, the Corporation's ability to pay dividends now or in the future may be limited by covenants contained in the agreements governing any indebtedness that the Corporation has incurred or may incur in the future, including the terms of the Credit Facilities. The agreement governing the Credit Facilities provides that Birchcliff 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.

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 under the heading *"Risk Factors"* and in other reports filed with Canadian securities regulatory authorities.

This press release contains information that may constitute future-orientated financial information or financial outlook information (collectively, "**FOFI**") about Birchcliff's prospective financial performance, financial position or cash flows, 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 press release. Unless required by applicable laws, Birchcliff does not undertake any obligation to publicly update or revise any FOFI statements, whether as a result of new information, future events or otherwise.

Management has included the above summary of assumptions and risks related to forward-looking statements provided in this press release in order to provide readers with a more complete perspective on Birchcliff's future operations 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 press release are expressly qualified by the foregoing cautionary statements. The forward-looking statements contained herein are made as of the date of this press release. Unless required by applicable laws, Birchcliff does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ABOUT BIRCHCLIFF:

Birchcliff is a Calgary, Alberta based intermediate oil and natural gas company with operations focused on the Montney/Doig Resource Play in Alberta. Birchcliff's common shares and Series A 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.

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Jeff Tonken – Chief Executive Officer

Chris Carlsen – President and Chief Operating Officer

Bruno Geremia – Executive Vice President and Chief Financial Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

This Management's Discussion and Analysis ("**MD&A**") for Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") dated May 11, 2022 is with respect to the three months ended March 31, 2022 (the "**Reporting Period**") as compared to the three months ended March 31, 2021 (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 unaudited interim condensed financial statements for the Reporting Period (the "**financial statements**") and the annual audited financial statements of the Corporation and related notes for the year ended December 31, 2021, which have been prepared in accordance with IFRS. All dollar amounts are expressed in Canadian currency unless otherwise stated.

This MD&A uses various "non-GAAP financial measures", "non-GAAP ratios", "supplementary financial measures" and "capital management measures" as such terms are defined in National Instrument 52-112 – *Non-GAAP and Other Financial Measures Disclosure* ("**NI 52-112**"). Non-GAAP financial measures and non-GAAP ratios are not standardized financial measures under GAAP and might not be comparable to similar financial measures disclosed by other issuers where similar terminology is used. For further information, including reconciliations to the most directly comparable GAAP measures where applicable, see *"Non-GAAP and Other Financial 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. For further information, see *"Advisories – Boe 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 focused on the Montney/Doig Resource Play in Alberta. Birchcliff's common shares, cumulative redeemable preferred shares, Series A (the "**Series A Preferred Shares**") and cumulative redeemable preferred shares, Series C (the "**Series C Preferred Shares**") 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, 2021 (the "**AIF**"), is available on the SEDAR website at www.sedar.com and on the Corporation's website at www.birchcliffenergy.com.

Birchcliff publishes an annual Environmental, Social and Governance ("**ESG**") Report containing comprehensive information relating to its ESG performance, which can be found on the Corporation's website at www.birchcliffenergy.com.

CURRENT OPERATING ENVIRONMENT

During the first quarter of 2022, the global economy showed strong signs of recovery from the impacts of the novel coronavirus COVID-19 ("**COVID-19**") pandemic. Benchmark oil and natural gas prices have increased significantly due to the easing of COVID-19 restrictions, the recent conflict between Russia and Ukraine raising global concern over oil and natural gas supply and other negative economic factors including supply constraints and labour shortages which have increased inflationary pressures on governments, businesses and communities.

Birchcliff has incorporated the current and anticipated impacts of the COVID-19 pandemic, recent global conflict and other negative economic factors in its preparation of the MD&A and the financial statements. See Note 2 *"Basis of Preparation – Current Environment and Estimation Uncertainty*" in the financial statements.

HIGHLIGHTS

- Achieved quarterly average production of 76,024 boe/d, a 1% increase from the Comparable Prior Period. Liquids accounted for 20% of Birchcliff's total production in the Reporting Period as compared to 23% in the Comparable Prior Period.
- Generated quarterly adjusted funds flow(1) of $183.7 million, or $0.69 per basic common share(2), a 109% increase from the Comparable Prior Period. Cash flow from operating activities was $154.2 million, an 87% increase from the Comparable Prior Period.
- Delivered record first quarter free funds flow(1) of $95.4 million, or $0.36 per basic common share(2).
- Significantly reduced total debt(3) at March 31, 2022 to $409.0 million, a reduction of $368.4 million (47%) from March 31, 2021.
- Earned quarterly net income to common shareholders of $125.8 million, or $0.47 per basic common share, a 467% and 488% increase, respectively, from the Comparable Prior Period.
- Achieved an operating netback(2) of $28.47/boe, a 67% increase from the Comparable Prior Period.
- Realized an operating expense(4) of $3.49/boe, a 10% increase from the Comparable Prior Period.
- F&D capital expenditures were $88.3 million in the Reporting Period. In the Reporting Period, Birchcliff drilled 11 (11.0 net) wells and brought 6 (6.0 net) wells on production.
- In the Reporting Period, Birchcliff purchased 1,303,196 common shares pursuant to its normal course issuer bid (the "**NCIB**") at an average price of $6.66 per common share for an aggregate gross cost of $8.7 million (before fees).

See *"Cash Flow from Operating Activities and Adjusted Funds Flow", "Net Income and 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 is updating its 2022 guidance as a result of the strong commodity price environment and the excellent results it has achieved year-to-date. Significant changes to Birchcliff's guidance include the following:

- Adjusted funds flow guidance has been increased to $1.18 billion, primarily as a result of the improvement in the commodity price forecast. Birchcliff does not have any fixed price commodity hedges in place and does not currently intend to hedge any future production, which allows the Corporation to take full advantage of the robust commodity price environment.
- Free funds flow guidance has been increased to $920 million to $940 million, primarily as a result of higher anticipated adjusted funds flow in 2022.
- Birchcliff is now forecasting that it will reach zero total debt in Q4 2022 and have a surplus of $260 million to $280 million at December 31, 2022 as compared to its original guidance of total debt of $175 million to $195 million. The change to a surplus position is largely as a result of Birchcliff's higher anticipated free funds flow in 2022, which is primarily being used to reduce indebtedness.
- Average royalty expense guidance has been increased to $7.10/boe to $7.30/boe, primarily as a result of the improvement in the commodity price forecast.
- Average interest expense guidance has been decreased to $0.20/boe to $0.40/boe, primarily as a result of the anticipated repayment in full of the Corporation's extendible revolving term credit facilities (the "**Credit Facilities**") in 2022.

(1) Non-GAAP financial measure. See *"Non-GAAP and Other Financial Measures".*
(2) Non-GAAP ratio. See *"Non-GAAP and Other Financial Measures".*
(3) Capital management measure. See *"Non-GAAP and Other Financial Measures".*
(4) Supplementary financial measure. See *"Non-GAAP and Other Financial Measures".*

- Birchcliff's updated 2022 guidance reflects an increased quarterly common share dividend (see *"Outstanding Share Information – Dividends"* in this MD&A), as well as the proposed redemption of all of Birchcliff's outstanding Series A and Series C Preferred Shares at the end of Q3 2022. The proposed redemption of the Series A and Series C Preferred Shares is subject to the approval of the Board of Directors. For further information regarding the Series A and Series C Preferred Shares, see *"Outstanding Share Information"* in this MD&A. For further information regarding the proposed redemption of the Series A and Series C Preferred Shares, see the Corporation's press release dated May 11, 2022.

The Corporation is maintaining its previous guidance for annual average production at 78,000 to 80,000 boe/d and F&D capital expenditures at $240 million to $260 million, with F&D capital expenditures currently anticipated to be on the high end of the guidance range. Birchcliff's operations in 2022 have been impacted by cost inflation, labour shortages and supply constraints; however, the Corporation has been able to navigate the impact of these challenges year-to-date. The Corporation will continue to actively monitor the impacts of these pressures throughout the remainder of the year and into 2023.

The following table sets forth Birchcliff's updated and original guidance and commodity price assumptions for 2022, as well as its free funds flow sensitivity:

2022 Guidance and Commodity Price Assumptions

	Updated 2022 guidance and assumptions – May 11, 2022(1)	**Original 2022 guidance and assumptions – January 19, 2022**
Production		
Annual average production *(boe/d)*	78,000 – 80,000	78,000 – 80,000
% Light oil	3%	3%
% Condensate	7%	7%
% NGLs	10%	10%
% Natural gas	80%	80%
Q4 average production *(boe/d)*	81,000 – 83,000	81,000 – 83,000
Average Expenses *($/boe)*		
Royalty(2)	7.10 – 7.30	3.10 – 3.30
Operating(2)	3.15 – 3.35	3.15 – 3.35
Transportation and other(3)	5.20 – 5.40	4.90 – 5.10
Interest(2)	0.20 – 0.40	0.50 – 0.60
Adjusted Funds Flow *(millions)*(4)	$1,180(5)	$590
F&D Capital Expenditures *(millions)*	$240 – $260(6)	$240 – $260
Free Funds Flow *(millions)*(4)	$920 – $940	$330 – $350
Excess Free Funds Flow *(millions)*(4)(7)	$900 – $920	N/A
Surplus (Total Debt) at Year End *(millions)*(8)	$260 – $280(9)	($175 – $195)
Natural Gas Market Exposure(10)		
AECO exposure as a % of total natural gas production	19%	19%
Dawn exposure as a % of total natural gas production	42%	42%
NYMEX HH exposure as a % of total natural gas production	38%	38%
Alliance exposure as a % of total natural gas production	1%	1%
Commodity Prices		
Average WTI price *(US$/bbl)*	99.50(11)	76.00
Average WTI-MSW differential *(CDN$/bbl)*	3.10(11)	5.00
Average AECO price *(CDN$/GJ)*	6.50(11)	3.50
Average Dawn price *(US$/MMBtu)*	6.85(11)	3.90
Average NYMEX HH price *(US$/MMBtu)*	6.95(11)	4.00
Exchange rate *(CDN$ to US$1)*	1.28(11)	1.26

Forward Nine Months' Free Funds Flow Sensitivity[12]

Forward nine months' sensitivity	Estimated change to 2022 free funds flow *(millions)*
Change in WTI US$1.00/bbl	$2.7
Change in NYMEX HH US$0.10/MMBtu	$4.2
Change in Dawn US$0.10/MMBtu	$4.7
Change in AECO CDN$0.10/GJ	$2.3
Change in CDN/US exchange rate CDN$0.01	$5.3

(1) Birchcliff's guidance for its production commodity mix, adjusted funds flow, free funds flow, excess free funds flow, surplus and natural gas market exposure in 2022 is based on an annual average production rate of 79,000 boe/d, which is the mid-point of Birchcliff's annual average production guidance range for 2022.

(2) Supplementary financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

(3) Non-GAAP ratio. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

(4) Non-GAAP financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

(5) Birchcliff's updated estimate of adjusted funds flow takes into account the effects of its physical and financial basis swap contracts outstanding as at May 11, 2022 and excludes annual cash incentive payments that have not been approved by Birchcliff's Board of Directors.

(6) Birchcliff's estimate of F&D capital expenditures excludes any net potential acquisitions and dispositions and the capitalized portion of annual cash incentive payments that have not been approved by Birchcliff's Board of Directors. See *"Advisories – F&D Capital Expenditures"* in this MD&A.

(7) Excess free funds flow is defined as free funds flow less common share dividends paid. The estimate of excess free funds flow set forth in the table above assumes that: (i) a quarterly common share dividend of $0.02 per common share is paid for the quarters ending June 30, 2022, September 30, 2022 and December 31, 2022; and (ii) there are 265 million common shares outstanding, with no further buybacks of common shares occurring during 2022. Other than the dividend declared for the quarter ending June 30, 2022, the declaration of dividends is subject to the approval of the Board of Directors and is subject to change. See *"Advisories – Forward-Looking Statements"* in this MD&A. This measure was not disclosed on January 19, 2022.

(8) Capital management measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

(9) Surplus is equivalent to adjusted working capital surplus as disclosed in the Corporation's financial statements (see *"Non-GAAP and Other Financial Measures"* in this MD&A). The estimate of surplus at December 31, 2022 is expected to be largely comprised of cash on hand plus accounts receivable less accounts payable at the end of the year and assumes the following: (i) that any free funds flow remaining after the payment of dividends, asset retirement obligations and other amounts for administrative assets, financing fees and capital lease obligations is allocated towards debt reduction; (ii) that there are 265 million common shares outstanding, with no further buybacks of common shares occurring during 2022, and a quarterly common share dividend of $0.02 per share is paid for the quarters ending June 30, 2022, September 30, 2022 and December 31, 2022; (iii) that there are 2,000,000 Series A and 1,528,619 Series C Preferred Shares outstanding, with such shares redeemed by the Corporation at the end of the third quarter of 2022, and a quarterly dividend of $0.523375 per Series A Preferred Share and $0.4375 per Series C Preferred Share is paid for the quarters ending June 30, 2022 and September 30, 2022; (iv) that no significant acquisitions or dispositions are completed by the Corporation and there is no repayment of debt using the proceeds from equity issuances during 2022; (v) that there are no further proceeds received from the exercise of stock options or performance warrants during 2022; (vi) that the 2022 capital program will be carried out as currently contemplated with capital spending of $260 million, being the high end of the Corporation's F&D capital expenditures guidance range; and (vii) the targets for production, 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 that have not been approved by Birchcliff's Board of Directors. Birchcliff previously referred to "surplus" as "cash".

(10) Birchcliff's guidance regarding its natural gas market exposure assumes: (i) 175,000 GJ/d being sold on a physical basis at the Dawn price; (ii) 12,499 GJ/d being sold at Alliance on a physical basis at the AECO 5A price plus a premium; and (iii) 152,500 MMBtu/d being contracted on a financial and physical basis at an average fixed basis differential price between AECO 7A and NYMEX HH of approximately US$1.23/MMBtu.

(11) Birchcliff's updated commodity price and exchange rate assumptions for 2022 are based on anticipated full-year averages, which include settled benchmark commodity prices and exchange rate for the period from January 1, 2022 to April 30, 2022 and forward strip benchmark commodity prices and CDN/US exchange rate as of May 4, 2022 for the period from May 1, 2022 to December 31, 2022.

(12) Illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's estimate of free funds flow for 2022 of $920 million to $940 million. The sensitivity is based on the updated commodity price and exchange rate assumptions set forth in the table above. The calculated impact on free 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 and/or when the magnitude of the change increases.

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, 2022	2021
Cash flow from operating activities *($000s)*	**154,152**	**82,608**
Adjusted funds flow *($000s)*[(1)]	**183,699**	**87,820**
Per common share – basic *($)*[(2)]	0.69	0.33
Per common share – diluted *($)*[(2)]	0.67	0.33
Adjusted funds flow *($/boe)*[(2)]	26.85	13.00

(1) Non-GAAP financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

(2) Non-GAAP ratio. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

Adjusted funds flow in the Reporting Period increased by 109% from the Comparable Prior Period. The increase was primarily due to higher reported petroleum and natural gas revenue and lower realized losses on financial instruments, partially offset by a higher royalty expense. Petroleum and natural gas revenue and royalty expense were largely impacted by a 52% increase in the average realized sales price received for Birchcliff's production in the Reporting Period. The average realized sales price in the Reporting Period benefited from the significant increase in benchmark oil and natural gas prices since the Comparable Prior Period. See *"Discussion of Operations – Petroleum and Natural Gas Revenue"* and *"Discussion of Operations – Royalties"* in this MD&A for further information regarding the period-over-period movement in revenue, commodity prices and royalties.

Cash flow from operating activities in the Reporting Period increased by 87% from the Comparable Prior Period. The reasons for the increase are consistent with the explanation for the increase to adjusted funds flow; however, cash flow from operating activities was also impacted by increased non-cash operating working capital, partially offset by decreased decommissioning expenditures.

NET INCOME TO COMMON SHAREHOLDERS

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

	Three months ended March 31, 2022	2021
Net income to common shareholders *($000s)*	**125,792**	**22,166**
Per common share – basic *($)*	0.47	0.08
Per common share – diluted *($)*	0.46	0.08
Net income to common shareholders *($/boe)*[(1)]	18.38	3.28

(1) Supplementary financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

Net income to common shareholders in the Reporting Period increased by 467% from the Comparable Prior Period. The increase was primarily due to higher adjusted funds flow and an unrealized mark-to-market gain on financial instruments, which was partially offset by an increase in deferred income tax expense in the Reporting Period. Birchcliff recorded an unrealized mark-to-market gain on financial instruments of $34.7 million in the Reporting Period as compared to an unrealized mark-to-market loss on financial instruments of $7.6 million in the Comparable Prior Period.

See "*Discussion of Operations – Risk Management"* and "*Discussion of Operations – Income Taxes*" in this MD&A for further details regarding the period-over-period movement in unrealized gains and losses on financial instruments and deferred income tax expense.

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 natural gas and liquids-rich trends of the Montney/Doig Resource Play (the "**Pouce Coupe assets**"), the Corporation's Gordondale operating assets geologically situated in the light oil-rich trend of the Montney/Doig Resource Play (the "**Gordondale assets**") and on a corporate basis for the periods indicated:

($000s)	Three months ended March 31, 2022 Pouce Coupe assets	Gordondale assets	Corporate(1)	Three months ended March 31, 2021 Pouce Coupe assets	Gordondale assets	Corporate(1)
Light oil	210	24,394	24,624	145	20,082	20,238
Condensate	34,430	17,975	52,466	25,159	11,357	36,516
NGLs	9,399	21,854	31,265	5,591	13,816	19,407
Natural gas	129,014	48,377	177,610	79,466	29,972	109,441
P&NG sales(2)	173,053	112,600	285,965	110,361	75,227	185,602
Royalty income	1	1	11	1	2	7
P&NG revenue	**173,054**	**112,601**	**285,976**	**110,362**	**75,229**	**185,609**
% of corporate P&NG revenue	**61%**	**39%**		**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 increased by 54% from the Comparable Prior Period. The increase was primarily due to a higher average realized sales price received for the Corporation's production in the Reporting Period. The average realized sales price in the Reporting Period benefited from the significant increase in benchmark oil and natural gas prices since the Comparable Prior Period. See *"Discussion of Operations – P&NG Revenue - Commodity Prices"* in this MD&A for further details regarding the period-over-period movement in Birchcliff's average realized sales prices.

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, 2022 Pouce Coupe assets	Gordondale assets	Corporate(1)	Three months ended March 31, 2021 Pouce Coupe assets	Gordondale assets	Corporate(1)
Light oil *(bbls/d)*	20	2,348	2,369	24	3,330	3,355
Condensate *(bbls/d)*	3,137	1,653	4,796	3,819	1,648	5,467
NGLs *(bbls/d)*	1,786	6,188	7,976	2,096	6,638	8,734
Natural gas *(Mcf/d)*	262,434	102,392	365,296	247,062	97,987	345,057
Production *(boe/d)*	**48,682**	**27,254**	**76,024**	**47,116**	**27,946**	**75,065**
Liquids-to-gas ratio *(bbls/MMcf)*	**18.8**	**99.5**	**41.4**	**24.0**	**118.5**	**50.9**
% of corporate production	**64%**	**36%**		**63%**	**37%**	

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

Birchcliff's corporate production increased by 1% from the Comparable Prior Period. The increase was primarily due to incremental production volumes from the new Montney/Doig wells brought on production since the Comparable Prior Period, including the new 6-well (13-29) pad in Pouce Coupe brought on production during February 2022, partially offset by natural production declines.

The following table sets forth Birchcliff's production weighting 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, 2022 Pouce Coupe assets	Gordondale assets	Corporate(1)	Three months ended March 31, 2021 Pouce Coupe assets	Gordondale assets	Corporate(1)
% Light oil production	-	9%	3%	-	12%	4%
% Condensate production	6%	6%	6%	8%	6%	7%
% NGLs production	4%	23%	11%	4%	24%	12%
% Natural gas production	90%	62%	80%	88%	58%	77%

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

In the Reporting Period, liquids accounted for 20% of Birchcliff's total production as compared to 23% in the Comparable Prior Period, with a liquids-to-gas ratio in the Reporting Period of 41.4 bbls/MMcf (47% high-value light oil and condensate). The decrease in the liquids production weighting was primarily due to the Corporation targeting horizontal natural gas wells in liquids-rich zones in the Pouce Coupe and Gordondale areas since the Comparable Prior Period and natural production declines from light oil and condensate-rich natural gas wells producing since the Comparable Prior Period.

Commodity Prices

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

	Three months ended March 31,		
	2022	2021	% Change
Light oil – WTI Cushing *(US$/bbl)*	94.29	57.78	63
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	115.64	66.46	74
Natural gas – NYMEX HH *(US$/MMBtu)*	4.95	2.69	84
Natural gas – AECO 5A Daily *(CDN$/GJ)*	4.49	2.70	66
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*	3.61	2.16	67
Natural gas – Dawn Day Ahead *(US$/MMBtu)*	4.42	2.97	49
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	4.58	4.03	14
Exchange rate *(CDN$ to US$1)*	1.2699	1.2663	-
Exchange rate *(US$ to CDN$1)*	0.7875	0.7897	-

Birchcliff physically sells substantially all of its liquids production based on the MSW benchmark price and substantially all of its natural gas production based on the AECO 5A and Dawn benchmark prices. Birchcliff has agreements for the firm service transportation of an aggregate of 175,000 GJ/d of natural gas on TCPL's Canadian Mainline, whereby natural gas is transported to the Dawn trading hub in Southern Ontario. Birchcliff has also diversified a portion of its AECO production to NYMEX HH-based pricing, predominantly on a financial basis, beginning January 1, 2019 and ending December 31, 2025. Birchcliff sold financial AECO 7A basis swaps for 147,500 MMBtu/d at an average contract price of NYMEX HH less US$1.227/MMBtu during the Reporting Period and Comparable Prior Period. See *"Discussion of Operations – Risk Management*" in this MD&A.

The average realized sales prices the Corporation receives for its liquids and natural gas production depend on a number of factors, including, but not limited to, 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 index prices 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, domestic oil supply and demand balance, North American refinery utilization rates, inventory levels and pipeline infrastructure capacity connecting key oil consuming markets. The WTI benchmark oil index price increased significantly from the Comparable Prior Period primarily due to the easing of COVID-19 restrictions, the recent conflict between Russia and Ukraine raising global concern over oil supply and other negative economic factors, including supply constraints and labour shortages which have increased inflationary pressures and oil supply risk.

Canadian natural gas prices are influenced by regional and global 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 natural gas consuming markets, changing demographics, economic growth, inventory levels, access to underground storage, net import and export of LNG, pipeline supply takeaway capacity, maintenance on key natural gas infrastructure, costs of competing renewable and non-renewable energy alternatives, drilling and completion rates and efficiencies in extracting natural gas from North American natural gas basins. Natural gas benchmark prices increased significantly from the Comparable Prior Period predominantly due to higher domestic demand for natural gas, an increase in US LNG exports, the recent conflict between Russia and Ukraine and other negative economic factors, including supply constraints and labour shortages which have increased inflationary pressures and natural gas supply risk.

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,		
	2022	**2021**	**% Change**
Light oil *($/bbl)*	115.47	67.02	72
Condensate *($/bbl)*	121.56	74.22	64
NGLs *($/bbl)*	43.56	24.69	76
Natural gas *($/Mcf)*	5.40	3.52	53
Average realized sales price *($/boe)*(1)(2)	**41.79**	**27.47**	**52**

(1) Supplementary financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

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

The Corporation's average realized sales price increased by 52% from the Comparable Prior Period primarily due to the significant increase in benchmark oil and natural gas prices which positively impacted the sales prices Birchcliff received for its production in the Reporting Period.

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 physical natural gas market for the periods indicated, before taking into account the Corporation's financial instruments:

	Three months ended March 31, 2022					Three months ended March 31, 2021				
	Natural gas sales *($000s)*(1)	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*(1)(2)	**Natural gas sales** *($000s)*(1)	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*(1)(2)
AECO	72,361	41	158,501	43	5.07	39,392	36	133,379	39	3.28
Dawn	83,830	47	161,291	44	5.77	53,869	49	160,280	46	3.73
Alliance(3)	21,419	12	45,504	13	5.23	16,180	15	51,398	15	3.50
Total	**177,610**	**100**	**365,296**	**100**	**5.40**	**109,441**	**100**	**345,057**	**100**	**3.52**

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

(2) Supplementary financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

(3) Birchcliff has short-term physical sales agreements with third-party marketers 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. The Board of Directors has authorized the Corporation to execute a risk management strategy whereby Birchcliff is authorized, subject to compliance with the agreement governing the Corporation's Credit Facilities, 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.

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, 2022, 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.

Birchcliff's average notional quantity and contract price for its NYMEX/AECO 7A financial basis swaps outstanding at March 31, 2022 are set forth below:

Product	Type of Contract	Average Notional Quantity	Period	Average Contract Price
Natural gas	AECO 7A basis swap(1)	147,500 MMBtu/d	Apr. 1, 2022 – Dec. 31, 2022	NYMEX HH less US$1.227/MMBtu
Natural gas	AECO 7A basis swap(1)	147,500 MMBtu/d	Jan. 1, 2023 – Dec. 31, 2023	NYMEX HH less US$1.227/MMBtu
Natural gas	AECO 7A basis swap(1)	147,500 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2024	NYMEX HH less US$1.120/MMBtu
Natural gas	AECO 7A basis swap(1)	147,500 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.088/MMBtu

(1) Birchcliff sold AECO basis swap.

The following financial derivative contract was entered into subsequent to March 31, 2022 to manage commodity price risk:

Product	Type of Contract	Quantity	Period	Contract Price
Natural gas	AECO 7A basis swap(1)	5,000 MMBtu/d	Jan. 1, 2027 – Dec. 31, 2027	NYMEX HH less US$0.62/MMBtu

(1) Birchcliff sold AECO basis swap.

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, 2022, 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, 2022 – Dec. 31, 2023	NYMEX HH less US$1.205/MMBtu

(1) Birchcliff sold AECO basis swap.

There were no physical delivery contracts entered into subsequent to March 31, 2022 to manage commodity price risk.

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 directly exposed to interest rate risk.

At March 31, 2022, 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 2022 – 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**").

There were no financial derivative contracts entered into subsequent to March 31, 2022 to manage interest rate risk.

Realized and Unrealized Gains and Losses on Financial Instruments

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

	Three months ended March 31,			
	2022		2021	
	($000s)	*($/boe)*[1]	*($000s)*	*($/boe)*[1]
Realized loss	**(199)**	**(0.03)**	**(15,498)**	**(2.29)**
Unrealized gain (loss)	**34,675**	**5.07**	**(7,619)**	**(1.13)**

(1) Supplementary financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

Birchcliff realized a loss on financial instruments of $0.2 million in the Reporting Period due to the settlement of NYMEX HH/AECO 7A financial basis and interest rate swap contracts in the Reporting Period. The realized loss on financial instruments significantly decreased from the Comparable Prior Period primarily due to the increase in the average basis spread between NYMEX HH and AECO 7A.

The unrealized gain on financial instruments of $34.7 million in the Reporting Period resulted from the decrease in the fair value net liability position of the Corporation's financial instruments to $49.1 million at March 31, 2022 from a liability position of $83.8 million at December 31, 2021. The change in the fair value of financial instruments in the Reporting Period was primarily due to: (i) the increase in the forward basis spread between NYMEX HH and AECO 7A contracts outstanding at March 31, 2022 as compared to the fair value previously assessed at December 31, 2021; and (ii) the settlement of financial NYMEX HH/AECO basis swap contracts in the Reporting Period.

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,	
	2022	2021
Royalty expense *($000s)*[1]	**30,158**	**11,627**
Royalty expense *($/boe)*[2]	**4.41**	**1.72**
Effective royalty rate *(%)*[2][3]	11%	6%

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

(2) Supplementary financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

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

Royalty expense per boe increased by 156% from the Comparable Prior Period primarily due to the significant increase in the average realized sales price received for Birchcliff's production, partially offset by a prior period gas cost allowance adjustment of $2.6 million recorded in the Reporting Period.

Operating Expense

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

	Three months ended March 31,	
($000s)	2022	2021
Field operating expense	24,776	23,043
Recoveries	(929)	(1,545)
Operating expense	**23,847**	**21,498**
Operating expense per boe[1]	**$3.49**	**$3.18**

(1) Supplementary financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

Operating expense per boe increased by 10% from the Comparable Prior Period primarily due to higher power and fuel costs, municipal property taxes, regulatory fees and field labour costs in the Reporting Period.

Transportation and Other

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

	Three months ended March 31,	
($000s)	**2022**	**2021**
Natural gas transportation	29,968	28,608
Liquids transportation	5,550	7,182
Fractionation	2,289	1,860
Other fees	30	34
Transportation expense	37,837	37,684
Transportation expense per boe[(1)]	$5.53	$5.58
Marketing purchases[(2)]	3,569	2,047
Marketing revenue[(2)]	(4,234)	(2,458)
Marketing gain[(3)]	(665)	(411)
Marketing gain per boe[(4)]	($0.10)	($0.06)
Transportation and other expense[(3)]	**37,172**	**37,273**
Transportation and other expense per boe[(4)]	**$5.43**	**$5.52**

(1) Supplementary financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

(2) Marketing purchases and marketing revenue primarily 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 primarily relate to the commodity price differential.

(3) Non-GAAP financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

(4) Non-GAAP ratio. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

On a per boe basis, transportation and other expense decreased by 2% from the Comparable Prior Period. The decrease was primarily due to lower liquids transportation costs, which resulted from reduced liquids production and handling costs in the Reporting Period, partially offset by increased AECO natural gas firm service tolling charges.

Operating Netback

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

	Three months ended March 31, 2022	2021
Pouce Coupe assets:		
Average production		
Light oil *(bbls/d)*	20	24
Condensate *(bbls/d)*	3,137	3,819
NGLs *(bbls/d)*	1,786	2,096
Natural gas *(Mcf/d)*	262,434	247,062
Total *(boe/d)*	**48,682**	**47,116**
% of corporate production	**64%**	**63%**
Liquids-to-gas ratio *(bbls/MMcf)*	**18.8**	**24.0**
Netback and cost ($/boe)(1)		
Petroleum and natural gas revenue(2)	39.50	26.03
Royalty expense	(3.31)	(1.31)
Operating expense	(2.83)	(2.48)
Transportation and other expense(3)	(5.43)	(5.95)
Operating netback(3)	**27.93**	**16.29**
Gordondale assets:		
Average production		
Light oil *(bbls/d)*	2,348	3,330
Condensate *(bbls/d)*	1,653	1,648
NGLs *(bbls/d)*	6,188	6,638
Natural gas *(Mcf/d)*	102,392	97,987
Total *(boe/d)*	**27,254**	**27,946**
% of corporate production	**36%**	**37%**
Liquids-to-gas ratio *(bbls/MMcf)*	**99.5**	**118.5**
Netback and cost ($/boe)(1)		
Petroleum and natural gas revenue(2)	45.91	29.91
Royalty expense	(6.38)	(2.42)
Operating expense	(4.63)	(4.35)
Transportation and other expense(3)	(5.43)	(4.80)
Operating netback(3)	**29.47**	**18.34**
Corporate(4):		
Average production		
Light oil *(bbls/d)*	2,369	3,355
Condensate *(bbls/d)*	4,796	5,467
NGLs *(bbls/d)*	7,976	8,734
Natural gas *(Mcf/d)*	365,296	345,057
Total *(boe/d)*	**76,024**	**75,065**
Liquids-to-gas ratio *(bbls/MMcf)*	**41.4**	**50.9**
Netback and cost ($/boe)(1)		
Petroleum and natural gas revenue(2)	41.80	27.47
Royalty expense	(4.41)	(1.72)
Operating expense	(3.49)	(3.18)
Transportation and other expense(3)	(5.43)	(5.52)
Operating netback(3)	**28.47**	**17.05**

(1) The component values of netback and cost set out in the table above are supplementary financial measures unless otherwise indicated. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

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

(3) Non-GAAP ratio. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

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

Pouce Coupe Assets

Birchcliff's average production from its Pouce Coupe assets increased by 3% from the Comparable Prior Period. The increase was primarily due to incremental production volumes from the new Montney/Doig condensate-rich natural gas wells brought on production since the Comparable Prior Period, including the new 6-well (13-29) pad in Pouce Coupe brought on production during February 2022, partially offset by natural production declines.

Birchcliff's liquids-to-gas ratio for the Pouce Coupe assets decreased by 22% from the Comparable Prior Period. The decrease was primarily due to the Corporation targeting horizontal natural gas wells in liquids-rich zones in the Pouce Coupe area in the Reporting Period and natural production declines from the condensate-rich natural gas wells producing since the Comparable Prior Period.

Birchcliff's operating netback for the Pouce Coupe assets increased by 71% from the Comparable Prior Period. The increase was primarily due to higher per boe petroleum and natural gas revenue, partially offset by a higher per boe royalty expense, both of which were largely impacted by the significant increase in the average realized sales price received for Birchcliff's Pouce Coupe production since the Comparable Prior Period.

Gordondale Assets

Birchcliff's average production from its Gordondale assets decreased by 2% from the Comparable Prior Period. The decrease was primarily due to natural production declines, partially offset by incremental production volumes from the new light oil and natural gas wells brought on production in Gordondale since the Comparable Prior Period.

Birchcliff's liquids-to-gas ratio for the Gordondale assets decreased by 16% from the Comparable Prior Period. The decrease was primarily due to the Corporation targeting horizontal natural gas wells in liquids-rich zones in the Gordondale area and natural production declines from light oil wells producing since the Comparable Prior Period.

Birchcliff's operating netback for the Gordondale assets increased by 61% from the Comparable Prior Period. The increase was primarily due to higher per boe petroleum and natural gas revenue, partially offset by a higher per boe royalty expense, both of which were largely impacted by the significant increase in the average realized sales price received for Birchcliff's Gordondale production since the Comparable Prior Period.

Administrative Expense

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

				Three months ended March 31,
		2022		**2021**
	($000s)	*(%)*	*($000s)*	*(%)*
Cash:				
Salaries and benefits[1]	6,891	63	6,623	67
Other[2]	4,071	37	3,275	33
G&A expense, gross	10,962	100	9,898	100
Operating overhead recoveries	(36)	-	(32)	-
Capitalized overhead[3]	(3,238)	(30)	(3,627)	(37)
G&A expense, net	7,688	70	6,239	63
G&A expense, net per boe[4]	$1.12		$0.92	
Non-cash:				
Other compensation	2,854	100	1,361	100
Capitalized compensation[3]	(1,374)	(48)	(757)	(56)
Other compensation, net	1,480	52	604	44
Other compensation, net per boe[4]	$0.22		$0.09	
Administrative expense, net	**9,168**		**6,843**	
Administrative expense, net per boe[4]	**$1.34**		**$1.01**	

(1) Includes salaries, benefits and other incentives 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 fees, taxes, 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.

(4) Supplementary financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

Net administrative expense on an aggregate basis increased by 34% from the Comparable Prior Period. G&A expense increased primarily due to higher employee-related expenses, an increase in corporate travel-related costs due to the easing of COVID-19 restrictions in Alberta and higher general business expenditures. Other compensation expense increased mainly due to a higher fair value expense associated with Birchcliff's stock options grants in the Reporting Period.

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

	Three months ended March 31,			
		2022		2021
	Number	**Price (\$)[1]**	**Number**	**Price (\$)[1]**
Outstanding, beginning	23,116,919	3.96	26,134,201	3.56
Granted[2]	63,000	6.76	29,000	3.20
Exercised	(3,323,277)	(3.13)	(102,330)	(2.49)
Forfeited	(135,000)	(4.48)	(21,568)	(1.87)
Expired	(1,643,100)	(7.84)	(2,267,566)	(3.42)
Outstanding, ending	**18,078,542**	**3.76**	**23,771,737**	**3.58**

(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, 2022, there were also 2,939,732 performance warrants outstanding to purchase an equivalent number of common shares. The performance warrants have an exercise price of $3.00 per common share 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 and probable reserves additions, the F&D costs attributable to those reserves, the associated future development capital 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)	**2022**	**2021**
Depletion and depreciation expense	**51,102**	**50,445**
Depletion and depreciation expense per boe[1]	**$7.47**	**$7.47**

(1) Supplementary financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

D&D expense per boe remained consistent with the Comparable Prior Period.

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)	**2022**	**2021**
Cash:		
Interest expense[1]	3,265	8,172
Interest expense per boe[1][2]	$0.48	$1.21
Non-cash:		
Accretion[3]	864	711
Amortization of deferred financing fees	238	249
Other expenses	1,102	960
Other expenses per boe[2]	$0.16	$0.16
Finance expense	**4,367**	**9,132**
Finance expense per boe[2]	**$0.64**	**$1.37**

(1) At March 31, 2022, the Credit Facilities were comprised of an extendible revolving syndicated term credit facility (the "**Syndicated Credit Facility**") of $750.0 million and an extendible revolving working capital facility (the "**Working Capital Facility**") of $100.0 million. Effective May 3, 2022, the agreement governing the Credit Facilities was amended to extend the maturity dates of each of the Syndicated Credit Facility and Working Capital Facility from May 11, 2024 to May 11, 2025. In addition, the lenders confirmed the aggregate borrowing base limit under the Corporation's Credit Facilities at $850.0 million. See *"Capital Resources and Liquidity"* in this MD&A.

(2) Supplementary financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

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

Birchcliff's aggregate interest expense decreased by 60% from the Comparable Prior Period, primarily due to a decrease in the average effective interest rate and a lower average outstanding balance under its Credit Facilities in the Reporting Period.

The following table sets forth the Corporation's average effective interest rates under its Credit Facilities for the periods indicated:

	Three months ended March 31,	
	2022	**2021**
Working Capital Facility	3.5%	5.5%
Syndicated Credit Facility[1]	3.0%	4.5%

(1) During the Reporting Period, the average effective interest rate under the Syndicated Credit Facility was determined primarily based on: (i) the market interest rate for LIBOR loans; and (ii) the pricing margin applicable to LIBOR loans. Birchcliff's pricing margin 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) deferred income taxes, other compensation, gains and losses on sale of assets and securities, unrealized gains and losses on financial instruments, depletion, depreciation and amortization and impairment charges.

The average outstanding balance under the Syndicated Credit Facility was approximately $439.0 million in the Reporting Period as compared to $719.3 million in the Comparable Prior Period calculated as the simple average of the month-end amounts.

Other Cash Income

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

	Three months ended March 31,			
	2022		**2021**	
	($000s)	*($/boe)*[1]	*($000s)*	*($/boe)*[1]
Other income	**53**	**0.01**	**2,518**	**0.37**

(1) Supplementary financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

Birchcliff's other cash income in the Comparable Prior Period primarily included the sale of Emissions Performance Credits ("**EPCs**") for $2.1 million (net of purchases) for the 2019 emissions reporting period under Alberta's Technology Innovation and Emissions Reduction ("**TIER**") program, which replaced its predecessor regulation on January 1, 2020. A facility regulated under TIER, such as the Pouce Coupe Gas Plant, must reduce emissions beyond its established facility benchmarks in order to generate EPCs.

Other Non-Cash Gains

The following table sets forth the components of the Corporation's other non-cash gains for the periods indicated:

				Three months ended March 31,
		2022		**2021**
	($000s)	*($/boe)*[1]	*($000s)*	*($/boe)*[1]
Other gains	**2,066**	**0.30**	**3,300**	**0.25**

(1) Supplementary financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

On August 31, 2017, Birchcliff acquired securities consisting of 4,500,000 common A units in a limited partnership and 10,000,000 preferred units in a trust (collectively, the "**Securities**") at a combined investment value of $10.0 million. The Securities are not publicly listed and do not constitute significant investments. Birchcliff recorded a gain on investment from the Securities of $1.8 million during the Reporting Period as compared to a gain on investment of $3.3 million in the Comparable Prior Period.

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)	**2022**	**2021**
Deferred tax expense	38,561	6,882
Dividend tax expense on preferred shares	687	698
Deferred income tax expense	**39,248**	**7,580**
Deferred income tax expense per boe[1]	**$5.74**	**$1.12**

(1) Supplementary financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

Birchcliff's deferred income tax expense was primarily impacted by the before-tax net income recorded in the respective period.

The Corporation's estimated income tax pools were $1.8 billion at March 31, 2022. 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, 2022**
Canadian oil and gas property expense	316,890
Canadian development expense	294,019
Canadian exploration expense[1]	309,084
Undepreciated capital costs	255,653
Non-capital losses[1]	580,605
Scientific research and experimental development expenditures[1]	20,844
Investment tax credits[2]	3,096
Financing costs and other	5,372
Estimated income tax pools	**1,785,563**

(1) Immediately available in full to reduce any taxable income in future periods.

(2) Immediately available in full to reduce any cash taxes owing on a dollar for dollar basis in future periods.

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)	**2022**	**2021**
Land	794	451
Seismic	251	348
Workovers	2,881	3,453
Drilling and completions	48,693	74,329
Well equipment and facilities	35,663	17,259
F&D capital expenditures[1]	88,282	95,840
Dispositions	(315)	-
FD&A capital expenditures[2]	87,967	95,840
Administrative assets	157	785
Total capital expenditures[2]	**88,124**	**96,625**

(1) See "*Advisories – F&D Capital Expenditures*" in this MD&A.

(2) Non-GAAP financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

During the Reporting Period, Birchcliff had F&D capital expenditures of $88.3 million which primarily included $47.8 million (54%) for the drilling and completion of horizontal wells in Pouce Coupe, $0.9 million (1%) for the drilling of horizontal wells in Gordondale and $25.4 million (29%) on large gathering infrastructure projects. During the Reporting Period, Birchcliff drilled 11 (11.0 net) wells and brought 6 (6.0 net) wells on production.

The remaining capital during the Reporting Period was primarily spent on land, seismic, workovers, well equipment and facilities, including gas gathering and optimization projects in the Montney/Doig Resource Play.

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)	**2022**	**2021**
Cash flow from operating activities	154,152	82,608
Repurchase of common shares	(8,687)	-
Issuance of common shares	10,394	254
Repurchase of capital securities	(52)	(1,177)
Lease payments	(614)	(601)
Dividend distributions	(4,375)	(3,076)
Net change in revolving term credit facilities	(103,356)	(29,885)
Investments	(200)	-
Changes in non-cash working capital from investing	40,831	48,502
Capital resources[1]	**88,093**	**96,625**

(1) Non-GAAP financial measure. See "*Non-GAAP and Other Financial Measures*" in this MD&A.

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, which the Corporation believes are sufficient to fund its working capital requirements, capital expenditure programs and dividend payments for the foreseeable future.

At March 31, 2022, Birchcliff had long-term bank debt under its Credit Facilities of $397.8 million as compared to $500.9 million at December 31, 2021 from available Credit Facilities of $850.0 million. The Corporation had $448.6 million of credit available at March 31, 2022 to fund future obligations. Birchcliff's Credit Facilities were recently amended to extend the maturity date by one year to May 11, 2025 and do not contain any financial maintenance covenants. See *"Capital Resources and Liquidity – Bank Debt"* in this MD&A.

Birchcliff continues to proactively look for strategic risk management and market diversification opportunities in order to potentially reduce the overall volatility of its adjusted funds flow. Birchcliff's existing 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 up to 2027 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 remains committed to maximizing free funds flow generation, which in 2022 will be primarily allocated to significantly reducing indebtedness in order to reduce the risks to its business and provide the Corporation with optionality to increase shareholder returns through sustainable increases to its common share dividend and common share buybacks. The Corporation believes that its anticipated 2022 adjusted funds flow will be sufficient to fund the remainder of its 2022 capital program, dividend distributions and working capital requirements. For further information, see *"Capital Resources and Liquidity – Bank Debt"*, *"Outlook and Guidance"*, *"Outstanding Share Information – Dividends"* and *"Advisories – Forward-Looking Statements"* in this MD&A.

Working Capital

The Corporation's adjusted working capital deficit(5) was $11.2 million at March 31, 2022 as compared to an adjusted working capital surplus(5) of $1.5 million at December 31, 2021. Adjusted working capital consists of items from normal day-to-day operations which include 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 change to a deficit position at March 31, 2022 was attributed to a higher accounts payable and accrued liabilities balance which was largely comprised of costs incurred for the drilling and completion of wells in Pouce Coupe, partially offset by a higher accounts receivable balance associated with higher revenue from the sale of Birchcliff's production during the Reporting Period.

At March 31, 2022, the major component of Birchcliff's current assets was revenue to be received from its commodity marketers in respect of March 2022 production (90%), which was subsequently received in April 2022. Birchcliff continues to monitor the financial strength of its marketers. At this time, Birchcliff expects that such counterparties will be able to meet their financial obligations. Current liabilities at March 31, 2022 primarily consisted of trade payables and accrued capital and operating expenses.

The Corporation's adjusted working capital varies from quarter to quarter primarily due to the timing of items included from normal operations, as well as the size and timing of the Corporation's total capital expenditures, volatility in commodity prices and changes in revenue, among other things. Birchcliff manages its working capital using adjusted funds flow and advances under its Credit Facilities. The adjusted working capital position does not impact the amount available under its Credit Facilities.

Bank Debt

Total debt at March 31, 2022 was $409.0 million, a decrease of 18% from $499.4 million at December 31, 2021. Total debt decreased primarily due to significant free funds flow generated in the Reporting Period, which was primarily allocated to debt reduction. In the Reporting Period, Birchcliff generated $183.7 million in adjusted funds flow and incurred $88.3 million in F&D capital expenditures, resulting in free funds flow of $95.4 million. Total debt in the Reporting Period was also impacted by the proceeds received from the exercise of stock options of $10.4 million, the cost to repurchase common shares under Birchcliff's normal course issuer bid of $8.7 million and the payment of dividends of $4.4 million. See *"Discussion of Operations – Administrative Expense"*, "*Outstanding Share Information – Normal Course Issuer Bid"* and "*Outstanding Share Information – Dividends"* in this MD&A for details on the Corporation's stock option exercises, common share repurchases and dividend distributions.

(5) Capital management measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

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

As at, *($000s)*	**March 31, 2022**	**December 31, 2021**
Maximum borrowing base limit[(1)]:		
Revolving term credit facilities	850,000	850,000
Principal amount utilized:		
Drawn revolving term credit facilities	(401,232)	(504,588)
Outstanding letters of credit[(2)]	(185)	(4,185)
	(401,417)	(508,773)
Unused credit	**448,583**	**341,227**
% unused credit	**53%**	**40%**

(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 oil and gas reserves. In connection with the most recent semi-annual review of the borrowing base limit under the Credit Facilities, which was completed by the Corporation's syndicate of lenders in May 2022, the borrowing base limit was confirmed at $850.0 million and the maturity date was extended to May 11, 2025.

Birchcliff's Credit Facilities include a provision giving the lenders the right to redetermine the borrowing base in certain circumstances, including if the Corporation's liability management rating ("**LMR**") is less than 2.0. Birchcliff's LMR at March 31, 2022 was 17.8. 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, 2022:

($000s)	**2022**	**2023**	**2024-2026**	**Thereafter**
Accounts payable and accrued liabilities	131,593	-	-	-
Drawn revolving term credit facilities	-	-	401,232	-
Firm transportation and fractionation[(1)]	110,939	143,332	354,557	113,928
Natural gas processing[(2)]	14,562	17,155	51,512	103,024
Operating commitments[(3)]	1,525	2,033	6,099	2,202
Capital commitments[(4)]	3,870	5,835	-	-
Lease payments	2,559	3,293	8,007	3,273
Capital securities[(5)]	38,216	-	-	-
Estimated contractual obligations[(6)]	**303,264**	**171,648**	**821,407**	**222,427**

(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) Includes drilling commitments.

(5) Birchcliff had 1,528,619 Series C Preferred Shares outstanding at March 31, 2022, which are redeemable by their holders at $25.00 per share. For further details, see *"Outstanding Share Information – Capital Securities"* in this MD&A and the financial statements.

(6) 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, 2022 to be approximately $246.3 million and are estimated to be incurred as follows: 2022 - $2.8 million, 2023 – $3.5 million and $240.0 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 that are excluded from its financial statements, 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 11, 2022, 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 for the periods indicated:

	Common Shares
Balance at December 31, 2021	264,790,404
Exercise of stock options	3,323,277
Repurchase of common shares(1)	(1,303,196)
Balance at March 31, 2022	266,810,485
Exercise of stock options	1,038,753
Repurchase of common shares(1)	(3,118,996)
Balance at May 11, 2022	**264,730,242**

(1) Includes common shares that have been repurchased and cancelled pursuant to the NCIB.

At May 11, 2022, the Corporation had the following securities outstanding: 264,730,242 common shares; 2,000,000 Series A Preferred Shares; 1,528,619 Series C Preferred Shares; 17,065,655 stock options to purchase an equivalent number of common shares; and 2,939,732 performance warrants to purchase an equivalent number of common shares.

Normal Course Issuer Bid

On November 17, 2021, Birchcliff announced that the TSX had accepted the Corporation's notice of intention to make a normal course issuer bid. Pursuant to the NCIB, Birchcliff may purchase up to 13,267,554 of its outstanding common shares over a period of twelve months commencing on November 25, 2021. The NCIB will terminate no later than November 24, 2022. Under the NCIB, common shares may be purchased in open market transactions on the TSX and/or alternative Canadian trading systems at the prevailing market price at the time of such transaction. Pursuant to the rules of the TSX, the total number of common shares that Birchcliff is permitted to purchase is subject to a daily purchase limit of 382,548 common shares. However, Birchcliff may make one block purchase per calendar week which exceeds the daily purchase restriction. All common shares purchased under the NCIB will be cancelled.

During the Reporting Period, the Corporation purchased 1,303,196 common shares under the NCIB at an average price of $6.66 for an aggregate cost of $8.7 million (before fees). Subsequent to March 31, 2022 and prior to May 11, 2022, an additional 3,118,996 common shares were purchased under the NCIB at an average price of $9.39 for an aggregate cost of $29.3 million (before fees).

Series A Preferred Shares

At March 31, 2022, the Corporation had 2,000,000 Series A Preferred Shares outstanding.

Subject to the provisions of the Series A Preferred Shares (the "**Series A Provisions**"), on September 30, 2022 and every five years thereafter, the Corporation, upon giving notice as provided in the Series A Provisions, may redeem all or any part of the Series A Preferred Shares by the payment of an amount in cash for each share to be redeemed equal to $25.00 plus all accrued and unpaid dividends thereon to but excluding the date fixed for redemption.

Series C Preferred Shares

At March 31, 2022, the Corporation had 1,528,619 Series C Preferred Shares outstanding.

Subject to the provisions of the Series C Preferred Shares (the "**Series C Provisions**"), a holder of Series C Preferred Shares may, at its option, upon giving notice in accordance with the Series C Provisions (the "**Notice of Redemption**"), redeem for cash, all or any number of Series C Preferred Shares held by such holder on the last day of a 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 (subject, if required, to stock exchange approval), upon not less than 20 days' prior written notice, elect to convert all such Series C Preferred Shares into common shares. The number of common shares into which each Series C Preferred Share may be so converted will be determined by dividing the amount of $25.00, together with all accrued and unpaid dividends to but excluding the date fixed for conversion, by the greater of $2.00 and 95% of the "Current Market Price" (as determined in accordance with the Provisions) of the common shares.

The Corporation received Notices of Redemption for 2,090 Series C Preferred Shares in the Reporting Period which the Corporation elected to settle in cash at $25.00 per share for a total redemption value of approximately $52,000. In the Comparable Prior Period, the Corporation received Notices of Redemption for 47,051 Series C Preferred Shares which the Corporation elected to settle in cash at $25.00 per share for a total redemption value of $1.2 million.

In addition to the redemption rights of the holders of the Series C Preferred Shares and subject to the Series C Provisions, the Corporation may, upon giving notice as provided in the Series C Provisions, redeem at any time all or any number of the outstanding Series C Preferred Shares on the payment of the redemption price of $25.00 per share, together with an amount equal to all accrued and unpaid dividends thereon to but excluding the date fixed for redemption.

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,	
	2022	**2021**
Common Shares:		
Dividend distribution *($000s)*	2,658	1,330
Per common share *($)*	0.0100	0.0050
Series A Preferred Shares:		
Series A dividend distribution *($000s)*	1,047	1,047
Per Series A Preferred Share *($)*	0.5234	0.5234
Series C Preferred Shares:		
Series C dividend distribution *($000s)*	670	699
Per Series C Preferred Share *($)*	0.4375	0.4375

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

In the fourth quarter of 2021, the Corporation increased the amount of its quarterly common share dividend from $0.005 per share (or $0.02 per share annually) to $0.01 per share (or $0.04 per share annually).

On May 11, 2022, Birchcliff's Board of Directors declared a quarterly common share dividend of $0.02 per share for the quarter ended June 30, 2022, which represents a 100% increase over the common share dividend in the Reporting Period.

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, 2022	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020
Average light oil production *(bbls/d)*	2,369	2,604	2,878	2,766	3,355	3,566	4,405	5,744
Average condensate production *(bbls/d)*	4,796	5,330	5,990	6,070	5,467	6,658	7,266	4,825
Average NGLs production *(bbls/d)*	7,976	7,570	6,889	7,647	8,734	8,285	6,898	7,455
Average natural gas production *(Mcf/d)*	365,296	379,275	415,005	352,694	345,057	360,839	358,851	341,558
Average production *(boe/d)*	76,024	78,716	84,924	75,265	75,065	78,649	78,376	74,950
Average realized light oil sales price *($/bbl)*(1)(2)	115.47	92.79	83.52	76.50	67.02	49.56	48.50	25.72
Average realized condensate sales price *($/bbl)*(1)(2)	121.56	98.66	88.04	81.90	74.22	52.90	48.27	31.09
Average realized NGLs sales price *($/bbl)*(1)(2)	43.56	38.24	35.13	25.27	24.69	16.16	14.05	12.05
Average realized natural gas sales price *($/Mcf)*(1)(2)	5.40	5.52	4.46	3.48	3.52	2.93	2.48	2.22
Average realized sales price *($/boe)*(1)(2)	41.79	40.02	33.70	28.27	27.47	21.87	19.80	15.27
P&NG revenue *($000s)*(1)	285,976	289,806	263,348	193,643	185,609	158,283	142,779	104,180
Operating expense *($/boe)*(2)	3.49	3.50	2.96	3.14	3.18	3.03	2.73	2.89
F&D capital expenditures *($000s)*(3)	88,282	35,726	18,026	80,887	95,840	41,291	30,842	83,473
Total capital expenditures *($000s)*(4)	88,124	36,075	18,622	81,160	96,625	28,778	31,193	83,974
Cash flow from operating activities *($000s)*	154,152	196,142	155,606	81,013	82,608	71,431	52,977	13,221
Adjusted funds flow *($000s)*(4)	183,699	193,649	168,076	90,188	87,820	66,509	59,377	21,746
Per common share – basic *($)*(5)	0.69	0.73	0.63	0.34	0.33	0.25	0.22	0.08
Per common share – diluted *($)*(5)	0.67	0.70	0.61	0.33	0.33	0.25	0.22	0.08
Free funds flow *($000s)*(4)	95,417	157,923	150,050	9,301	(8,020)	25,218	28,535	(61,727)
Net income (loss) *($000s)*	126,839	107,149	139,413	44,901	23,213	41,454	(16,646)	(38,475)
Net income (loss) to common shareholders *($000s)*	125,792	106,102	138,367	43,854	22,166	40,407	(17,692)	(39,522)
Per common share – basic *($)*	0.47	0.40	0.52	0.16	0.08	0.15	(0.07)	(0.15)
Per common share – diluted *($)*	0.46	0.38	0.50	0.16	0.08	0.15	(0.07)	(0.15)
Total assets *($ millions)*	3,006	2,960	2,993	2,996	2,941	2,902	2,912	2,929
Long-term debt *($000s)*	397,752	500,870	648,327	720,920	701,735	731,372	771,706	753,092
Total debt *($000s)*(6)	408,998	499,397	637,905	770,897	777,385	761,951	784,414	807,573
Dividends on common shares *($000s)*	2,658	2,646	1,330	1,333	1,330	1,330	1,330	1,327
Dividends on Series A Preferred Shares *($000s)*	1,047	1,047	1,046	1,047	1,047	1,047	1,046	1,047
Dividends on Series C Preferred Shares *($000s)*	670	670	671	678	699	858	859	875
Series A Preferred Shares outstanding *(000s)*	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Series C Preferred Shares outstanding *(000s)*	1,529	1,531	1,533	1,533	1,550	1,597	1,962	1,963
Common shares outstanding *(000s)*								
Basic	266,810	264,790	265,573	266,953	266,045	265,943	265,935	265,935
Diluted	287,829	290,847	287,518	289,806	292,757	295,017	290,009	290,014
Weighted average common shares outstanding *(000s)*								
Basic	265,530	265,197	266,547	266,231	265,989	265,940	265,935	265,935
Diluted	275,980	276,600	276,282	270,155	266,370	265,985	265,935	265,935

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

(2) Supplementary financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

(3) See "*Advisories – F&D Capital Expenditures*" in this MD&A.

(4) Non-GAAP financial measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

(5) Non-GAAP financial ratio. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

(6) Capital management measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A.

Quarterly average daily production volumes were impacted primarily by Birchcliff's successful drilling of condensate-rich natural gas and light oil horizontal wells in Pouce Coupe and Gordondale, and the timing thereof and natural production declines during those periods. Light oil production has generally trended lower over the last eight quarters primarily due to the Corporation specifically targeting horizontal natural gas wells in liquids-rich zones in the Pouce Coupe and Gordondale areas.

P&NG revenue and adjusted funds flow in the last eight quarters were largely impacted by the average realized sales price received for Birchcliff's production. Birchcliff's average realized sales prices benefited from the significant increases in benchmark oil and natural gas prices since the second quarter of 2020 primarily due to the recovery in the global economy from the easing of COVID-19 restrictions, the recent conflict between Russia and Ukraine and other negative economic factors, including supply constraints and labour shortages which have increased inflationary pressures and supply risk. Over the last eight quarters, Birchcliff's adjusted funds flow was also impacted by realized gains and losses on the settlement of financial instruments due to market diversification initiatives, higher trending transportation and other expense, primarily as a result of additional AECO and Dawn firm service and an increase in deferred income tax expense.

Birchcliff's net income and loss in each of the last eight quarters was largely impacted by adjusted funds flow and certain non-cash adjustments, including depletion expense and unrealized mark-to-market gains and losses on financial instruments due to market diversification initiatives.

The Corporation's F&D capital expenditures fluctuate quarter to quarter based on the Corporation's outlook for commodity prices and market conditions, the level of drilling and completions operations and other capital projects and the timing thereof.

Quarterly fluctuations in long-term debt and total debt are primarily driven by available free funds flow which is impacted by changes in adjusted funds flow and the amount and timing of F&D capital expenditures. Long-term debt in the last three quarters has trended lower due to significant free funds flow generation, which was primarily allocated towards debt reduction in line with management's commitment to significantly reduce indebtedness.

The Corporation pays dividends on its common shares, Series A Preferred Shares and Series C Preferred Shares when declared and approved by the Board of Directors. On November 30, 2021, the Corporation increased the amount of its quarterly common share dividend from $0.005 per share to $0.01 per share with the first increased payment taking effect for the quarter ended December 31, 2021, resulting in significantly higher common share dividend payments.

As at March 31, 2022, Birchcliff has received Notices of Redemptions for a total of 471,381 Series C Preferred Shares. As a result of the redemptions, the dividends paid on the Series C Preferred Shares have decreased over the last eight most recently completed quarters.

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, 2022 and ended on March 31, 2022 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 timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and 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, judgements 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, 2021.

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 go-forward financial position, profit or loss and cash flows. The potential direct and indirect impacts of the economic downturn have been considered in management's estimates and assumptions at March 31, 2022 and have been reflected in the Corporation's results.

RISK FACTORS

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 heading *"Risk Factors"* in the AIF and management's discussion and analysis for the year ended December 31, 2021.

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
condensate	pentanes plus (C5+)
F&D	finding and development
FD&A	finding, development and acquisition
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
LNG	liquefied natural gas
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
MMBtu	million British thermal units
MMBtu/d	million British thermal units per day
MMcf	million cubic feet
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
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 AND OTHER FINANCIAL MEASURES

This MD&A uses various "non-GAAP financial measures", "non-GAAP ratios", "supplementary financial measures" and "capital management measures" (as such terms are defined in NI 52-112), which are described in further detail below. These measures facilitate management's comparisons to the Corporation's historical operating results in assessing its results and strategic and operational decision-making and may be used by financial analysts and others in the oil and natural gas industry to evaluate the Corporation's performance.

Non-GAAP Financial Measures

NI 52-112 defines a non-GAAP financial measure as a financial measure that: (i) depicts the historical or expected future financial performance, financial position or cash flow of an entity; (ii) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity; (iii) is not disclosed in the financial statements of the entity; and (iv) is not a ratio, fraction, percentage or similar representation. The non-GAAP financial measures used in this MD&A are not standardized financial measures under GAAP and might not be comparable to similar measures presented by other companies where similar terminology is used. Investors are cautioned that non-GAAP financial measures should not be construed as alternatives to or more meaningful than the most directly comparable GAAP measures as indicators of Birchcliff's performance. Set forth below is a description of the non-GAAP financial measures used in this MD&A.

Adjusted Funds Flow, Free Funds Flow and Excess Free Funds Flow

Birchcliff defines "adjusted funds flow" as cash flow from operating activities before the effects of decommissioning expenditures and changes in non-cash operating working capital. 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. Adjusted funds flow can also be derived from petroleum and natural gas revenue less royalty expense, operating expense, transportation and other expense, net G&A expense, interest expense and any realized losses (plus realized gains) on financial instruments and plus any other cash income sources. Management believes that adjusted funds flow assists management and investors in assessing Birchcliff's financial performance after deducting all operating and corporate cash costs, as well as its ability to generate the cash necessary to fund sustaining and/or growth capital expenditures, repay debt, settle decommissioning obligations, repurchase common shares and pay common share and preferred share dividends.

Birchcliff defines "free funds flow" as adjusted funds flow less F&D capital expenditures. Management believes that free funds flow assists management and investors in assessing Birchcliff's ability to generate shareholder returns through a number of initiatives, including but not limited to, debt repayment, preferred share redemptions, common share repurchases, the payment of dividends and acquisitions.

Birchcliff defines "excess free funds flow" as free funds flow less common share dividends paid. Management believes that excess free funds flow assists management and investors in assessing Birchcliff's ability to further enhance shareholder returns after the payment of its common share dividend, which may include dividend increases, common share buybacks and other opportunities that would complement or otherwise improve the Corporation's business and enhance long-term shareholder value.

The following table provides a reconciliation of cash flow from operating activities, as determined in accordance with GAAP, to adjusted funds flow, free funds flow and excess free funds flow for the periods indicated:

	Three months ended March 31,	
($000s)	**2022**	**2021**
Cash flow from operating activities	**154,152**	**82,608**
Change in non-cash operating working capital	28,830	4,129
Decommissioning expenditures	717	1,083
Adjusted funds flow	**183,699**	**87,820**
F&D capital expenditures	(88,282)	(95,840)
Free funds flow	**95,417**	**(8,020)**
Dividends on common shares	(2,658)	(1,330)
Excess free funds flow	**92,759**	**(9,350)**

Capital Resources

Birchcliff defines "capital resources" as cash flow from operating activities less the aggregate of repurchase of common shares, issuance of common shares, repurchase of capital securities, lease payments, financing fees paid, dividend distributions, net change in revolving term credit facilities, investments and changes in non-cash working capital from investing. Management believes capital resources assists management and investors in assessing Birchcliff's ability to fund its short and long-term financial obligations. Please refer to *"Capital Resources and Liquidity"* in this MD&A for the reconciliation of cash flow from operating activities, as determined in accordance with GAAP, to capital resources.

FD&A and Total Capital Expenditures

Birchcliff defines "FD&A capital expenditures" as F&D capital expenditures (see "*Advisories – F&D Capital Expenditures*" in this MD&A) plus acquisitions and less dispositions. Birchcliff defines "total capital expenditures" as FD&A capital expenditures plus administrative assets. Management believes that FD&A capital expenditures and total capital expenditures assist management and investors in assessing Birchcliff's overall capital cost structure associated with its petroleum and natural gas activities. The following table provides a reconciliation of F&D capital expenditures, as determined in accordance with GAAP, to FD&A capital expenditures and total capital expenditures for the periods indicated:

	Three months ended March 31,	
($000s)	**2022**	**2021**
F&D capital expenditures[1]	88,282	95,840
Dispositions	(315)	-
FD&A capital expenditures	**87,967**	**95,840**
Administrative assets	157	785
Total capital expenditures	**88,124**	**96,625**

(1) Reflects exploration and development expenditures determined in accordance with GAAP.

Transportation and Other Expense and Marketing Gain

Birchcliff defines "transportation and other expense" as transportation expense plus "marketing gain", which denotes marketing purchases less 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. Management believes that marketing gain assists management and investors in assessing the success of Birchcliff's marketing arrangements. The following table provides a reconciliation of transportation expense, as determined in accordance with GAAP, to transportation and other expense and marketing gain for the periods indicated:

	Three months ended March 31,	
($000s)	**2022**	**2021**
Transportation expense	37,837	37,684
Marketing purchases	3,569	2,047
Marketing revenue	(4,234)	(2,458)
Marketing gain	**(665)**	**(411)**
Transportation and other expense	**37,172**	**37,273**

Operating Netback

Birchcliff defines "operating netback" as petroleum and natural gas revenue less royalty expense, operating expense and transportation and other expense. Management believes that operating netback assists management and investors in assessing Birchcliff's operating profits after deducting the cash costs that are directly associated with the sale of its production, which can then be used to pay other corporate cash costs or satisfy other obligations. The following table provides a breakdown of Birchcliff's operating netback for the Pouce Coupe assets and Gordondale assets and on a corporate basis for the periods indicated:

	Three months ended March 31,	
($000s)	**2022**	**2021**
Petroleum and natural gas revenue	173,054	110,362
Royalty expense	(14,489)	(5,535)
Operating expense	(12,398)	(10,526)
Transportation and other expense	(23,802)	(25,211)
Operating netback – Pouce Coupe assets	**122,365**	**69,090**
Petroleum and natural gas revenue	112,601	75,229
Royalty expense	(15,652)	(6,092)
Operating expense	(11,347)	(10,946)
Transportation and other expense	(13,318)	(12,061)
Operating netback – Gordondale assets	**72,284**	**46,130**
Petroleum and natural gas revenue	285,976	185,609
Royalty expense	(30,158)	(11,627)
Operating expense	(23,847)	(21,498)
Transportation and other expense	(37,172)	(37,273)
Operating netback – Corporate	**194,799**	**115,211**

Non-GAAP Ratios

NI 52-112 defines a non-GAAP ratio as a financial measure that: (i) is in the form of a ratio, fraction, percentage or similar representation; (ii) has a non-GAAP financial measure as one or more of its components; and (iii) is not disclosed in the financial statements of the entity. The non-GAAP ratios used in this MD&A are not standardized financial measures under GAAP and might not be comparable to similar measures presented by other companies where similar terminology is used. Set forth below is a description of the non-GAAP ratios used in this MD&A.

Adjusted Funds Flow Per Boe and Adjusted Funds Flow Per Basic and Diluted Common Share

Birchcliff calculates “adjusted funds flow per boe” as aggregate adjusted funds flow in the period divided by the production (boe) in the period. Management believes that adjusted funds flow per boe assists management and investors in assessing Birchcliff’s financial profitability and sustainability on a cash basis by isolating the impact of production volumes to better analyze its performance against prior periods on a comparable basis. The Corporation previously referred to adjusted funds flow per boe as “adjusted funds flow netback”.

Birchcliff calculates “adjusted funds flow per basic common share” and “adjusted funds flow per diluted common share” as aggregate adjusted funds flow in the period divided by the basic or diluted common shares outstanding, as the case may be, at the end of the period. Management believes that adjusted funds flow per basic common share and adjusted funds flow per diluted common share assist management and investors in assessing Birchcliff’s financial strength on a per common share basis.

Free Funds Flow Per Basic Common Share

Birchcliff calculates “free funds flow per basic common share” as aggregate free funds flow in the period divided by the basic common shares outstanding at the end of the period. Management believes that free funds flow per basic common share assists management and investors in assessing Birchcliff’s financial strength and its ability to generate shareholder returns on a per common share basis.

Transportation and Other Expense Per Boe

Birchcliff calculates “transportation and other expense per boe” as aggregate transportation and other expense in the period divided by the production (boe) in the period. Management believes that transportation and other expense per boe assists management and investors in assessing Birchcliff’s cost structure as it relates to its transportation and marketing activities by isolating the impact of production volumes to better analyze performance against prior periods on a comparable basis.

Marketing Gain Per Boe

Birchcliff calculates “marketing gain per boe” as aggregate marketing gain in the period divided by the production (boe) in the period. Management believes that marketing gain per boe assists management and investors in assessing the success of Birchcliff’s marketing arrangements by isolating the impact of production volumes to better analyze performance against prior periods on a comparable basis.

Operating Netback Per Boe

Birchcliff calculates “operating netback per boe” as aggregate operating netback in the period divided by the production (boe) in the period. Management believes that operating netback per boe assists management and investors in assessing Birchcliff’s operating profitability and sustainability by isolating the impact of production volumes to better analyze its performance against prior periods on a comparable basis.

Supplementary Financial Measures

NI 52-112 defines a supplementary financial measure as a financial measure that: (i) is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of an entity; (ii) is not disclosed in the financial statements of the entity; (iii) is not a non-GAAP financial measure; and (iv) is not a non-GAAP ratio. The supplementary financial measures used in this MD&A are either a per unit disclosure of a corresponding GAAP measure, or a component of a corresponding GAAP measure, presented in the financial statements. Supplementary financial measures that are disclosed on a per unit basis are calculated by dividing the aggregate GAAP measure (or component thereof) by the applicable unit for the period. Supplementary financial measures that are disclosed on a component basis of a corresponding GAAP measure are a granular representation of a financial statement line item and are determined in accordance with GAAP.

Capital Management Measures

NI 52-112 defines a capital management measure as a financial measure that: (i) is intended to enable an individual to evaluate an entity's objectives, policies and processes for managing the entity's capital; (ii) is not a component of a line item disclosed in the primary financial statements of the entity; (iii) is disclosed in the notes to the financial statements of the entity; and (iv) is not disclosed in the primary financial statements of the entity. Set forth below is a description of the capital management measures used in this MD&A.

Total Debt and Adjusted Working Capital Deficit (Surplus)

Birchcliff calculates "total debt" as the amount outstanding under the Corporation's Credit Facilities plus adjusted working capital deficit (surplus). "Adjusted working capital deficit (surplus)" is calculated as working capital (current assets less current liabilities) less fair value of financial instruments and capital securities. Surplus as disclosed in this MD&A is equivalent to adjusted working capital surplus. Management believes that total debt assists management and investors in assessing Birchcliff's overall liquidity and financial position at the end of the period. Management believes that adjusted working capital deficit (surplus) assists management and investors in assessing Birchcliff's short-term liquidity. The following table provides a reconciliation of the amount outstanding under the Credit Facilities and working capital deficit, as determined in accordance with GAAP, to total debt and adjusted working capital deficit (surplus), respectively:

As at, *($000s)*	**March 31, 2022**	**December 31, 2021**
Revolving term credit facilities	397,752	500,870
Working capital deficit	46,213	53,312
Fair value of financial instruments	3,249	(16,517)
Capital securities	(38,216)	(38,268)
Adjusted working capital deficit (surplus)	**11,246**	**(1,473)**
Total debt	**408,998**	**499,397**

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.

Boe Conversions

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

MMBtu Pricing Conversions

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

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 and Other Financial Measures"* in this MD&A.

F&D Capital Expenditures

Unless otherwise stated, references in this MD&A to "F&D capital expenditures" denotes exploration and development expenditures determined in accordance with GAAP. Management believes that F&D capital expenditures assists management and investors in assessing Birchcliff capital cost outlay associated with its exploration and development activities for the purposes of finding and developing its reserves.

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, strategy, operations, performance or financial position 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", "maintain" 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 *"Outlook and Guidance"* and elsewhere in this MD&A as it relates to Birchcliff's updated outlook and guidance for 2022, including: estimates of annual and Q4 average production, production commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, excess free funds flow, surplus at year end and natural gas market exposure; that the estimate of surplus at December 31, 2022 is expected to be largely comprised of cash on hand plus accounts receivable less accounts payable at the end of the year; the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's estimate of free funds flow; that Birchcliff does not have any fixed price commodity hedges in place and does not currently intend to hedge any future production, which allows the Corporation to take full advantage of the robust commodity price environment; that Birchcliff is now forecasting that it will reach zero total debt in Q4 2022; that Birchcliff's free funds flow in 2022 is primarily being used to reduce indebtedness; the anticipated repayment in full of the Corporation's Credit Facilities in 2022; the proposed redemption of the Series A and Series C Preferred Shares, including the timing thereof; and that Birchcliff's F&D capital expenditures are currently anticipated to be on the high end of the guidance range;
- 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: 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; that Birchcliff's capital resources primarily consist of adjusted funds flow and available Credit Facilities, which the Corporation believes are sufficient to fund its working capital requirements, capital expenditure programs and dividend payments for the foreseeable future; that Birchcliff continues to proactively look for strategic risk management and market diversification opportunities in order to potentially reduce the overall volatility of its adjusted funds flow; that Birchcliff remains committed to maximizing free funds flow generation, which in 2022 will be primarily allocated to significantly reducing indebtedness in order to reduce the risks to its business and provide the Corporation with optionality to increase shareholder returns through sustainable increases to its common share dividend and common share buybacks; that Birchcliff remains committed to maximizing free funds flow generation which will be allocated to significantly reducing indebtedness in order to reduce the risks to its business and provide the Corporation with optionality to increase shareholder returns through sustainable increases to its common share dividend and common share buybacks; the Corporation's belief that its anticipated 2022 adjusted funds flow will be sufficient to fund the remainder of its 2022 capital program, dividend distributions and working capital requirements; and the Corporation's expectation that counterparties will be able to meet their financial obligations;

- estimates of Birchcliff's material contractual obligations and commitments and decommissioning obligations;
- statements relating to the NCIB, including: potential purchases under the NCIB; and the cancellation of common shares under the NCIB; 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; prevailing and future commodity prices and differentials, 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, G&A and other expenses; Birchcliff's ability to access capital and obtain financing on acceptable terms; the timing and amount of capital expenditures and the sources of funding for capital expenditures and other activities; the sufficiency of budgeted capital expenditures to carry out planned operations; the successful and timely implementation of capital projects 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; reserves 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; Board of Director approval of proposed dividends and the proposed redemption of the Series A and Series C Preferred Shares; 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 results of Birchcliff's risk management and market diversification activities; 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 2022 guidance (as updated on May 11, 2022) assumes the following commodity prices and exchange rate: an average WTI price of US$99.50/bbl; an average WTI-MSW differential of CDN$3.10/bbl; an average AECO price of CDN$6.50/GJ; an average Dawn price of US$6.85/MMBtu; an average NYMEX HH price of US$6.95/MMBtu; and an exchange rate (CDN$ to US$1) of 1.28.
- With respect to estimates of capital expenditures for 2022, such estimates assume that the 2022 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 funds flow, free funds flow and excess free funds flow for 2022, such estimates assume that: the 2022 capital program will be carried out as currently contemplated and the level of capital spending for 2022 set forth herein will be achieved; and the targets for production, production commodity mix, expenses and natural gas market exposure and the commodity price and exchange rate assumptions are met.
- With respect to Birchcliff's production guidance for 2022, such guidance assumes that: the 2022 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 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), epidemics and global conflict 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; risks associated with increasing costs, whether due to high inflation rates, supply chain disruptions or other factors; fluctuations in 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; risks associated with Birchcliff's Credit Facilities, including a failure to comply with covenants under the agreement governing the Credit Facilities and the risk that the borrowing base limit may be redetermined; 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; 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 operate its assets and achieve expected future results; 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; 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; actions by government authorities, including those with respect to the COVID-19 pandemic; 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; 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; 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 counterparty credit risk; risks associated with Birchcliff's risk management and market diversification activities; 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; 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; and the accuracy of the Corporation's accounting estimates and judgments.

While Birchcliff anticipates approval by the Board of Directors of the proposed redemption of the Series A and Series C Preferred Shares, the proposed redemption remains subject to the approval of the Board of Directors. The proposed redemption of the Series A and Series C Preferred Shares and the declaration and payment of any proposed dividends are subject to the discretion of the Board of Directors and may not be approved or may vary depending on a variety of factors and conditions existing from time to time, including commodity prices, free funds flow, current and forecast commodity prices, fluctuations in working capital, financial requirements of Birchcliff, applicable laws (including solvency tests under the *Business Corporations Act* (Alberta) for the declaration and payment of dividends) and other factors beyond Birchcliff's control. The redemption of the Series A and Series C Preferred Shares and the payment of dividends to shareholders is not assured or guaranteed and dividends may be reduced or suspended entirely. In addition to the foregoing, the Corporation's ability to pay dividends now or in the future may be limited by covenants contained in the agreements governing any indebtedness that the Corporation has incurred or may incur in the future, including the terms of the Credit Facilities. The agreement governing the Credit Facilities provides that Birchcliff 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.

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 the AIF under the heading *"Risk Factors"* 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 financial performance, financial position or cash flows, 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, 2022**	**December 31, 2021**
ASSETS		
Current assets:		
Cash	32	63
Accounts receivable	115,043	92,414
Prepaid expenses and deposits	5,272	5,732
Financial instruments *(Note 12)*	4,684	69
	125,031	98,278
Non-current assets:		
Investments *(Note 13)*	11,457	9,457
Petroleum and natural gas properties and equipment *(Note 3)*	2,866,902	2,852,232
Financial instruments *(Note 12)*	3,063	-
	2,881,422	2,861,689
Total assets	**3,006,453**	**2,959,967**
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	131,593	96,736
Financial instruments *(Note 12)*	1,435	16,586
Capital securities *(Note 6)*	38,216	38,268
	171,244	151,590
Non-current liabilities:		
Revolving term credit facilities *(Note 4)*	397,752	500,870
Decommissioning obligations *(Note 5)*	116,550	140,603
Deferred income taxes	195,256	156,695
Other liabilities *(Note 9)*	25,062	25,329
Financial instruments *(Note 12)*	55,432	67,277
	790,052	890,774
Total liabilities	**961,296**	**1,042,364**
SHAREHOLDERS' EQUITY		
Share capital *(Note 6)*		
Common shares	1,468,655	1,463,424
Preferred shares *(perpetual)*	41,434	41,434
Contributed surplus	90,113	90,924
Retained earnings	444,955	321,821
	2,045,157	1,917,603
Total shareholders' equity and liabilities	**3,006,453**	**2,959,967**

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

BIRCHCLIFF ENERGY LTD.
CONDENSED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

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

Three months ended,	**March 31, 2022**	**March 31, 2021**
REVENUE		
Petroleum and natural gas revenue *(Note 8)*	285,976	185,609
Marketing revenue *(Note 8)*	4,234	2,458
Royalties	(30,158)	(11,627)
Realized loss on financial instruments *(Note 12)*	(199)	(15,498)
Unrealized gain (loss) on financial instruments *(Note 12)*	34,675	(7,619)
Other income	53	2,518
	294,581	155,841
EXPENSES		
Operating	23,847	21,498
Transportation	37,837	37,684
Marketing purchases *(Note 8)*	3,569	2,047
Administrative, net	9,168	6,843
Depletion and depreciation *(Note 3)*	51,102	50,445
Finance	4,367	9,132
Dividends on capital securities *(Note 6)*	670	699
Other gains	(2,066)	(3,300)
	128,494	125,048
Net income before taxes	166,087	30,793
Deferred income tax expense	(39,248)	(7,580)
NET INCOME AND COMPREHENSIVE INCOME	**126,839**	**23,213**
Net income per common share *(Note 7)*		
Basic	$0.47	$0.08
Diluted	$0.46	$0.08

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, 2020	1,478,294	41,434	89,868	17,971	1,627,567
Dividends on common shares *(Note 6)*	-	-	-	(1,330)	(1,330)
Dividends on perpetual preferred shares *(Note 6)*	-	-	-	(1,047)	(1,047)
Exercise of stock options *(Note 10)*	326	-	(72)	-	254
Stock-based compensation *(Notes 10)*	-	-	1,224	-	1,224
Net Income and comprehensive Income	-	-	-	23,213	23,213
As at March 31, 2021	**1,478,620**	**41,434**	**91,020**	**38,807**	**1,649,881**
As at December 31, 2021	1,463,424	41,434	90,924	321,821	1,917,603
Dividends on common shares *(Note 6)*	-	-	-	(2,658)	(2,658)
Dividends on perpetual preferred shares *(Note 6)*	-	-	-	(1,047)	(1,047)
Exercise of stock options *(Note 10)*	13,918	-	(3,524)	-	10,394
Repurchase of common shares *(Note 6)*	(8,687)	-	-	-	(8,687)
Stock-based compensation *(Notes 10)*	-	-	2,713	-	2,713
Net income and comprehensive income	-	-	-	126,839	126,839
As at March 31, 2022	**1,468,655**	**41,434**	**90,113**	**444,955**	**2,045,157**

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, 2022**	**March 31, 2021**
Cash provided by (used in):		
OPERATING		
Net income	126,839	23,213
Adjustments for items not affecting operating cash:		
Unrealized (gain) loss on financial instruments *(Note 12)*	(34,675)	7,619
Depletion and depreciation *(Note 3)*	51,102	50,445
Other compensation	1,480	604
Finance	4,367	9,132
Other gains	(2,066)	(3,300)
Deferred income tax expense	39,248	7,580
Interest paid	(3,266)	(8,172)
Dividends on capital securities *(Note 6)*	670	699
Decommissioning expenditures *(Note 5)*	(717)	(1,083)
Changes in non-cash working capital	(28,830)	(4,129)
	154,152	82,608
FINANCING		
Repurchase of common shares *(Notes 6)*	(8,687)	-
Issuance of common shares *(Notes 6)*	10,394	254
Repurchase of capital securities *(Note 6)*	(52)	(1,177)
Lease payments *(Note 9)*	(614)	(601)
Dividend distributions *(Note 6)*	(4,375)	(3,076)
Net change in revolving term credit facilities *(Note 4)*	(103,356)	(29,885)
	(106,690)	(34,485)
INVESTING		
Exploration and development *(Note 3)*	(88,282)	(95,840)
Dispositions *(Note 3)*	315	-
Administrative assets *(Note 3)*	(157)	(785)
Investments	(200)	-
Changes in non-cash working capital	40,831	48,502
	(47,493)	(48,123)
Net change in cash	(31)	-
Cash, beginning of period	63	60
CASH, END OF PERIOD	**32**	**60**

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, 2022

Unaudited (Expressed 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 oil and 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, cumulative redeemable preferred shares, Series A (the "**Series A Preferred Shares**") and cumulative redeemable preferred shares, Series C (the "**Series C Preferred Shares**") are listed for trading on the Toronto Stock Exchange (the "**TSX**") 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 11, 2022.

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, 2022, including the 2021 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, 2021. 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 statements and the notes thereto for the year ended December 31, 2021.

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.

Current Environment and Estimation Uncertainty

During 2022, the global economy showed strong signs of recovery from the impacts of the novel coronavirus COVID-19 ("**COVID-19**") pandemic. Benchmark oil and natural gas prices have increased significantly due to the easing of COVID-19 restrictions, the recent conflict between Russia and Ukraine raising global concern over oil and natural gas supply and other negative economic factors including supply constraints and labour shortages which have increased inflationary pressures on governments, businesses and communities.

The COVID-19 pandemic, recent global conflict and other negative economic factors remain evolving situations that have had, and may continue to have, a significant impact 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 these global events, or the extent to which the disruption will impact the Corporation long-term.

Climate Change and Environmental Reporting Regulations

Regulations relating to climate and climate-related matters continue to evolve and may have additional disclosure requirements in the future. Refer to note 2 of the annual audited financial statements for the year ended December 31, 2021 for Birchcliff's current climate change and environmental reporting regulation disclosure.

3. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

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

($000s)	Exploration & Evaluation Assets	Developed & Producing Assets	Lease Assets	Corporate Assets	Total
Cost:					
As at December 31, 2020	354	4,147,726	19,931	21,930	4,189,941
Additions	35	228,913	147	1,718	230,813
Acquisitions	-	866	-	-	866
As at December 31, 2021	389	4,377,505	20,078	23,648	4,421,620
Additions	-	65,930	-	157	66,087
Dispositions	-	(315)	-	-	(315)
As at March 31, 2022[1]	389	4,443,120	20,078	23,805	4,487,392
Accumulated depletion and depreciation:					
As at December 31, 2020	-	(1,335,122)	(3,946)	(17,563)	(1,356,631)
Depletion and depreciation expense[2]	-	(208,821)	(2,035)	(1,901)	(212,757)
As at December 31, 2021	-	(1,543,943)	(5,981)	(19,464)	(1,569,388)
Depletion and depreciation expense[2]	-	(50,157)	(509)	(436)	(51,102)
As at March 31, 2022	-	(1,594,100)	(6,490)	(19,900)	(1,620,490)
Net book value:					
As at December 31, 2021	**389**	**2,833,562**	**14,097**	**4,184**	**2,852,232**
As at March 31, 2022	**389**	**2,849,020**	**13,588**	**3,905**	**2,866,902**

(1) The Corporation's P&NG properties and equipment were pledged as security for its revolving term 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) Future development costs required to develop and produce proved and probable oil and gas reserves totalled $4.3 billion at March 31, 2022 (December 31, 2021 – $4.3 billion) and are included in the depletion expense calculation.

Impairment Assessment

In accordance with IFRS, an impairment test is performed if Birchcliff identifies indicators of impairment at the end of a reporting period. At March 31, 2022 and December 31, 2021, Birchcliff determined there were no impairment indicators present and therefore an impairment test was not required.

4. REVOLVING TERM CREDIT FACILITIES

The components of the Corporation's credit facilities include:

As at *($000s)*	**March 31, 2022**	**December 31, 2021**
Syndicated credit facility	392,374	477,958
Working capital facility	8,858	26,630
Drawn revolving term credit facilities	401,232	504,588
Unamortized deferred financing fees	(3,480)	(3,718)
Revolving term credit facilities	**397,752**	**500,870**

At March 31, 2022, the aggregate principal amount of the Corporation's credit facilities was $850.0 million with maturity dates of May 11, 2024 which were comprised of: (i) an extendible revolving syndicated term credit facility (the "**Syndicated Credit Facility**") of $750.0 million; and (ii) an extendible revolving working capital facility (the "**Working Capital Facility**") of $100.0 million (collectively, the "**Credit Facilities**.").

Effective May 3, 2022, the agreement governing the Credit Facilities was amended to extend the maturity dates of each of the Syndicated Credit Facility and the Working Capital Facility from May 11, 2024 to May 11, 2025. The maturity date of the Credit Facilities may, at the request of the Corporation and with consent of the lenders, be extended on an annual basis, for an additional period of up to three years from May 11 of the year in which the extension request is made. The Credit Facilities do not contain any financial maintenance covenants.

The amended agreement governing the Credit Facilities allows for prime rate loans, SOFR term loans, U.S. base rate loans, bankers' acceptances and, in the case of the Working Capital Facility only, letters of credit, plus applicable margins. Effective May 3, 2022, LIBOR loans are no longer available under the amended agreement and shall be replaced by SOFR term loans. At March 31, 2022, 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) deferred income taxes, other compensation, gains and losses on sale of assets, unrealized gains and losses on financial instruments, gains and losses on investments, depletion, depreciation and amortization and impairment charges.

5. DECOMMISSIONING OBLIGATIONS

The Corporation estimates the total undiscounted (inflated) amount of cash flow required to settle its decommissioning obligations is approximately $246.3 million at March 31, 2022 (December 31, 2021 – $245.0 million). A reconciliation of the decommissioning obligations is set forth below:

As at *($000s)*	**March 31, 2022**	**December 31, 2021**
Balance, beginning	140,603	146,232
Obligations incurred	1,152	4,907
Obligations acquired	-	582
Obligations divested	-	(620)
Changes in estimated future cash flows(1)	(24,879)	(9,611)
Accretion	657	2,608
Decommissioning expenditures(2)	(983)	(3,495)
Balance, ending(3)	**116,550**	**140,603**

(1) 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.

(2) Includes $0.3 million of funding from the Alberta Site Rehabilitation Program in 2021 and 2022.

(3) Birchcliff applied a nominal risk-free rate of 2.37% and an inflation rate of 1.83% to calculate the present value of the decommissioning obligation at March 31, 2022 and a nominal risk-free rate of 1.68% and an inflation rate of 1.82% at December 31, 2021.

6. 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 and outstanding:

As at, *(000s)*	March 31, 2022	December 31, 2021
Common shares:		
Outstanding at beginning of period	264,790	265,943
Repurchase of common shares[(1)]	(1,303)	(5,243)
Exercise of stock options	3,323	4,090
Outstanding at end of period	**266,810**	**264,790**
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 17, 2021, 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 13,267,554 of its outstanding common shares over the period from November 25, 2021 to November 24, 2022. Under the NCIB, common shares may be purchased in open market transactions on the TSX and/or alternative Canadian trading systems at the prevailing market price at the time of such transaction. Pursuant to the rules of the TSX, the total number of common shares that Birchcliff is permitted to purchase is subject to a daily purchase limit of 382,548 common shares. However, Birchcliff may make one block purchase per calendar week which exceeds the daily purchase restriction. All common shares under the NCIB will be cancelled. During the Reporting Period, the Corporation purchased 1,303,196 common shares under the NCIB at an average price of $6.66 for an aggregate value of $8.7 million, before fees. All such common shares were cancelled.

Capital Securities

The following table sets forth the number and amount of capital securities outstanding:

As at, *(000s)*	March 31, 2022		December 31, 2021	
	Number	Amount *($)*	Number	Amount *($)*
Outstanding at beginning of period	1,531	38,268	1,597	39,930
Cash redemption of Series C Preferred Shares[(1)]	(2)	(52)	(66)	(1,662)
Outstanding at end of period[(2)]	**1,529**	**38,216**	**1,531**	**38,268**

(1) Subject to the provisions of the Series C Preferred Shares (the "**Provisions**"), a holder of Series C Preferred Shares may, at its option, upon giving notice in accordance with the Provisions (the "**Notice of Redemption**"), redeem for cash, all or any number of Series C Preferred Shares held by such holder on the last day of a 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 (subject, if required, to stock exchange approval), upon not less than 20 days' prior written notice, elect to convert all such Series C Preferred Shares into common shares. The number of common shares into which each Series C Preferred Share may be so converted will be determined by dividing the amount of $25.00, together with all accrued and unpaid dividends to but excluding the date fixed for conversion, by the greater of $2.00 and 95% of the "Current Market Price" (as determined in accordance with the Provisions) of the common shares.

In addition to the redemption rights of the holders of the Series C Preferred Shares and subject to the Series C Provisions, the Corporation may, upon giving notice as provided in the Provisions, redeem at any time all or any number of the outstanding Series C Preferred Shares on the payments of the redemption price of $25.00 per share, together with an amount equal to all accrued and unpaid dividends thereon to but excluding the date fixed for redemption.

(2) Each outstanding Series C Preferred Share is recorded at its redemption value of $25.00 per share.

Dividends

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

Three Months Ended,	March 31, 2022	March 31, 2021
Common Shares:		
Dividend distribution *($000s)*	2,658	1,330
Per common share *($)*	0.0100	0.0050
Series A Preferred Shares:		
Series A dividend distribution *($000s)*	1,047	1,047
Per Series A Preferred Share *($)*	0.5234	0.5234
Series C Preferred Shares:		
Series C dividend distribution *($000s)*	670	699
Per Series C Preferred Share *($)*	0.4375	0.4375

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

7. EARNINGS PER SHARE

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

Three Months Ended, *($000s, except for per share information)*	**March 31, 2022**	**March 31, 2021**
Net income	126,839	23,213
Dividends on Series A Preferred Shares	(1,047)	(1,047)
Net income to common shareholders	125,792	22,166
Weighted average common shares (000s):		
Weighted average basic common shares outstanding	265,530	265,989
Dilutive securities	10,450	381
Weighted average diluted common shares outstanding(1)	275,980	266,370
Net income per common share:		
Basic	**$0.47**	**$0.08**
Diluted	**$0.46**	**$0.08**

(1) The weighted average diluted common shares outstanding excludes 5,505,300 common shares that were anti-dilutive for three months ended March 31, 2022 (March 31, 2021 – 13,461,603).

8. REVENUE

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

Three Months Ended, *($000s)*	**March 31, 2022**	**March 31, 2021**
Light oil sales	24,624	20,238
Condensate(1)	52,466	36,516
NGLs sales(2)	31,265	19,407
Natural gas sales	177,610	109,441
P&NG sales(3)(4)	285,965	185,602
Royalty income	11	7
P&NG revenue	285,976	185,609
Marketing revenue(5)	4,234	2,458
Revenue from contracts with customers	**290,210**	**188,067**

(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 year.

(4) Included in accounts receivable at March 31, 2022 was $112.6 million (March 31, 2021 - $64.9 million) in P&NG sales to be received from its marketers in respect of March 2022 production, which was subsequently received in April 2022.

(5) Marketing revenue primarily 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, 2022, the Corporation had marketing purchases from third parties of $3.6 million (March 31, 2021 - $2.0 million).

9. OTHER LIABILITIES

Post-Employment Benefit Obligation

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, 2022 (December 31, 2021 – $14.8 million).

A reconciliation of the discounted post-employment benefit obligation is set forth below:

As at, ***($000s)***	**March 31, 2022**	**December 31, 2021**
Balance, beginning	9,895	9,177
Obligations incurred(1)	141	554
Accretion	44	164
Balance, ending(2)	**10,080**	**9,895**
Current portion	-	-
Long-term portion	10,080	9,895

(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, 2022 and December 31, 2021.

Lease Obligation

The Corporation's total undiscounted (inflated) amount of cash flow required to settle its lease obligations is approximately $17.1 million at March 31, 2022 (December 31, 2021 – $17.7 million) and is expected to be settled by 2029. A reconciliation of the discounted lease obligation is set forth below:

As at, ***($000s)***	**March 31, 2022**	**December 31, 2021**
Balance, beginning	15,434	17,030
Lease payments	(614)	(2,444)
Change in estimate	-	147
Accretion	162	701
Balance, ending(1)	**14,982**	**15,434**
Current portion	1,862	1,841
Long-term portion	13,120	13,593

(1) Birchcliff applied a discount rate of 4.7% to calculate the discounted value of the lease obligation at March 31, 2022 and December 31, 2021.

10. SHARE-BASED PAYMENT

Stock Option

At March 31, 2022, the Corporation's stock option plan (the "**Option Plan**") permitted the grant of options in respect of a maximum of 26,681,049 (March 31, 2021 – 26,604,506) common shares. At March 31, 2022, there remained available for issuance options in respect of 8,602,507 (March 31, 2021 – 2,832,769) common shares. For the stock options exercised during 2022, the weighted average common share trading price on the TSX was $6.80 (March 31, 2021 – $2.70) per common share.

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

	Three months ended March 31, 2022	
	Number	**Price** ***($)***(1)
Outstanding, beginning	23,116,919	3.96
Granted(2)	63,000	6.76
Exercised	(3,323,277)	(3.13)
Forfeited	(135,000)	(4.48)
Expired	(1,643,100)	(7.84)
Outstanding, ending	**18,078,542**	**3.76**

(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, 2022 was $3.20 (March 31, 2021 – $0.92). In determining the stock-based compensation expense for options issued during the three months ended March 31, 2022, the Corporation applied a weighted average estimated forfeiture rate of 7.8% (March 31, 2021 – 9.5%).

The weighted average assumptions used in calculating the Black-Scholes fair values are set forth below:

Three months ended,	March 31, 2022	March 31, 2021
Risk-free interest rate	1.6%	1.4%
Expected life *(years)*	4.1	4.1
Expected volatility	61.7%	53.9%
Dividend yield	0.3%	2.9%

A summary of the stock options outstanding and exercisable under the Option Plan at March 31, 2022 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 *($)*
0.78	3.00	8,243,124	3.24	2.03	3,409,593	3.06	2.12
3.01	6.00	4,330,118	1.68	3.51	4,111,450	1.56	3.47
6.01	9.03	5,505,300	4.64	6.55	77,500	0.15	7.10
		18,078,542	**3.29**	**3.76**	**7,598,543**	**2.22**	**2.90**

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 to purchase an equivalent number of common shares and exercisable at March 31, 2022 (December 31, 2021 – 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.

11. 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, 2022.

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

As at, *($000s)*	March 31, 2022	December 31, 2021
Maximum borrowing base limit[(1)]:		
Revolving term credit facilities	850,000	850,000
Principal amount utilized:		
Drawn revolving term credit facilities	(401,232)	(504,588)
Outstanding letters of credit[(2)]	(185)	(4,185)
	(401,417)	(508,773)
Unused credit	**448,583**	**341,227**

(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 oil and gas reserves.

In connection with the most recent semi-annual review of the borrowing base limit under the Credit Facilities, which was completed by the Corporation's syndicate of lenders in May 2022, the borrowing base limit was confirmed at $850.0 million and the maturity date was extended to May 11, 2025.

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

The capital structure of the Corporation is as follows:

As at, *($000s)*	**March 31, 2022**	**December 31, 2021**	**% Change**
Shareholders' equity[1]	2,045,157	1,917,603	
Capital securities	38,216	38,268	
Shareholders' equity & capital securities	**2,083,373**	**1,955,871**	**7%**
Shareholders' equity & capital securities as a % of total capital[2]	84%	80%	
Revolving term credit facilities	397,752	500,870	
Working capital deficit	46,213	53,312	
Fair value of financial instruments	3,249	(16,517)	
Capital securities	(38,216)	(38,268)	
Adjusted working capital deficit (surplus)[3]	11,246	(1,473)	
Total debt	**408,998**	**499,397**	**(18)%**
Total debt as a % of total capital	16%	20%	
Total capital	**2,492,371**	**2,455,268**	**2%**

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

(2) Of the 84%, approximately 96% relates to common capital stock and 4% relates to preferred capital stock.

(3) Includes items related to the day-to-day operations of Birchcliff and excludes any non-operational items such as financial instruments and capital securities.

12. 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 and losses on financial instruments:

Three months ended, *($000s)*	**March 31, 2022**	**March 31, 2021**
Realized loss on derivatives	(199)	(15,498)
Unrealized gain (loss) on derivatives	34,675	(7,619)

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 demand in Canada and the United States, but also by world events that dictate the levels of supply and demand globally.

Financial Derivative Contracts

At March 31, 2022, 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, 2022, 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	Liability *($000s)*
Natural gas	AECO 7A basis swap[2]	30,000 MMBtu/d	Apr. 1, 2022 – Dec. 31, 2023	NYMEX HH less US$1.298/MMBtu	3,483
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Apr. 1, 2022 – Dec. 31, 2023	NYMEX HH less US$1.320/MMBtu	1,349
Natural gas	AECO 7A basis swap[2]	30,000 MMBtu/d	Apr. 1, 2022 – Dec. 31, 2023	NYMEX HH less US$1.330/MMBtu	4,162
Natural gas	AECO 7A basis swap[2]	15,000 MMBtu/d	Apr. 1, 2022 – Dec. 31, 2024	NYMEX HH less US$1.185/MMBtu	2,727
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Apr. 1, 2022 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu	1,022
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Apr. 1, 2022 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu	1,011
Natural gas	AECO 7A basis swap[2]	12,500 MMBtu/d	Apr. 1, 2022 – Dec. 31, 2025	NYMEX HH less US$1.108/MMBtu	3,399
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Apr. 1, 2022 – Dec. 31, 2025	NYMEX HH less US$1.115/MMBtu	2,640
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Apr. 1, 2022 – Dec. 31, 2025	NYMEX HH less US$1.050/MMBtu	1,813
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Apr. 1, 2022 – Dec. 31, 2025	NYMEX HH less US$1.178/MMBtu	1,916
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Apr. 1, 2022 – Dec. 31, 2025	NYMEX HH less US$1.175/MMBtu	3,820
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Apr. 1, 2022 – Dec. 31, 2025	NYMEX HH less US$1.190/MMBtu	1,938
Natural gas	AECO 7A basis swap[2]	30,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.114/MMBtu	8,824
Natural gas	AECO 7A basis swap[2]	35,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.081/MMBtu	9,876
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.013/MMBtu	970
Natural gas	AECO 7A basis swap[2]	20,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.005/MMBtu	2,385
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$0.990/MMBtu	650
				Fair value	**51,985**

(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, 2022 if the future AECO/NYMEX basis changed by US$0.10/MMBtu, with all other variables held constant, after-tax net income in three months ended March 31, 2022 would have changed by approximately $17.7 million.

The following financial derivative contract was entered into subsequent to March 31, 2022:

Product	Type of Contract	Quantity	Term	Contract Price
Natural gas	AECO 7A basis swap[1]	5,000 MMBtu/d	Jan. 1, 2027 – Dec. 31, 2027	NYMEX HH less US$0.62/MMBtu

(1) Birchcliff sold AECO basis swap.

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, 2022 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, 2022 – Dec. 31, 2023	NYMEX HH less US$1.205/MMBtu

(1) Birchcliff sold AECO basis swap.

There were no physical delivery contracts entered into subsequent to March 31, 2022.

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 directly exposed to interest rate risk.

At March 31, 2022, 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 Asset *($000s)*
Interest rate swap	One-month banker's acceptance – CDOR(2)	Apr. 1, 2022 – Mar. 1, 2024	350	2.215	**2,865**

(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, 2022 if the one-month banker's acceptance CDOR index changed by 0.10%, with all other variables held constant, after-tax net income in the three months ended March 31, 2022 would have changed by approximately $0.2 million.

There were no financial derivative contracts entered into subsequent to March 31, 2022 to manage interest rate risk.

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, 2022.

13. INVESTMENTS

On August 31, 2017, Birchcliff acquired securities consisting of 4,500,000 common A units in a limited partnership and 10,000,000 preferred units in a trust (collectively, the "**Securities**") at a combined value of $10.0 million. The Securities are not publicly listed and do not constitute a significant investment.

As at March 31, 2022, the Corporation determined the Securities had a fair value of $10.0 million (December 31, 2021 - $8.2 million). Birchcliff recorded a gain on investment of $1.8 million during the three months ended March 31, 2022 compared to a gain on investment of $3.3 million during the three months ended March 31, 2021.

CORPORATE INFORMATION

EXECUTIVE OFFICERS

Jeff Tonken
Chief Executive Officer

Christopher Carlsen
President and Chief Operating Officer

Bruno Geremia
Executive Vice President and
Chief Financial Officer

Myles Bosman
Executive Vice President, Exploration

David Humphreys
Executive Vice President, Operations

Theo van der Werken
Vice President, Engineering

Robyn Bourgeois
Vice President, Legal, General Counsel and Corporate Secretary

Hue Tran
Vice President, Business Development and Marketing

DIRECTORS

Jeff Tonken
Chief Executive Officer and
Chairman of the Board
Calgary, Alberta

Dennis Dawson
Independent Lead Director
Calgary, Alberta

Debra Gerlach
Independent Director
Calgary, Alberta

Stacey McDonald
Independent Director
Calgary, Alberta

James Surbey
Non-Independent Director
Calgary, Alberta

MANAGEMENT

Gates Aurigemma
Manager, General Accounting

Jesse Doenz
Controller and Investor Relations Manager

Andrew Fulford
Surface Land Manager

Paul Messer
Manager of Information Technology

Tyler Murray
Mineral Land Manager

Landon Poffenroth
Montney Asset Manager

Michelle Rodgerson
Manager, Human Resources and
Corporate Services

Jeff Rogers
Facilities Manager

Randy Rousson
Drilling and Completions Manager

Victor Sandhawalia
Manager of Finance

Daniel Sharp
Manager of Geology

Ryan Sloan
Health and Safety Manager

Duane Thompson
Production Manager

BANKERS

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

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