BIRCHCLIFF ENERGY

QUARTERLY REPORT | Q3 2022

BIRCHCLIFF ENERGY LTD. ANNOUNCES EXCELLENT Q3 2022 RESULTS, INCLUDING RECORD Q3 ADJUSTED FUNDS FLOW AND FREE FUNDS FLOW

Calgary, Alberta (November 9, 2022) – Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") (TSX: BIR) is pleased to announce its Q3 2022 financial and operational results.

"Birchcliff continued to deliver exceptional results in the third quarter, highlighted by quarterly average production of 78,079 boe/d, which resulted in record Q3 adjusted funds flow[(1)] of $267.4 million ($1.01 per basic common share[(2)]), record Q3 free funds flow[(1)] of $182.0 million ($0.69 per basic common share[(2)]) and record quarterly net income to common shareholders of $244.6 million ($0.92 per basic common share)," commented Jeff Tonken, Chief Executive Officer of Birchcliff.

Mr. Tonken continued: "As previously announced on October 13, 2022, Birchcliff paid a special cash dividend of $0.20 per share to our common shareholders on October 28, 2022. Additionally, we have commenced the execution of our 2023 capital program, which we expect will result in annual average production of 81,000 to 83,000 boe/d in 2023, a 5% increase over 2022[(3)]. After the payment of Birchcliff's targeted 2023 annual common share dividend of $0.80 per share ($0.20 per share quarterly), we are forecasting that we will have a cash surplus[(4)] of approximately $295 million to $325 million at December 31, 2023[(5)]. We are maintaining our 2022 guidance and preliminary 2023 guidance that we provided on October 13, 2022 and we expect to announce the details of our 2023 capital program and updated five year plan for 2023 to 2027 on January 18, 2023."

Q3 2022 HIGHLIGHTS

- Achieved quarterly average production of 78,079 boe/d, an 8% decrease from Q3 2021. Liquids accounted for 19% of Birchcliff's total production in Q3 2022, consistent with Q3 2021.
- Generated record Q3 adjusted funds flow of $267.4 million, or $1.01 per basic common share, a 59% and 60% increase, respectively, from Q3 2021. Quarterly cash flow from operating activities was $273.0 million, a 75% increase from Q3 2021.
- Delivered record Q3 free funds flow of $182.0 million, or $0.69 per basic common share, a 21% and 23% increase, respectively, from Q3 2021.
- Earned record quarterly net income to common shareholders of $244.6 million, or $0.92 per basic common share, each a 77% increase from Q3 2021.
- F&D capital expenditures were $85.3 million in Q3 2022, which included drilling 8 (8.0 net) wells and bringing 19 (19.0 net) wells on production.
- Achieved an operating netback[(2)] of $32.31/boe, a 37% increase from Q3 2021.
- Achieved adjusted funds flow per boe[(2)] of $37.22, a 73% increase from Q3 2021.
- Realized an operating expense[(6)] of $3.50/boe, an 18% increase from Q3 2021.

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

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

(3) Based on an annual average production rate of 78,000 boe/d in 2022 and 82,000 boe/d in 2023, which is the mid-point of Birchcliff's preliminary annual average production guidance range for 2023.

(4) Equivalent to "total surplus", which is a capital management measure. See "*Non-GAAP and Other Financial Measures*".

(5) See *"Outlook and Guidance – Preliminary 2023 Guidance"* and *"Advisories – Forward-Looking Statements"* for further information regarding Birchcliff's preliminary 2023 guidance and its commodity price and exchange rate assumptions.

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

- Redeemed all of its issued and outstanding cumulative redeemable preferred shares, Series A and Series C on September 30, 2022 for an aggregate redemption price of $88.2 million.
- Significantly reduced total debt[7] at September 30, 2022 to $186.1 million, a reduction of $451.8 million (71%) from September 30, 2021 and $80.8 million (30%) from June 30, 2022. The Corporation retired approximately $169.0 million of total debt and preferred shares in Q3 2022.
- In Q3 2022, Birchcliff returned $10.3 million to common shareholders through dividends and purchases under its normal course issuer bid (the "**NCIB**"), including the purchase of 525,400 common shares under the NCIB at an average price of $9.44 per share (before fees). In the first nine months of 2022, Birchcliff returned $67.7 million to common shareholders through dividends and the purchase of 6,040,192 common shares under the NCIB at an average price of $9.00 per share (before fees).

Birchcliff's unaudited interim condensed financial statements for the three and nine months ended September 30, 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.

*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".*

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

Q3 2022 FINANCIAL AND OPERATIONAL SUMMARY

	Three months ended September 30,		Nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
OPERATING				
Average production				
Light oil *(bbls/d)*	2,254	2,878	2,159	2,998
Condensate *(bbls/d)*	4,601	5,990	4,631	5,844
NGLs *(bbls/d)*	7,593	6,889	7,305	7,750
Natural gas *(Mcf/d)*	381,788	415,005	371,174	371,175
Total *(boe/d)*	**78,079**	**84,924**	**75,957**	**78,454**
Average realized sales price *(CDN$)*(1)(2)				
Light oil *(per bbl)*	115.94	83.52	121.49	75.28
Condensate *(per bbl)*	115.84	88.04	125.06	81.65
NGLs *(per bbl)*	38.18	35.13	43.04	28.01
Natural gas *(per Mcf)*	6.83	4.46	6.95	3.86
Total *(per boe)*	**47.26**	**33.70**	**49.18**	**30.00**
NETBACK AND COST *($/boe)*(2)				
Petroleum and natural gas revenue(1)	47.26	33.71	49.18	30.00
Royalty expense	(6.04)	(2.50)	(6.05)	(2.23)
Operating expense	(3.50)	(2.96)	(3.46)	(3.09)
Transportation and other expense(3)	(5.41)	(4.73)	(5.58)	(5.22)
Operating netback(3)	**32.31**	**23.52**	**34.09**	**19.46**
G&A expense, net	(0.98)	(0.70)	(1.08)	(0.83)
Interest expense	(0.44)	(0.92)	(0.48)	(1.10)
Realized gain (loss) on financial instruments	6.33	(0.32)	2.99	(1.46)
Other cash income (expense)	-	(0.07)	-	0.09
Adjusted funds flow(3)	**37.22**	**21.51**	**35.52**	**16.16**
Depletion and depreciation expense	(7.48)	(7.31)	(7.49)	(7.42)
Unrealized gain on financial instruments	15.30	9.02	9.26	3.93
Other (expense) income(4)	(0.39)	0.05	(0.28)	0.03
Dividends on preferred shares	(0.24)	(0.22)	(0.25)	(0.25)
Deferred income tax expense	(10.36)	(5.34)	(8.59)	(2.91)
Net income to common shareholders	**34.05**	**17.71**	**28.17**	**9.54**
FINANCIAL				
Petroleum and natural gas revenue *($000s)*(1)	339,531	263,348	1,019,822	642,600
Cash flow from operating activities *($000s)*	272,965	155,606	700,828	319,227
Adjusted funds flow *($000s)*(5)	267,350	168,076	736,584	346,084
Per basic common share *($)*(3)	1.01	0.63	2.78	1.30
Free funds flow *($000s)*(5)	182,020	150,050	478,725	151,331
Per basic common share *($)*(3)	0.69	0.56	1.80	0.57
Net income to common shareholders *($000s)*	244,582	138,367	584,229	204,387
Per basic common share *($)*	0.92	0.52	2.20	0.77
End of period basic common shares *(000s)*	265,877	265,573	265,877	265,573
Weighted average basic common shares *(000s)*	265,298	266,547	265,422	266,258
Dividends on common shares *($000s)*	5,317	1,330	13,285	3,993
Dividends on preferred shares *($000s)*	1,730	1,717	5,162	5,188
F&D capital expenditures *($000s)*(6)	85,330	18,026	257,859	194,753
Total capital expenditures *($000s)*(5)	86,485	18,622	260,759	196,407
Long-term debt *($000s)*	196,989	648,327	196,989	648,327
Total debt *($000s)*(7)	186,064	637,905	186,064	637,905

(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.

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

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

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

Q3 2022 FINANCIAL AND OPERATIONAL RESULTS

Production

Birchcliff's production averaged 78,079 boe/d in Q3 2022, an 8% decrease from 84,924 boe/d in Q3 2021. The decrease was primarily due to the timing of new wells brought on production in Q3 2022 as compared to Q3 2021, which resulted from scheduling differences in Birchcliff's drilling and completions program year-over-year. During Q3 2022, the Corporation brought a total 19 wells on production, which included the 10-well 04-04 pad brought onstream in August 2022 and the 9-well 06-35 pad brought onstream in late September 2022, as compared to 22 wells in Q3 2021, the majority of which were brought on production earlier in that quarter. Production was positively impacted by incremental production volumes from new Montney/Doig wells brought on production since September 30, 2021, partially offset by natural production declines.

Liquids accounted for 19% of Birchcliff's total production in Q3 2022, consistent with Q3 2021, with a liquids-to-gas ratio in Q3 2022 of 37.8 bbls/MMcf (47% high-value light oil and condensate).

Adjusted Funds Flow and Cash Flow From Operating Activities

Birchcliff achieved record Q3 adjusted funds flow of $267.4 million, or $1.01 per basic common share, in Q3 2022, a 59% and 60% increase, respectively, from $168.1 million and $0.63 per basic common share in Q3 2021. Birchcliff's cash flow from operating activities was $273.0 million in Q3 2022, a 75% increase from $155.6 million in Q3 2021. The increases were primarily due to higher petroleum and natural gas revenue and a realized gain on financial instruments of $45.5 million in Q3 2022 as compared to a realized loss on financial instruments of $2.5 million in Q3 2021, partially offset by a higher royalty expense in Q3 2022. The increases in petroleum and natural gas revenue and royalty expense were largely the result of a 40% increase in the average realized sales price received for Birchcliff's production in Q3 2022 as compared to Q3 2021. The Corporation's average realized sales price in Q3 2022 benefited from significant increases in benchmark oil and natural gas prices as compared to Q3 2021. See *"Q3 2022 Financial and Operational Results – Commodity Prices".*

Free Funds Flow

Birchcliff delivered record Q3 free funds flow of $182.0 million, or $0.69 per basic common share, in Q3 2022, a 21% and 23% increase, respectively, from $150.1 million and $0.56 per basic common share in Q3 2021. The increases were primarily due to higher adjusted funds flow, partially offset by higher F&D capital expenditures in Q3 2022 as compared to Q3 2021.

Net Income to Common Shareholders

Birchcliff earned record quarterly net income to common shareholders of $244.6 million, or $0.92 per basic common share, in Q3 2022, each a 77% increase from $138.4 million and $0.52 per basic common share in Q3 2021. The increases were primarily due to higher adjusted funds flow and a higher unrealized mark-to-market gain on financial instruments. Birchcliff recorded an unrealized mark-to-market gain on financial instruments of $109.9 million in Q3 2022 as compared to a $70.5 million in Q3 2021. Net income to common shareholders was negatively impacted by an increase in deferred income tax expense of $32.6 million in Q3 2022.

Operating Netback and Selected Cash Costs

In Q3 2022, Birchcliff's operating netback was $32.31/boe, a 37% increase from $23.52/boe in Q3 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 largely impacted by a 40% increase in the average realized sales price received for Birchcliff's production in Q3 2022.

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

	Three months ended September 30,		
($/boe)	**2022**	**2021**	**% Change**
Royalty expense[1]	6.04	2.50	142%
Operating expense[1]	3.50	2.96	18%
Transportation and other expense[2]	5.41	4.73	14%
G&A expense, net[1]	0.98	0.70	40%
Interest expense[1]	0.44	0.92	(52%)

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

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

Royalty expense per boe increased by 142% from Q3 2021, primarily due to the increase in the average realized sales price received for Birchcliff's liquids and natural gas production in Q3 2022.

Operating expense per boe increased by 18% from Q3 2021, primarily due to inflationary pressures on power and other fuel supply costs, which together increased by 71% on a per boe basis. Operating expense per boe was also negatively impacted by higher municipal property taxes and regulatory fees.

Transportation and other expense per boe increased by 14% from Q3 2021, primarily due to higher liquids transportation costs as a result of inflationary pressures that increased liquids-handling costs in Q3 2022 and higher fractionation processing fees and take-or-pay commitments.

Net G&A expense per boe increased by 40% from Q3 2021, primarily due to higher employee-related expenses, higher corporate costs due to the easing of Birchcliff's COVID-19 restrictions and higher general business expenditures due to inflationary pressures.

Interest expense per boe decreased by 52% from Q3 2021, primarily due to a lower average outstanding balance under the Corporation's extendible revolving credit facilities (the "**Credit Facilities**") in Q3 2022.

Debt and Credit Facilities

Total debt at September 30, 2022 was $186.1 million, a decrease of 71% from $637.9 million at September 30, 2021. At September 30, 2022, Birchcliff had long-term debt under the Credit Facilities of $197.0 million (September 30, 2021: $648.3 million) from available Credit Facilities of $850.0 million (September 30, 2021: $850.0 million), leaving the Corporation with $648.9 million of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized deferred financing fees. This unutilized credit capacity provides Birchcliff with significant financial flexibility and additional capital resources to fund its working capital requirements, capital expenditure programs and dividend payments if required in the future. The Credit Facilities do not contain any financial maintenance covenants and do not mature until May 11, 2025.

Commodity Prices

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

	Three months ended September 30,		
	2022	**2021**	**% Change**
Light oil – WTI Cushing *(US$/bbl)*	91.55	71.06	29%
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	116.82	83.32	40%
Natural gas – NYMEX HH *(US$/MMBtu)*[1]	8.20	4.01	104%
Natural gas – AECO 5A Daily *(CDN$/GJ)*	3.95	3.41	16%
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*[1]	4.46	2.83	58%
Natural gas – Dawn Day Ahead *(US$/MMBtu)*[1]	7.37	4.07	81%
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	3.96	4.01	(1%)
Exchange rate *(CDN$ to US$1)*	1.3054	1.2504	4%
Exchange rate *(US$ to CDN$1)*	0.7660	0.7997	(4%)

(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 Q3 2022, after taking into account the Corporation's financial instruments:

Three months ended September 30, 2022						
	Effective sales *(CDN$000s)*	**Percentage of total sales** *(%)*	**Effective production** *(per day)*	**Percentage of total natural gas production** *(%)*	**Percentage of total corporate production** *(%)*	**Effective average realized sales price** *(CDN$)*
Market						
AECO(1)(2)(3)	33,527	8%	82,571 Mcf	22%	18%	4.41/Mcf
Dawn(4)	148,258	36%	160,526 Mcf	42%	34%	10.04/Mcf
NYMEX HH(1)(2)(5)	125,342	31%	138,691 Mcf	36%	29%	9.82/Mcf
Total natural gas(1)	**307,127**	**75%**	**381,788 Mcf**	**100%**	**81%**	**8.74/Mcf**
Light oil	24,037	6%	2,254 bbl		3%	115.94/bbl
Condensate	49,031	12%	4,601 bbl		6%	115.84/bbl
NGLs	26,673	7%	7,593 bbl		10%	38.18/bbl
Total liquids	**99,741**	**25%**	**14,448 bbls**		**19%**	**75.04/bbl**
Total corporate(1)	**406,868**	**100%**	**78,079 boe**		**100%**	**56.64/boe**

(1) Effective sales and effective average realized sales price are non-GAAP financial measures and non-GAAP ratios, respectively, as identified in the above table. 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 HH/AECO 7A basis swap contracts have been included as effective sales and production in the NYMEX HH market. Birchcliff sold physical NYMEX HH/AECO 7A basis swap contracts for 5,000 MMBtu/d at an average contract price of NYMEX HH less US$1.205/MMBtu during Q3 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 Q3 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 include financial and physical NYMEX HH/AECO 7A basis swap contracts for 152,500 MMBtu/d at an average contract price of NYMEX HH less US$1.227/MMBtu during Q3 2022. Birchcliff's effective average realized sales price for NYMEX HH of CDN$9.82/Mcf (US$6.77/MMBtu) was determined on a gross basis before giving effect to the average NYMEX HH/AECO 7A fixed contract basis differential price of CDN$1.76/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$8.06/Mcf (US$5.54/MMBtu) in Q3 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 September 30, 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	83,550	35%	203,296	53%	4.50	0.39	4.11
Dawn	148,258	62%	160,526	42%	10.04	1.42	8.61
Alliance(5)	7,965	3%	17,966	5%	4.82	-	4.82
Total	**239,773**	**100%**	**381,788**	**100%**	**6.83**	**0.81**	**6.02**
Three months ended September 30, 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	65,886	39%	186,718	45%	3.87	0.43	3.44
Dawn	78,554	46%	158,631	38%	5.38	1.48	3.90
Alliance(5)	26,001	15%	69,656	17%	4.06	-	4.06
Total	**170,441**	**100%**	**415,005**	**100%**	**4.46**	**0.76**	**3.70**

(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

F&D capital expenditures were $85.3 million in Q3 2022, which included drilling 8 (8.0 net) wells and bringing 19 (19.0 net) wells on production. In addition, the Corporation participated in the drilling and completion of 2 (0.375 net) Charlie Lake horizontal oil wells in Pouce Coupe. See *"Operations Update"*.

OPERATIONS UPDATE

2022 Capital Program Update

Birchcliff has successfully drilled and brought on production all of the wells under its initial 2022 capital program. During Q3 2022, the Corporation brought 19 (19.0 net) wells on production, with strong natural gas and condensate rates and an average payout of less than a year, driven by efficient execution and robust commodity prices.

The following table sets forth the wells that were drilled and brought on production as part of the Corporation's 2022 capital program:

			Total # of wells drilled under initial 2022 capital program	Total # of wells brought on production under initial 2022 capital program
POUCE COUPE				
13-29 pad	Basal Doig/Upper Montney		0	2
	Montney D1		1	4
		Total	**1**	**6**[(1)]
01-08 pad	Basal Doig/Upper Montney		4	4
	Montney D1		5	5
	Montney C		1	1
		Total	**10**	**10**
04-04 pad	Basal Doig/Upper Montney		6	6
	Montney D1		3	3
	Montney C		1	1
		Total	**10**	**10**
GORDONDALE				
06-35 pad	Montney D2		5	5
	Montney D1		4	4
		Total	**9**	**9**
		TOTAL	**30**	**35**[(1)(2)]

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

(2) Does not include the 2 (0.375 net) Charlie Lake horizontal oil wells that the Corporation participated in during Q3 2022. See *"Q3 2022 Financial and Operational Results – Capital Activities and Investment"*.

Pouce Coupe Area

<u>6-well pad (13-29-77-12W6)</u>

Birchcliff's 13-29 pad was brought on production in Q1 2022. The initial 30 and 60 day production rates for the wells from this pad were disclosed in the Corporation's press release dated May 11, 2022. The performance of this pad continues to exceed the Corporation's expectations, with strong natural gas and condensate production rates.

<u>10-well pad (01-08-78-13W6)</u>

Birchcliff's 01-08 pad was drilled and brought on production in Q2 2022. The initial 30 and 60 day production rates for the wells from this pad were disclosed in the Corporation's press release dated August 10, 2022. The performance of this pad continues to be in-line with the Corporation's expectations, with strong natural gas and condensate production rates.

10-well pad (04-04-78-13W6)

During Q3 2022, the Corporation brought all 10 wells on its 04-04 pad on production through Birchcliff's owned and operated infrastructure. The wells from this pad have now been producing for over 60 days and have produced ahead of the Corporation's expectations, with strong natural gas and condensate production rates. The outperformance of this pad is significant as it demonstrates both the economical and technical success of a modified completions technique being used to target brownfield reservoir areas in the Upper and Lower Montney. 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 10 wells from the 04-04 pad:

	IP 30[(1)]	IP 60[(1)]
Aggregate production rate *(boe/d)*	**11,655**	**10,020**
Aggregate natural gas production rate *(Mcf/d)*	66,880	57,565
Aggregate condensate production rate *(bbls/d)*	509	425
Average per well production rate *(boe/d)*	**1,166**	**1,002**
Average per well natural gas production rate *(Mcf/d)*	6,688	5,757
Average per well condensate production rate *(bbls/d)*	51	43
Condensate-to-gas ratio *(bbls/MMcf)*	**8**	**7**

(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"*.

Gordondale Area

9-well pad (06-35-77-11W6)

Birchcliff's 06-35 pad was drilled in Q2 and Q3 2022 and brought on production in late September 2022. The wells from this pad have now been producing for over 30 days and have produced in-line with the Corporation's expectations. As these wells have not yet produced for over 60 days, Birchcliff anticipates providing further details regarding the results of these wells with the release of its Q4 2022 results.

2023 Capital Program Acceleration

As previously announced on October 13, 2022, Birchcliff's board of directors approved an additional $80 million of F&D capital expenditures to commence the execution of the Corporation's 2023 capital program. It is expected that the accelerated capital expenditures will result in Birchcliff drilling 14 (14.0 net) wells in 2022 of the 36 (36.0 net) total wells planned for the Corporation's 2023 capital program, and bringing 6 (6.0 net) of those wells on production in late December 2022. Accelerating Birchcliff's 2023 capital program will result in incremental production early in 2023, allowing the Corporation to take advantage of stronger expected natural gas prices that are typically seen in the winter months. It has also allowed Birchcliff to significantly decrease the risks related to the price and availability of drilling and other oilfield services during a period of very tight supply. In addition, the Corporation has secured multi-year contracts with its key service providers to ensure the efficient execution of its medium and long-term plans.

The following table summarizes the additional 14 wells expected to be drilled and 6 wells to be brought on production in 2022:

	2023 Capital Program Acceleration	
Area	**Wells to be drilled in 2022**	**Wells to be brought on production in 2022**
Pouce Coupe		
Montney D1 horizontal natural gas wells	7	3
Montney D2 horizontal natural gas wells	5	3
Montney C horizontal natural gas wells	2	0
TOTAL – POUCE COUPE	**14**	**6**

As of the date hereof, Birchcliff has completed the drilling of 6 (6.0 net) Montney/Doig horizontal wells in Pouce Coupe on its 6-well 03-06 pad. Completion operations are scheduled for this pad during November 2022 and all 6 wells are expected to be brought on production in late December 2022.

Birchcliff's two drilling rigs are currently drilling 6 (6.0 net) Montney/Doig horizontal wells in Pouce Coupe on its 6 well 14-06 pad, which are expected to be completed and brought on production in Q1 2023.

Birchcliff also plans to drill 1 (1.0 net) well and 3 (3.0 net) surface holes on each of the Corporation's two 4-well pads in Pouce Coupe (15-27 and 04-23) in 2022. These additional wells are expected to be completed and brought on production in the first half of 2023.

For additional details on Birchcliff's 2022 and 2023 capital programs, see *"Outlook and Guidance"*.

OUTLOOK AND GUIDANCE

Birchcliff is maintaining its guidance for 2022 and its preliminary guidance for 2023, both as previously disclosed on October 13, 2022.

2022 Guidance

Birchcliff is on track to achieve its 2022 annual average production guidance of 78,000 boe/d, which is expected to generate approximately $1.02 billion of adjusted funds flow and $655 million to $665 million of free funds flow, based on the assumptions set forth herein. The Corporation anticipates F&D capital expenditures to be between $355 million and $365 million, which includes $80 million being spent to prepare for the efficient execution of the Corporation's 2023 capital program. The following table sets forth Birchcliff's guidance and commodity price assumptions for 2022, as well as its free funds flow sensitivity:

2022 Guidance and Commodity Price Assumptions

	2022 guidance and assumptions(1)
Production	
Annual average production *(boe/d)*	78,000
% Light oil	3%
% Condensate	6%
% NGLs	10%
% Natural gas	81%
Q4 average production *(boe/d)*	81,000 – 83,000
Average Expenses *($/boe)*	
Royalty(2)	6.70 – 6.80
Operating(2)	3.40 – 3.50
Transportation and other(3)	5.40 – 5.50
Interest(2)	0.40 – 0.50
Adjusted Funds Flow *(millions)*(4)	$1,020
F&D Capital Expenditures *(millions)*(5)	$355 – $365
Free Funds Flow *(millions)*(4)	$655 – $665
Common Share Dividends *(millions)*(6)	$72
Excess Free Funds Flow *(millions)*(4)(6)	$585 – $595
Total Debt at Year End *(millions)*(7)	$60 – $70
Natural Gas Market Exposure	
AECO exposure as a % of total natural gas production	15%
Dawn exposure as a % of total natural gas production	42%
NYMEX HH exposure as a % of total natural gas production	38%
Alliance exposure as a % of total natural gas production	5%

	2022 guidance and assumptions[1]
Commodity Prices	
Average WTI price *(US$/bbl)*	95.00
Average WTI-MSW differential *(CDN$/bbl)*	2.50
Average AECO price *(CDN$/GJ)*	5.25
Average Dawn price *(US$/MMBtu)*	6.35
Average NYMEX HH price *(US$/MMBtu)*	6.85
Exchange rate *(CDN$ to US$1)*	1.30

Forward Three Months' Free Funds Flow Sensitivity[8]

Forward three months' sensitivity	Estimated change to 2022 free funds flow *(millions)*
Change in WTI US$1.00/bbl	$1.0
Change in NYMEX HH US$0.10/MMBtu	$1.3
Change in Dawn US$0.10/MMBtu	$1.8
Change in AECO CDN$0.10/GJ	$1.2
Change in CDN/US exchange rate CDN$0.01	$1.3

(1) For further information regarding the risks and assumptions relating to the Corporation's guidance, see *"Advisories – Forward-Looking Statements"*.

(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 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".*

(6) Assumes that a dividend of $0.02 per common share is paid for the quarter ending December 31, 2022 and that there are 266 million common shares outstanding. The declaration of dividends is subject to the approval of the board of directors and is subject to change. See *"Advisories – Forward-Looking Statements"*.

(7) Capital management measure. See *"Non-GAAP and Other Financial Measures"*. The estimate of total debt at December 31, 2022 is expected to be comprised of any amounts outstanding under the Credit Facilities and adjusted working capital, which is expected to be largely comprised of cash, accounts receivable and accounts payable and accrued liabilities at the end of the year.

(8) 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 $655 million to $665 million, holding all other variables constant. The sensitivity is based on the 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.

Preliminary 2023 Guidance

Birchcliff is currently targeting F&D capital expenditures of $240 million to $270 million in 2023, which will allow the Corporation to bring approximately 30 wells on production in 2023. With the addition of the 6 wells that will be brought on production in late December 2022, the Corporation expects to deliver annual average production of 81,000 to 83,000 boe/d in 2023, a 5% increase over 2022. Birchcliff is currently forecasting approximately $855 million of adjusted funds flow and $585 million to $615 million of free funds flow in 2023, based on the assumptions set forth herein.

Birchcliff's preliminary guidance for 2023 is based on its preliminary planning and takes into account expected increases in materials, labour and services costs as compared to the current year. Birchcliff continues to work through its plans for 2023 and expects to announce the details of its 2023 capital program and updated five year plan for 2023 to 2027 on January 18, 2023.

Preliminary 2023 Guidance and Commodity Price Assumptions

	Preliminary 2023 guidance and assumptions[1]
Annual Average Production *(boe/d)*	81,000 – 83,000
Average Expenses *($/boe)*	
Royalty[2]	4.95 – 5.15
Operating[2]	3.40 – 3.60
Transportation and other[3]	5.20 – 5.40
Interest[2]	negligible
Current income tax[2]	1.55 – 1.75
Adjusted Funds Flow *(millions)*[4]	$855
F&D Capital Expenditures *(millions)*[5]	$240 – $270
Free Funds Flow *(millions)*[4]	$585 – $615
Common Share Dividends *(millions)*[6]	$213
Excess Free Funds Flow *(millions)*[4][6]	$370 – $400
Total Surplus at Year End *(millions)*[7]	$295 – $325
Natural Gas Market Exposure	
AECO exposure as a % of total natural gas production	23%
Dawn exposure as a % of total natural gas production	41%
NYMEX HH exposure as a % of total natural gas production	36%
Commodity Prices	
Average WTI price *(US$/bbl)*	80.00
Average WTI-MSW differential *(CDN$/bbl)*	5.00
Average AECO price *(CDN$/GJ)*	4.80
Average Dawn price *(US$/MMBtu)*	5.30
Average NYMEX HH price *(US$/MMBtu)*	5.55
Exchange rate *(CDN$ to US$1)*	1.35

Forward Twelve Months' Free Funds Flow Sensitivity[8]

Forward twelve months' sensitivity	**Estimated change to 2023 free funds flow** *(millions)*
Change in WTI US$1.00/bbl	$4.0
Change in NYMEX HH US$0.10/MMBtu	$7.5
Change in Dawn US$0.10/MMBtu	$7.7
Change in AECO CDN$0.10/GJ	$3.3
Change in CDN/US exchange rate CDN$0.01	$7.7

(1) Birchcliff's preliminary 2023 guidance for its adjusted funds flow, free funds flow, excess free funds flow, total surplus and natural gas market exposure in 2023 is based on an annual average production rate of 82,000 boe/d, which is the mid-point of Birchcliff's preliminary annual average production guidance range for 2023. For further information regarding the risks and assumptions relating to the Corporation's guidance, see *"Advisories – Forward-Looking Statements"*.

(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 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"*.

(6) Assumes that an annual common share dividend of $0.80 per share is paid in 2023 and that there are 266 million common shares outstanding. The declaration of dividends is subject to the approval of the board of directors and is subject to change. See *"Advisories – Forward-Looking Statements"*.

(7) Capital management measure. See *"Non-GAAP and Other Financial Measures"*. The estimate of total surplus at December 31, 2023 is expected to be comprised of adjusted working capital, which is expected to be largely comprised of cash, accounts receivable and accounts payable and accrued liabilities at the end of the year. Birchcliff previously referred to total surplus as "surplus".

(8) 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 2023 of $585 million to $615 million, holding all other variables constant. The sensitivity is based on the 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.

Forecast Royalties, Taxes and Fees

Birchcliff currently forecasts that total royalties and other taxes and fees to be paid to the Province of Alberta in 2022 and 2023 will be in the amount of approximately $206 million and $168 million, respectively. Royalties are comprised of payments in respect of production and revenue from Birchcliff's oil and natural gas wells producing in Alberta. Other taxes and fees primarily include municipal property taxes, regulatory compliance and administration fees, surface and mineral lease rentals and land sale bonuses paid to acquire development rights in the Province.

Birchcliff currently forecasts that corporate income taxes to be paid to the Federal Government in 2023 will be in the amount of approximately $49 million. The Corporation expects to have sufficient tax pools available to offset taxable income in 2022 and therefore no corporate income taxes are expected to paid in 2022.

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 and expense 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, buy back common shares and pay 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, common share buybacks, 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 common share dividends, which may include special dividends, increases to the Corporation's base dividend, common share buybacks, acquisitions 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 September 30,		Nine months ended September 30,		Twelve months ended December 31,
($000s)	**2022**	**2021**	**2022**	**2021**	**2021**
Cash flow from operating activities	**272,965**	**155,606**	**700,828**	**319,227**	**515,369**
Change in non-cash operating working capital	(6,448)	12,305	33,581	25,416	21,161
Decommissioning expenditures	833	165	2,175	1,441	3,203
Adjusted funds flow	**267,350**	**168,076**	**736,584**	**346,084**	**539,733**
F&D capital expenditures	(85,330)	(18,026)	(257,859)	(194,753)	(230,479)
Free funds flow	**182,020**	**150,050**	**478,725**	**151,331**	**309,254**
Dividends on common shares	(5,317)	(1,330)	(13,285)	(3,993)	(6,639)
Excess free funds flow	**176,703**	**148,720**	**465,440**	**147,338**	**302,615**

Birchcliff has disclosed full year 2022 and 2023 guidance for adjusted funds flow, free funds flow and excess free funds flow, which are forward-looking non-GAAP financial measures. See "*Outlook and Guidance*". The most directly comparable financial measure for these measures, as disclosed in the Corporation's financial statements, is cash flow from operating activities. The table above provides a reconciliation of the equivalent historical non-GAAP financial measures from cash flow from operating activities, as determined in accordance with GAAP, for the twelve months ended December 31, 2021. Birchcliff anticipates the forward-looking non-GAAP financial measures to exceed their respective historical amounts for the twelve months ended December 31, 2021, primarily due to higher anticipated benchmark oil and natural gas prices which are expected to increase the average realized sales prices the Corporation receives for its production. The commodity price assumptions on which the Corporation's 2022 and preliminary 2023 guidance are based are set forth in the tables under the heading *"Outlook and Guidance".*

Total Capital Expenditures

Birchcliff defines "total capital expenditures" as F&D capital expenditures, plus acquisition, less dispositions and plus administrative assets. Management believes that 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 total capital expenditures for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2022**	**2021**	**2022**	**2021**
F&D capital expenditures(1)	**85,330**	**18,026**	**257,859**	**194,753**
Acquisitions	848	228	2,348	228
Dispositions	-	-	(315)	-
Administrative assets	307	368	867	1,426
Total capital expenditures	**86,485**	**18,622**	**260,759**	**196,407**

(1) Disclosed as exploration and development expenditures in the financial statements.

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:

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2022**	**2021**	**2022**	**2021**
Transportation expense	**39,379**	**37,960**	**117,071**	**113,809**
Marketing purchases	2,124	8,840	8,337	12,621
Marketing revenue	(2,613)	(9,861)	(9,890)	(14,553)
Transportation and other expense	**38,890**	**36,939**	**115,518**	**111,877**

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:

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2022**	**2021**	**2022**	**2021**
Petroleum and natural gas revenue	339,531	263,348	1,019,822	642,600
Royalty expense	(43,379)	(19,500)	(125,547)	(47,819)
Operating expense	(25,155)	(23,164)	(71,798)	(66,200)
Transportation and other expense	(38,890)	(36,939)	(115,518)	(111,877)
Operating netback – Corporate	**232,107**	**183,745**	**706,959**	**416,704**

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:

		Three months ended September 30,
($000s)	**2022**	**2021**[(1)]
Natural gas sales	**239,773**	**170,441**
Realized gain (loss) on financial instruments	45,490	(2,469)
Notional fixed basis costs[(2)]	21,864	23,262
Effective total natural gas sales	**307,127**	**191,234**
Light oil sales	24,037	22,112
Condensate sales	49,031	48,517
NGLs sales	26,673	22,267
Effective total corporate sales	**406,868**	**284,130**

(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 swap contracts 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 its 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.

The supplementary financial measures used in this press release include: operating expense per boe; average realized sales price per bbl, Mcf and boe; petroleum and natural gas revenue per boe; royalty expense per boe; G&A expense, net per boe; interest expense per boe; realized gain (loss) on financial instruments per boe; other cash income (expense) per boe; depletion and depreciation expense per boe; unrealized gain on financial instruments per boe; other (expense) income per boe; dividends on preferred shares per boe; deferred income tax expense per boe; net income to common shareholders per boe; average realized natural gas sales price per Mcf; natural gas transportation costs per Mcf; and natural gas sales netback per Mcf.

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 Total Surplus

Birchcliff calculates "total debt (surplus)" as the amount outstanding under the Corporation's Credit Facilities (if any) plus working capital deficit (less working capital surplus) plus the fair value of the current asset portion of financial instruments less the fair value of the current liability portion of financial instruments and less capital securities (if any) at the end of the period. Management believes that total debt (surplus) assists management and investors in assessing Birchcliff's overall liquidity and financial position at the end of the period. The following table provides a reconciliation of the amount outstanding under the Credit Facilities, as determined in accordance with GAAP, to total debt for the periods indicated:

As at, *($000s)*	September 30, 2022	June 30, 2022	December 31, 2021	September 30, 2021
Revolving term credit facilities	**196,989**	**276,030**	**500,870**	**648,327**
Working capital deficit (surplus)[(1)]	(80,650)	18,633	53,312	16,058
Fair value of financial instruments – asset[(2)]	69,725	13,099	69	17,565
Fair value of financial instruments – liability[(2)]	-	(2,663)	(16,586)	(5,717)
Capital securities	-	(38,205)	(38,268)	(38,328)
Total debt[(3)]	**186,064**	**266,894**	**499,397**	**637,905**

(1) Current liabilities less current assets.

(2) Reflects the current portion only.

(3) Total debt can also be derived from the amounts outstanding under the Corporation's Credit Facilities plus accounts payable and less cash, accounts receivable and accrued liabilities and prepaid expenses and deposits at the end of the period.

ADVISORIES

Unaudited Information

All financial and operational information contained in this press release for the three and nine months ended September 30, 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) 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. 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 10-well 04-04 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 10-well pad and then divided by 10 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 10 wells were stabilized between 3.5 and 4.1 MPa for IP 30 production rates and between 3.5 and 3.8 MPa for IP 60 production rates. Approximate casing pressures for the 10 wells were stabilized between 8.6 and 13.5 MPa for IP 30 production rates and between 8.1 and 13.2 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", "deliver" 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 the execution of its 2023 capital program will result in annual average production of 81,000 to 83,000 boe/d in 2023, a 5% increase over 2022; that after the payment of Birchcliff's targeted 2023 annual common share dividend of $0.80 per share ($0.20 per share quarterly), it will have a cash surplus of approximately $295 million to $325 million at December 31, 2023; that the Corporation expects to announce the details of its 2023 capital program and updated five year plan for 2023 to 2027 on January 18, 2023; and that the unutilized credit capacity under the Corporation's Credit Facilities provides it with significant financial flexibility and additional capital resources to fund its working capital requirements, capital expenditure programs and dividend payments if required in the future;

- the information set forth under the heading *"Operations Update"* regarding Birchcliff's capital programs and exploration and development activities and the timing thereof, including: that the wells brought on production in Q3 2022 have an average payout of less than a year, driven by efficient execution and robust commodity prices; that Birchcliff anticipates providing further details regarding the results of the 9 wells on its 06-35 pad with the release of its Q4 2022 results; estimates of capital expenditures; that it is expected that the accelerated capital expenditures approved by the Corporation's board of directors will result in Birchcliff drilling 14 (14.0 net) wells in 2022 of the 36 (36.0 net) total wells planned for the Corporation's 2023 capital program, and bringing 6 (6.0 net) of those wells on production in late December 2022; that accelerating its 2023 capital program will result in incremental production early in 2023, allowing the Corporation to take advantage of stronger expected natural gas prices that are typically seen in the winter months and allowing it to significantly decrease the risks related to the price and availability of drilling and other oilfield services during a period of very tight supply; and the timing of the drilling, completions activities and bringing on production of the additional 14 wells and targeted production types;
- the information set forth under the heading *"Outlook and Guidance – 2022 Guidance"* and elsewhere in this press release as it relates to Birchcliff's 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, common share dividends, excess free funds flow, total debt at year end and natural gas market exposure and the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's estimate of free funds flow; that the estimate of total debt at December 31, 2022 is expected to be comprised of any amounts outstanding under the Credit Facilities and adjusted working capital, which is expected to be largely comprised of cash, accounts receivable and accounts payable and accrued liabilities at the end of the year; that the Corporation is on track to achieve its 2022 annual average production guidance of 78,000 boe/d, which is expected to generate approximately $1.02 billion of adjusted funds flow and $655 million to $665 million of free funds flow, based on the assumptions set forth herein; and that the Corporation anticipates F&D capital expenditures to be between $355 million and $365 million, which includes $80 million being spent to prepare for the efficient execution of the Corporation's 2023 capital program;
- the information set forth under the heading *"Outlook and Guidance – Preliminary 2023 Guidance"* and elsewhere in this press release as it relates to Birchcliff's preliminary outlook and guidance for 2023, including: estimates of annual average production, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, common share dividends, excess free funds flow, total surplus at year end and natural gas market exposure and the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's estimate of free funds flow; that the estimate of total surplus at December 31, 2023 is expected to be comprised of adjusted working capital, which is expected to be largely comprised of cash, accounts receivable and accounts payable and accrued liabilities at the end of the year; that Birchcliff is currently targeting F&D capital expenditures of $240 million to $270 million in 2023, which will allow the Corporation to bring approximately 30 wells on production in 2023; that with the addition of the 6 wells that will be brought on production in late December 2022, the Corporation expects to deliver annual average production of 81,000 to 83,000 boe/d in 2023, a 5% increase over 2022; that Birchcliff is currently forecasting approximately $855 million of adjusted funds flow and $585 million to $615 million of free funds flow in 2023, based on the assumptions set forth herein; and that Birchcliff continues to work through its plans for 2023 and expects to announce the details of its 2023 capital program and updated five year plan for 2023 to 2027 on January 18, 2023;
- the information set forth under the heading *"Outlook and Guidance – Forecast Royalties, Taxes and Fees"*, including: that Birchcliff currently forecasts that total royalties and other taxes and fees to be paid to the Province of Alberta in 2022 and 2023 will be in the amount of approximately $206 million and $168 million, respectively; that Birchcliff currently forecasts that corporate income taxes to be paid to the Federal Government in 2023 will be in the amount of approximately $49 million; and that the Corporation expects to have sufficient tax pools available to offset taxable income in 2022 and therefore no corporate income taxes are expected to paid in 2022; and

- the performance and other characteristics of Birchcliff's oil and natural gas properties and expected results from its assets.

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; the approval of the board of directors of future dividends; 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:

- With respect to Birchcliff's 2022 guidance (as updated on October 13, 2022):
    - The following commodity prices and exchange rate are assumed: an average WTI price of US$95.00/bbl; an average WTI-MSW differential of CDN$2.50/bbl; an average AECO price of CDN$5.25/GJ; an average Dawn price of US$6.35/MMBtu; an average NYMEX HH price of US$6.85/MMBtu; and an exchange rate (CDN$ to US$1) of 1.30. These commodity price and exchange rate assumptions are based on anticipated full-year averages, which include settled benchmark commodity prices and exchange rate for the period from January 1, 2022 to September 30, 2022 and forward strip benchmark commodity prices and CDN/US exchange rate as of October 5, 2022 for the period from October 1, 2022 to December 31, 2022.
    - Birchcliff's production guidance for 2022 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 estimate of capital expenditures for 2022 assumes 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.
    - Birchcliff's estimates of adjusted funds flow, free funds flow and excess free funds flow for 2022 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 set forth herein are met. Birchcliff's estimate of adjusted funds flow takes into account the effects of its physical and financial basis swap contracts outstanding as at October 13, 2022 and excludes annual cash incentive payments that have not been approved by Birchcliff's board of directors.

- Birchcliff's estimate of total debt at December 31, 2022 assumes that: (i) 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 in 2022; (ii) there are 266 million common shares outstanding, with no further buybacks of common shares occurring during 2022; (iii) a dividend of $0.02 per common share is paid for the quarter ending December 31, 2022, with no further special dividends paid during 2022; (iv) 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) there are no further proceeds received from the exercise of stock options or performance warrants during 2022; (vi) the 2022 capital program will be carried out as currently contemplated with F&D capital expenditures of $355 million to $365 million; and (vii) the targets for production, production commodity mix, adjusted funds flow, free funds flow and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met. Birchcliff's estimate of total debt at December 31, 2022 excludes annual cash incentive payments that have not been approved by Birchcliff's board of directors.
- Birchcliff's guidance regarding its natural gas market exposure for 2022 assumes: (i) 175,000 GJ/d being sold on a physical basis at the Dawn price; (ii) 22,040 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.

- With respect to Birchcliff's preliminary guidance for 2023 (as provided on October 13, 2022):
  - The following commodity prices and exchange rate are assumed: an average WTI price of US$80.00/bbl; an average WTI-MSW differential of CDN$5.00/bbl; an average AECO price of CDN$4.80/GJ; an average Dawn price of US$5.30/MMBtu; an average NYMEX HH price of US$5.55/MMBtu; and an exchange rate (CDN$ to US$1) of 1.35. These commodity price and exchange rate assumptions are based on anticipated full-year averages, which include forward strip benchmark commodity prices and CDN/US exchange rate as of October 5, 2022 for the period from January 1, 2023 to December 31, 2023.
  - Birchcliff's preliminary production guidance for 2023 is subject to similar assumptions set forth herein for Birchcliff's 2022 production guidance.
  - Birchcliff's estimate of F&D capital expenditures for 2023 assumes that Birchcliff's 2023 capital program will be carried out as currently contemplated.
  - Birchcliff's estimates of adjusted funds flow, free funds flow and excess free funds flow for 2023 assume that: Birchcliff's 2023 capital program will be carried out as currently contemplated and the level of capital spending for 2023 set forth herein will be achieved; and the targets for production, expenses and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met. Birchcliff's estimate of adjusted funds flow takes into account the effects of its physical and financial basis swap contracts outstanding as at October 13, 2022 and excludes annual cash incentive payments that have not been approved by Birchcliff's board of directors.
  - Birchcliff's estimate of total surplus at December 31, 2023 assumes that: (i) 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 full debt repayment in 2023; (ii) there are 266 million common shares outstanding, with no buybacks of common shares occurring during 2023; (iii) an annual common share dividend of $0.80 per share is paid in 2023, with no special dividends paid during 2023; (iv) no significant acquisitions or dispositions are completed by the Corporation and there is no repayment of debt using the proceeds from equity issuances during 2023; (v) there are no proceeds received from the exercise of stock options or performance warrants during 2023; (vi) the 2023 capital program will be carried out as currently contemplated with F&D capital expenditures of $240 million to $270 million; and (vii) the targets for production, adjusted funds flow, free funds flow and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met. Birchcliff's estimate of total surplus at December 31, 2023 excludes annual cash incentive payments that have not been approved by Birchcliff's board of directors.
  - Birchcliff's guidance regarding its natural gas market exposure for 2023 assumes: (i) 175,000 GJ/d being sold on a physical basis at the Dawn price; and (ii) 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.

- Birchcliff's forecasts of royalties to be paid in 2022 and 2023 are based on the current royalty regime in Alberta and Birchcliff's forecast of taxes to be paid in 2023 is based on the current tax regimes in the Province of Alberta and in Canada. In addition, such forecasts are based on the Corporation's guidance and commodity price assumptions for 2022 and 2023 as set forth herein.
- 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.

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 (including the Russian invasion of Ukraine) 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; the uncertainty of estimates and projections relating to production, revenue, costs, expenses and reserves; the risk that any of the Corporation's material assumptions prove to be materially inaccurate (including the Corporation's commodity price and exchange rate assumptions for 2022 and 2023); the potential for changes to the Corporation's preliminary estimate of F&D capital expenditures for 2023, which could impact the Corporation's other preliminary 2023 guidance; 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 increase to the annual common share dividend to $0.80 per share in 2023, the payment of such dividend remains 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. The declaration and payment of any future 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 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 are listed for trading on the Toronto Stock Exchange under the symbol "BIR".

For further information, please contact:

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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 November 9, 2022 is with respect to the three and nine months ended September 30, 2022 (the "**Reporting Periods**") as compared to the three and nine months ended September 30, 2021 (the "**Comparable Prior Periods**"). 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 Periods (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 are listed for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "BIR". 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

Benchmark oil and natural gas prices have remained volatile during 2022 primarily due to supply and demand uncertainty that has resulted from the novel coronavirus COVID-19 ("**COVID-19**") pandemic, the potential for a global economic slowdown attributed to rising inflation and interest rates, geopolitical tensions arising from the Russian invasion of Ukraine and global commodity supply constraints and labour shortages which have increased inflationary pressures. Birchcliff has incorporated the current and anticipated impacts of the COVID-19 pandemic, the Russian invasion of Ukraine and these other negative conditions in its preparation of this MD&A and the financial statements. See Note 2 *"Basis of Preparation – Current Environment and Estimation Uncertainty"* in the financial statements.

THREE MONTH REPORTING PERIOD HIGHLIGHTS

- Achieved quarterly average production of 78,079 boe/d, an 8% decrease from the three month Comparable Prior Period. Liquids accounted for 19% of Birchcliff's total production in the three month Reporting Period, consistent with the Comparable Prior Period.
- Generated record Q3 adjusted funds flow(1) of $267.4 million, or $1.01 per basic common share(2), a 59% and 60% increase, respectively, from the three month Comparable Prior Period. Quarterly cash flow from operating activities was $273.0 million, a 75% increase from the three month Comparable Prior Period.
- Delivered record Q3 free funds flow(1) of $182.0 million, or $0.69 per basic common share(2), a 21% and 23% increase, respectively, from the three month Comparable Prior Period.
- Earned record quarterly net income to common shareholders of $244.6 million, or $0.92 per basic common share, each a 77% increase from the three month Comparable Prior Period.
- F&D capital expenditures were $85.3 million in the three month Reporting Period, which included drilling 8 (8.0 net) wells and bringing 19 (19.0 net) wells on production.
- Achieved an operating netback(2) of $32.31/boe, a 37% increase from the Comparable Prior Period.
- Achieved adjusted funds flow per boe(2) of $37.22, a 73% increase from the Comparable Prior Period.
- Realized an operating expense(3) of $3.50/boe, an 18% increase from the Comparable Prior Period.
- Redeemed all of its issued and outstanding cumulative redeemable preferred shares, Series A (the "**Series A Preferred Shares**") and Series C (the "**Series C Preferred Shares**") on September 30, 2022 for an aggregate redemption price of $88.2 million.
- Significantly reduced total debt(4) at September 30, 2022 to $186.1 million, a reduction of $451.8 million (71%) from September 30, 2021 and $80.8 million (30%) from June 30, 2022. The Corporation retired approximately $169.0 million of total debt and preferred shares in the three month Reporting Period.
- In the three month Reporting Period, Birchcliff returned $10.3 million to common shareholders through dividends and purchases under its normal course issuer bid (the "**NCIB**"), including the purchase of 525,400 common shares under the NCIB at an average price of $9.44 per share (before fees). In the nine month Reporting Period, Birchcliff returned $67.7 million to common shareholders through dividends and the purchase of 6,040,192 common shares under the NCIB at an average price of $9.00 per share (before fees).

See *"Cash Flow From Operating Activities and Adjusted Funds Flow", "Net Income 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 Periods and Comparable Prior Periods.

(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.

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

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

OUTLOOK AND GUIDANCE

Birchcliff is maintaining its guidance for 2022 as previously disclosed on October 13, 2022. Birchcliff is on track to achieve its 2022 annual average production guidance of 78,000 boe/d, which is expected to generate approximately $1.02 billion of adjusted funds flow and $655 million to $665 million of free funds flow, based on the assumptions set forth herein. The Corporation anticipates F&D capital expenditures to be between $355 million and $365 million, which includes $80 million being spent to prepare for the efficient execution of the Corporation's 2023 capital program. The following table sets forth Birchcliff's guidance and commodity price assumptions for 2022, as well as its free funds flow sensitivity:

2022 Guidance and Commodity Price Assumptions

	2022 guidance and assumptions(1)
Production	
Annual average production *(boe/d)*	78,000
% Light oil	3%
% Condensate	6%
% NGLs	10%
% Natural gas	81%
Q4 average production *(boe/d)*	81,000 – 83,000
Average Expenses *($/boe)*	
Royalty(2)	6.70 – 6.80
Operating(2)	3.40 – 3.50
Transportation and other(3)	5.40 – 5.50
Interest(2)	0.40 – 0.50
Adjusted Funds Flow *(millions)*(4)	$1,020
F&D Capital Expenditures *(millions)*(5)	$355 – $365
Free Funds Flow *(millions)*(4)	$655 – $665
Common Share Dividends *(millions)*(6)	$72
Excess Free Funds Flow *(millions)*(4)(6)	$585 – $595
Total Debt at Year End *(millions)*(7)	$60 – $70
Natural Gas Market Exposure	
AECO exposure as a % of total natural gas production	15%
Dawn exposure as a % of total natural gas production	42%
NYMEX HH exposure as a % of total natural gas production	38%
Alliance exposure as a % of total natural gas production	5%
Commodity Prices	
Average WTI price *(US$/bbl)*	95.00
Average WTI-MSW differential *(CDN$/bbl)*	2.50
Average AECO price *(CDN$/GJ)*	5.25
Average Dawn price *(US$/MMBtu)*	6.35
Average NYMEX HH price *(US$/MMBtu)*	6.85
Exchange rate *(CDN$ to US$1)*	1.30

Forward Three Months' Free Funds Flow Sensitivity(8)

Forward three months' sensitivity	**Estimated change to 2022 free funds flow** *(millions)*
Change in WTI US$1.00/bbl	$1.0
Change in NYMEX HH US$0.10/MMBtu	$1.3
Change in Dawn US$0.10/MMBtu	$1.8
Change in AECO CDN$0.10/GJ	$1.2
Change in CDN/US exchange rate CDN$0.01	$1.3

(1) For further information regarding the risks and assumptions relating to the Corporation's guidance, see *"Advisories – Forward-Looking Statements"* in this MD&A.

(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 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.

(6) Assumes that a dividend of $0.02 per common share is paid for the quarter ending December 31, 2022 and that there are 266 million common shares outstanding. 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.

(7) Capital management measure. See *"Non-GAAP and Other Financial Measures"* in this MD&A. Birchcliff's estimate of total debt at December 31, 2022 is expected to be comprised of any amounts outstanding under the Credit Facilities and adjusted working capital, which is expected to be largely comprised of cash, accounts receivable and accounts payable and accrued liabilities at the end of the year.

(8) 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 $655 million to $665 million, holding all other variables constant. The sensitivity is based on the 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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Cash flow from operating activities *($000s)*	**272,965**	**155,606**	**700,828**	**319,227**
Adjusted funds flow *($000s)* (1)	**267,350**	**168,076**	**736,584**	**346,084**
Per common share – basic *($)* (2)	1.01	0.63	2.78	1.30
Per common share – diluted *($)* (2)	0.97	0.61	2.67	1.27
Adjusted funds flow *($/boe)* (2)	37.22	21.51	35.52	16.16

(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 three and nine month Reporting Periods increased by 59% and 113%, respectively, from the Comparable Prior Periods. Cash flow from operating activities increased by 75% and 120%, respectively, from the Comparable Prior Periods. The increases were primarily due to higher petroleum and natural gas revenue and realized gains on financial instruments of $45.5 million and $62.0 million in the three and nine month Reporting Periods, respectively, as compared to realized losses on financial instruments of $2.5 million and $31.4 million in the Comparable Prior Periods, partially offset by higher royalty expenses in the Reporting Periods. The increases in petroleum and natural gas revenue and royalty expense were largely the result of a 40% and 64% increase in the average realized sales price received for Birchcliff's production in the three and nine month Reporting Periods, respectively, as compared to the Comparable Prior Periods. The Corporation's average realized sales price in the Reporting Periods benefited from significant increases in benchmark oil and natural gas prices as compared to the Comparable Prior Periods.

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, realized gains and losses on financial instruments and royalties.

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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net income to common shareholders *($000s)*	**244,582**	**138,367**	**584,229**	**204,387**
Per common share – basic *($)*	0.92	0.52	2.20	0.77
Per common share – diluted *($)*	0.89	0.50	2.12	0.75
Net income to common shareholders *($/boe)* (1)	34.05	17.71	28.17	9.54

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

Net income to common shareholders in the three and nine month Reporting Periods increased by 77% and 186%, respectively, from the Comparable Prior Periods. The increases were primarily due to higher adjusted funds flow and higher unrealized mark-to-market gains on financial instruments of $109.9 million and $192.1 million in the three and nine month Reporting Periods, respectively, as compared to $70.5 million and $84.2 million in the Comparable Prior

Periods. Net income to common shareholders was negatively impacted by an increase in deferred income tax expenses of $32.6 million and $115.6 million in the three and nine month Reporting Periods, respectively.

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

			Three months ended September 30, 2022			Three months ended September 30, 2021
($000s)	Pouce Coupe assets	Gordondale assets	Corporate(1)	Pouce Coupe assets	Gordondale assets	Corporate(1)
Light oil	179	23,832	24,037	150	21,943	22,112
Condensate	32,189	16,827	49,031	34,469	14,048	48,517
NGLs	8,199	18,460	26,673	6,497	15,770	22,267
Natural gas	181,054	58,418	239,773	122,090	48,351	170,441
P&NG sales(2)	221,621	117,537	339,514	163,206	100,112	263,337
Royalty income	2	2	17	1	3	11
P&NG revenue	**221,623**	**117,539**	**339,531**	**163,207**	**100,115**	**263,348**
% of corporate P&NG revenue	**65%**	**35%**		**62%**	**38%**	
			Nine months ended September 30, 2022			**Nine months ended September 30, 2021**
($000s)	**Pouce Coupe assets**	**Gordondale assets**	**Corporate(1)**	**Pouce Coupe assets**	**Gordondale assets**	**Corporate(1)**
Light oil	634	70,883	71,597	435	61,113	61,605
Condensate	106,612	51,360	158,116	91,203	39,071	130,274
NGLs	28,566	57,220	85,825	16,919	42,336	59,256
Natural gas	529,623	173,883	704,238	281,792	109,641	391,438
P&NG sales(2)	665,435	353,346	1,019,776	390,349	252,161	642,573
Royalty income	5	7	46	4	6	27
P&NG revenue	**665,440**	**353,353**	**1,019,822**	**390,353**	**252,167**	**642,600**
% of corporate P&NG revenue	**65%**	**35%**		**61%**	**39%**	

(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 29% and 59% from the three and nine month Comparable Prior Periods, respectively. The increases were primarily due to a $69.3 million (41%) and $312.8 million (80%) increase in natural gas revenue from the three and nine month Comparable Prior Periods, respectively, that largely resulted from a significantly higher average realized natural gas sales price in the Reporting Periods. The increase in natural gas revenue in the three month Reporting Period was partially offset by lower natural gas production. See *"Discussion of Operations – P&NG Revenue – Production"* and *"Discussion of Operations – P&NG Revenue – Commodity Prices"* in this MD&A for further details regarding the period-over-period movement in Birchcliff's production and the average realized sales price for its natural gas.

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 September 30, 2022			Three months ended September 30, 2021
	Pouce Coupe assets	Gordondale assets	Corporate(1)	Pouce Coupe assets	Gordondale assets	Corporate(1)
Light oil *(bbls/d)*	17	2,234	2,254	19	2,856	2,878
Condensate *(bbls/d)*	2,997	1,602	4,601	4,280	1,710	5,990
NGLs *(bbls/d)*	1,860	5,732	7,593	1,696	5,193	6,889
Natural gas *(Mcf/d)*	287,947	93,353	381,788	295,880	119,121	415,005
Production *(boe/d)*	**52,865**	**25,127**	**78,079**	**55,309**	**29,612**	**84,924**
Liquids-to-gas ratio *(bbls/MMcf)*	**16.9**	**102.5**	**37.8**	**20.3**	**81.9**	**38.0**
% of corporate production	**68%**	**32%**		**65%**	**35%**	
			Nine months ended September 30, 2022			**Nine months ended September 30, 2021**
	Pouce Coupe assets	**Gordondale assets**	**Corporate(1)**	**Pouce Coupe assets**	**Gordondale assets**	**Corporate(1)**
Light oil *(bbls/d)*	19	2,137	2,159	21	2,974	2,998
Condensate *(bbls/d)*	3,094	1,533	4,631	4,121	1,723	5,844
NGLs *(bbls/d)*	1,809	5,494	7,305	1,831	5,919	7,750
Natural gas *(Mcf/d)*	276,391	94,365	371,174	264,613	106,554	371,175
Production *(boe/d)*	**50,987**	**24,893**	**75,957**	**50,075**	**28,375**	**78,454**
Liquids-to-gas ratio *(bbls/MMcf)*	**17.8**	**97.1**	**38.0**	**22.6**	**99.6**	**44.7**
% of corporate production	**67%**	**33%**		**64%**	**36%**	

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

On a corporate basis, Birchcliff's production decreased by 8% and 3% from the three and nine month Comparable Prior Periods.

The decrease in the three month Reporting Period was primarily due to the timing of new wells brought on production in the period as compared to the Comparable Prior Period, which resulted from scheduling differences in Birchcliff's drilling and completions program year-over-year. During the three month Reporting Period, the Corporation brought a total of 19 wells on production, which included the 10-well 04-04 pad brought onstream in August 2022 and the 9-well 06-35 pad brought onstream in late September 2022, as compared to 22 wells in the three month Comparable Prior Period, the majority of which were brought on production earlier in that period. Production was positively impacted by incremental production volumes from new Montney/Doig wells brought on production since September 30, 2021, partially offset by natural production declines.

Production in the nine month Reporting Period was also negatively impacted by a major scheduled turnaround in the second quarter of 2022 at AltaGas' deep-cut sour gas processing facility in Gordondale (the "**AltaGas Facility**") that decreased liquids and natural gas production in Gordondale by approximately 1,200 boe/d during the nine month Reporting Period.

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 September 30, 2022			Three months ended September 30, 2021		
	Pouce Coupe assets	Gordondale assets	Corporate(1)	Pouce Coupe assets	Gordondale assets	Corporate(1)
% Light oil production	-	9%	3%	-	10%	3%
% Condensate production	6%	6%	6%	8%	6%	8%
% NGLs production	4%	23%	10%	3%	18%	8%
% Natural gas production	90%	62%	81%	89%	66%	81%
	Nine months ended September 30, 2022			**Nine months ended September 30, 2021**		
	Pouce Coupe assets	**Gordondale assets**	**Corporate(1)**	**Pouce Coupe assets**	**Gordondale assets**	**Corporate(1)**
% Light oil production	-	9%	3%	-	10%	4%
% Condensate production	6%	6%	6%	8%	6%	7%
% NGLs production	4%	22%	10%	4%	21%	10%
% Natural gas production	90%	63%	81%	88%	63%	79%

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

Liquids accounted for 19% of Birchcliff's total production in the three and nine month Reporting Periods as compared to 19% and 21% in the Comparable Prior Periods, with a liquids-to-gas ratio in the three and nine month Reporting Periods of 37.8 bbls/MMcf and 38.0 bbls/MMcf (47% and 48% high-value light oil and condensate), respectively. The decrease in liquids weighting in the nine month Reporting Period was primarily due to a combination of: (i) lower liquids production in the Gordondale area as a result of the AltaGas Facility turnaround in the second quarter of 2022; (ii) the Corporation specifically targeting horizontal natural gas wells in liquids-rich zones in the Pouce Coupe area; and (iii) natural production declines from light oil an liquids-rich natural gas wells producing since the Comparable Prior Period.

Commodity Prices

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

	Three months ended September 30,		
	2022	2021	% Change
Light oil – WTI Cushing *(US$/bbl)*	91.55	71.06	29%
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	116.82	83.32	40%
Natural gas – NYMEX HH *(US$/MMBtu)*	8.20	4.01	104%
Natural gas – AECO 5A Daily *(CDN$/GJ)*	3.95	3.41	16%
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*	4.46	2.83	58%
Natural gas – Dawn Day Ahead *(US$/MMBtu)*	7.37	4.07	81%
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	3.96	4.01	(1%)
Exchange rate *(CDN$ to US$1)*	1.3054	1.2504	4%
Exchange rate *(US$ to CDN$1)*	0.7660	0.7997	(4%)
	Nine months ended September 30,		
	2022	**2021**	**% Change**
Light oil – WTI Cushing *(US$/bbl)*	98.20	65.01	51%
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	123.20	75.52	63%
Natural gas – NYMEX HH *(US$/MMBtu)*	6.77	3.18	113%
Natural gas – AECO 5A Daily *(CDN$/GJ)*	5.10	3.11	64%
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*	4.34	2.48	75%
Natural gas – Dawn Day Ahead *(US$/MMBtu)*	6.33	3.27	94%
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	5.34	3.79	41%
Exchange rate *(CDN$ to US$1)*	1.2814	1.2517	2%
Exchange rate *(US$ to CDN$1)*	0.7804	0.7989	(2%)

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, with various terms ending no later than December 31, 2027. Birchcliff sold financial NYMEX HH/AECO 7A basis swap contracts for 147,500 MMBtu/d at an average contract price of NYMEX HH less US$1.227/MMBtu during the Reporting Periods and Comparable Prior Periods. 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 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 Periods primarily due to the continued recovery from the COVID-19 pandemic and geopolitical tensions arising from the Russian invasion of Ukraine that has resulted in increased demand for North American crude oil.

Canadian natural gas prices are influenced by local, 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 Periods predominantly due to higher weather-related global demand for natural gas, higher US LNG exports and geopolitical tensions arising from the Russian invasion of Ukraine, all of which have resulted in a supply and demand imbalance for North American natural gas.

Volatility in benchmark oil and natural gas prices has persisted throughout the Reporting Periods primarily due to supply and demand uncertainty that has resulted from the COVID-19 pandemic, the potential for a global economic slowdown attributed to rising inflation and interest rates, geopolitical tensions arising from the Russian invasion of Ukraine and global commodity supply constraints and labour shortages that have increased inflationary pressures.

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 September 30,
	2022	**2021**	**% Change**
Light oil *($/bbl)*	115.94	83.52	39%
Condensate *($/bbl)*	115.84	88.04	32%
NGLs *($/bbl)*	38.18	35.13	9%
Natural gas *($/Mcf)*	6.83	4.46	53%
Average realized sales price *($/boe)*(1)(2)	**47.26**	**33.70**	**40%**
			Nine months ended September 30,
	2022	**2021**	**% Change**
Light oil *($/bbl)*	121.49	75.28	61%
Condensate *($/bbl)*	125.06	81.65	53%
NGLs *($/bbl)*	43.04	28.01	54%
Natural gas *($/Mcf)*	6.95	3.86	80%
Average realized sales price *($/boe)*(1)(2)	**49.18**	**30.00**	**64%**

(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 40% and 64% from the three and nine month Comparable Prior Periods, respectively, primarily due to significant increases in benchmark oil and natural gas prices which positively impacted the sales prices Birchcliff received for its production in the Reporting Periods.

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 September 30, 2022					**Three months ended September 30, 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	83,550	35	203,296	53	4.50	65,886	39	186,718	45	3.87
Dawn	148,258	62	160,526	42	10.04	78,554	46	158,631	38	5.38
Alliance(3)	7,965	3	17,966	5	4.82	26,001	15	69,656	17	4.06
Total	**239,773**	**100**	**381,788**	**100**	**6.83**	**170,441**	**100**	**415,005**	**100**	**4.46**
					Nine months ended September 30, 2022					**Nine months ended September 30, 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	286,973	41	183,021	49	5.79	148,998	38	155,857	42	3.50
Dawn	373,232	53	160,550	43	8.52	185,449	47	159,414	43	4.26
Alliance(3)	44,033	6	27,603	8	5.84	56,991	15	55,904	15	3.73
Total	**704,238**	**100**	**371,174**	**100**	**6.95**	**391,438**	**100**	**371,175**	**100**	**3.86**

(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 extendible revolving credit facilities (the "**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 September 30, 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 financial NYMEX HH/AECO 7A basis swap contracts outstanding at September 30, 2022 are set forth below:

Product	Type of Contract	Average Notional Quantity	Period(1)	Average Contract Price
Natural gas	AECO 7A basis swap(2)	147,500 MMBtu/d	Oct. 1, 2022 – Dec. 31, 2022	NYMEX HH less US$1.227/MMBtu
Natural gas	AECO 7A basis swap(2)	147,500 MMBtu/d	Jan. 1, 2023 – Dec. 31, 2023	NYMEX HH less US$1.227/MMBtu
Natural gas	AECO 7A basis swap(2)	147,500 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2024	NYMEX HH less US$1.120/MMBtu
Natural gas	AECO 7A basis swap(2)	147,500 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.088/MMBtu
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Jan. 1, 2027 – Dec. 31, 2027	NYMEX HH less US$0.620/MMBtu

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

(2) Birchcliff sold AECO basis swap.

The following financial derivative contracts were entered into subsequent to September 30, 2022 to manage commodity price risk:

Product	Type of Contract	Quantity	Remaining Term	Contract Price
Natural gas	AECO 7A basis swap(1)	10,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.895/MMBtu
Natural gas	AECO 7A basis swap(1)	10,000 MMBtu/d	Jan. 1, 2027 – Dec. 31, 2027	NYMEX HH less US$0.760/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 September 30, 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	Oct. 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 September 30, 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 September 30, 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)	Oct. 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 September 30, 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 September 30,				Nine months ended September 30,			
	2022		2021		2022		2021	
	($000s)	*($/boe)*(1)	*($000s)*	*($/boe)*(1)	*($000s)*	*($/boe)*(1)	*($000s)*	*($/boe)*(1)
Realized gain (loss)	**45,490**	**6.33**	**(2,469)**	**(0.32)**	**61,978**	**2.99**	**(31,359)**	**(1.46)**
Unrealized gain	**109,927**	**15.30**	**70,493**	**9.02**	**192,055**	**9.26**	**84,213**	**3.93**

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

Birchcliff realized gains on its financial instruments of $45.5 million and $62.0 million in the three and nine month Reporting Periods, respectively, due to the settlement of the Corporation's financial NYMEX HH/AECO 7A basis swap contracts and interest rate swap contracts in the Reporting Periods. In the three and nine month Comparable Prior Periods, Birchcliff realized losses on financial instruments of $2.5 million and $31.4 million, respectively. The change to realized gains on the Corporation's financial instruments in the Reporting Periods from realized losses on financial instruments in the Comparable Prior Periods was primarily due to the settlement price (average spread between NYMEX HH and AECO 7A) being higher than the average contract price for the Corporation's financial NYMEX HH/AECO 7A basis swap contracts in the Reporting Periods.

The unrealized gains on financial instruments of $109.9 million and $192.1 million in the three and nine month Reporting Periods, respectively, resulted from the change to a fair value net asset position of $108.3 million at September 30, 2022 from a net liability position of $83.8 million at December 31, 2021 on the Corporation's financial instruments. The change in the fair value of the Corporation's financial instruments in the Reporting Periods was primarily due to: (i) the increase (or widening) in the forward basis spread between the Corporation's financial NYMEX HH/AECO 7A basis swap contracts outstanding at September 30, 2022 as compared to the fair value previously assessed at December 31, 2021; and (ii) the settlement of the Corporation's financial NYMEX HH/AECO 7A basis swap contracts in the Reporting Periods.

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 a period.

Royalties

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Royalty expense *($000s)*(1)	**43,379**	**19,500**	**125,547**	**47,819**
Royalty expense *($/boe)*(2)	**6.04**	**2.50**	**6.05**	**2.23**
Effective royalty rate *(%)*(2)(3)	13%	7%	12%	7%

(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 142% and 171% from the three and nine month Comparable Prior Periods, respectively, primarily due to increases in the average realized sales price received for Birchcliff's liquids and natural gas production in the Reporting Periods.

Operating Expense

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

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2022**	**2021**	**2022**	**2021**
Field operating expense	26,514	24,715	75,251	70,326
Recoveries	(1,359)	(1,551)	(3,453)	(4,126)
Operating expense	**25,155**	**23,164**	**71,798**	**66,200**
Operating expense per boe(1)	**$3.50**	**$2.96**	**$3.46**	**$3.09**

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

Operating expense per boe increased by 18% and 12% from the three and nine month Comparable Prior Periods, respectively, primarily due to inflationary pressures on power and other fuel supply costs, which together increased by 71% and 36%, respectively, on a per boe basis. Operating expenses per boe in the Reporting Periods was also negatively impacted by higher municipal property taxes and regulatory fees.

Operating expense per boe in the nine month Reporting Period was further negatively impacted by higher field labour costs, partially offset by lower third-party natural gas processing fees resulting from the turnaround at the AltaGas Facility in the second quarter of 2022.

Transportation and Other

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

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2022**	**2021**	**2022**	**2021**
Natural gas transportation	28,158	28,913	87,555	86,319
Liquids transportation	8,414	6,870	21,521	21,018
Fractionation	2,797	2,122	7,924	6,343
Other fees	10	55	71	129
Transportation expense	39,379	37,960	117,071	113,809
Transportation expense per boe(1)	$5.48	$4.86	$5.65	$5.31
Marketing purchases(2)	2,124	8,840	8,337	12,621
Marketing revenue(2)	(2,613)	(9,861)	(9,890)	(14,553)
Marketing gain(3)	(489)	(1,021)	(1,553)	(1,932)
Marketing gain per boe(4)	($0.07)	($0.13)	($0.07)	($0.09)
Transportation and other expense(3)	**38,890**	**36,939**	**115,518**	**111,877**
Transportation and other expense per boe(4)	**$5.41**	**$4.73**	**$5.58**	**$5.22**

(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 increased by 14% and 7% from the three and nine month Comparable Prior Periods, respectively. The increases in the Reporting Periods were primarily due to higher liquids transportation costs as a result of inflationary pressures that increased liquids-handling costs and higher fractionation processing fees and take-or-pay commitments.

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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Pouce Coupe assets:				
Average production				
Light oil *(bbls/d)*	17	19	19	21
Condensate *(bbls/d)*	2,997	4,280	3,094	4,121
NGLs *(bbls/d)*	1,860	1,696	1,809	1,831
Natural gas *(Mcf/d)*	287,947	295,880	276,391	264,613
Total *(boe/d)*	**52,865**	**55,309**	**50,987**	**50,075**
% of corporate production	**68%**	**65%**	**67%**	**64%**
Liquids-to-gas ratio *(bbls/MMcf)*	**16.9**	**20.3**	**17.8**	**22.6**
Netback and cost ($/boe)[(1)]				
Petroleum and natural gas revenue[(2)]	45.57	32.07	47.81	28.55
Royalty expense	(4.55)	(1.89)	(4.73)	(1.76)
Operating expense	(2.81)	(2.22)	(2.72)	(2.36)
Transportation and other expense[(3)]	(5.43)	(4.92)	(5.54)	(5.50)
Operating netback[(3)]	**32.78**	**23.04**	**34.82**	**18.93**
Gordondale assets:				
Average production				
Light oil *(bbls/d)*	2,234	2,856	2,137	2,974
Condensate *(bbls/d)*	1,602	1,710	1,533	1,723
NGLs *(bbls/d)*	5,732	5,193	5,494	5,919
Natural gas *(Mcf/d)*	93,353	119,121	94,365	106,554
Total *(boe/d)*	**25,127**	**29,612**	**24,893**	**28,375**
% of corporate production	**32%**	**35%**	**33%**	**36%**
Liquids-to-gas ratio *(bbls/MMcf)*	**102.5**	**81.9**	**97.1**	**99.6**
Netback and cost ($/boe)[(1)]				
Petroleum and natural gas revenue[(2)]	50.84	36.75	52.00	32.55
Royalty expense	(9.17)	(3.62)	(8.77)	(3.07)
Operating expense	(4.90)	(4.34)	(4.91)	(4.36)
Transportation and other expense[(3)]	(5.38)	(4.38)	(5.67)	(4.74)
Operating netback[(3)]	**31.39**	**24.41**	**32.65**	**20.38**
Corporate[(4)]:				
Average production				
Light oil *(bbls/d)*	2,254	2,878	2,159	2,998
Condensate *(bbls/d)*	4,601	5,990	4,631	5,844
NGLs *(bbls/d)*	7,593	6,889	7,305	7,750
Natural gas *(Mcf/d)*	381,788	415,005	371,174	371,175
Total *(boe/d)*	**78,079**	**84,924**	**75,957**	**78,454**
Liquids-to-gas ratio *(bbls/MMcf)*	**37.8**	**38.0**	**38.0**	**44.7**
Netback and cost ($/boe)[(1)]				
Petroleum and natural gas revenue[(2)]	47.26	33.71	49.18	30.00
Royalty expense	(6.04)	(2.50)	(6.05)	(2.23)
Operating expense	(3.50)	(2.96)	(3.46)	(3.09)
Transportation and other expense[(3)]	(5.41)	(4.73)	(5.58)	(5.22)
Operating netback[(3)]	**32.31**	**23.52**	**34.09**	**19.46**

(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 production from the Pouce Coupe assets in the Reporting Periods decreased by 4% from the three month Comparable Prior Period and remained relatively consistent with the nine month Comparable Prior Period. The decrease in the three month Reporting Period was primarily due to the timing of new wells brought on production in the Pouce Coupe area as compared to the three month Comparable Prior Period, which resulted from scheduling differences in Birchcliff's drilling and completions program year-over-year. Production during the three month Reporting Period was positively impacted by incremental production volumes from the new natural gas wells brought on production in the Pouce Coupe area since September 30, 2021, including the 10 well 04-04 pad brought onstream in August 2022, partially offset by natural production declines.

Birchcliff's liquids-to-gas ratio for the Pouce Coupe assets decreased by 17% and 21% from the three and nine month Comparable Prior Periods, respectively. The decreases were primarily due to the Corporation specifically targeting horizontal natural gas wells in the Pouce Coupe area since the Comparable Prior Periods and natural production declines from liquids-rich natural gas wells producing since the Comparable Prior Periods.

Birchcliff's operating netback for the Pouce Coupe assets increased by 42% and 84% from the three and nine month Comparable Prior Periods, respectively. The increases were primarily due to higher per boe petroleum and natural gas revenue, partially offset by higher per boe royalty expenses, both of which were largely the result of increases in the average realized sales price received for Birchcliff's Pouce Coupe production in the Reporting Periods.

Gordondale Assets

Birchcliff's production from the Gordondale assets decreased by 15% and 12% from the three and nine month Comparable Prior Periods, respectively. The decreases in the Reporting Periods were primarily due to: (i) the timing of new wells brought on production in the Gordondale area as compared to the Comparable Prior Periods, which resulted from scheduling differences in Birchcliff's drilling and completions program year-over-year; and (ii) the major scheduled turnaround in the second quarter of 2022 at the AltaGas Facility that negatively impacted liquids and natural gas production in Gordondale by approximately 1,200 boe/d in the nine month Reporting Period. Additionally, production in Gordondale was positively impacted by incremental production volumes from the new 9-well 06-35 pad brought onstream in late September 2022 and negatively impacted by natural production declines from light oil and liquids-rich natural gas wells producing since September 30, 2021.

Birchcliff's liquids-to-gas ratio for the Gordondale assets increased by 25% from the three month Comparable Prior Period and decreased by 3% from the nine month Comparable Prior Period. The increase in the three month Reporting Period was primarily due to lower natural gas volumes recovered and processed at the AltaGas Facility during the Reporting Period. The decrease in the nine month Reporting Period was primarily due to lower liquids and natural gas production in the Gordondale area as a result of the AltaGas Facility turnaround in the second quarter of 2022.

Birchcliff's operating netback for the Gordondale assets increased by 29% and 60% from the three and nine month Comparable Prior Periods, respectively. The increases were primarily due to higher per boe petroleum and natural gas revenue, partially offset by higher per boe royalty expenses, both of which were largely the result of increases in the average realized sales price received for Birchcliff's Gordondale production in the Reporting Periods.

Administrative Expense

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

	Three months ended September 30,				Nine months ended September 30,			
	2022		2021		2022		2021	
	($000s)	*(%)*	*($000s)*	*(%)*	*($000s)*	*(%)*	*($000s)*	*(%)*
Cash:								
Salaries and benefits[1]	6,291	60	6,392	70	19,672	60	19,176	67
Other[2]	4,203	40	2,795	30	12,863	40	9,566	33
G&A expense, gross	10,494	100	9,187	100	32,535	100	28,742	100
Operating overhead recoveries	(31)	-	(33)	(1)	(108)	-	(107)	(1)
Capitalized overhead[3]	(3,421)	(33)	(3,648)	(39)	(9,987)	(31)	(10,873)	(37)
G&A expense, net	7,042	67	5,506	60	22,440	69	17,762	62
G&A expense, net per boe[4]	$0.98		$0.70		$1.08		$0.83	
Non-cash:								
Other compensation	3,120	100	1,447	100	8,875	100	3,979	100
Capitalized compensation[3]	(1,670)	(54)	(895)	(62)	(4,580)	(52)	(2,302)	(58)
Other compensation, net	1,450	46	552	38	4,295	48	1,677	42
Other compensation, net per boe[4]	$0.20		$0.07		$0.21		$0.08	
Administrative expense, net	**8,492**		**6,058**		**26,735**		**19,439**	
Administrative expense, net per boe[4]	**$1.18**		**$0.77**		**$1.29**		**$0.91**	

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

(2) Includes costs such as corporate travel, 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 40% and 38% from the three and nine month Comparable Prior Periods, respectively, primarily due to increases in net G&A expense and other compensation expense. Net G&A expense increased primarily due to higher employee-related expenses, higher corporate costs due to the easing of Birchcliff's COVID-19 restrictions and higher general business expenditures due to inflationary pressures. Other compensation expense increased primarily due to a higher fair value expense associated with stock options granted by Birchcliff in the Reporting Periods.

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

	Three months ended September 30,				Nine months ended September 30,			
	2022		2021		2022		2021	
	Number	Price *($)*[1]	Number	Price *($)*[1]	Number	Price *($)*[1]	Number	Price *($)*[1]
Outstanding, beginning	15,521,053	3.95	20,820,485	3.19	23,116,919	3.96	26,134,201	3.56
Granted[2]	81,000	9.70	157,500	5.11	311,400	9.24	253,000	4.38
Exercised	(388,771)	(2.99)	(1,819,426)	(3.19)	(6,317,135)	(3.08)	(2,830,039)	(3.09)
Forfeited	(98,868)	(4.76)	(16,402)	(2.24)	(353,670)	(4.50)	(2,063,439)	(7.57)
Expired	-	-	(136,501)	(8.70)	(1,643,100)	(7.84)	(2,488,067)	(3.81)
Outstanding, ending	**15,114,414**	**4.00**	**19,005,656**	**3.17**	**15,114,414**	**4.00**	**19,005,656**	**3.17**

(1) Calculated on a weighted average basis.

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

On January 18, 2005, Birchcliff issued 4,049,665 performance warrants as part of its initial restructuring to become a public entity. Each performance warrant is exercisable at a price of $3.00 to purchase one common share of Birchcliff.

During the three month Reporting Period, 809,933 performance warrants were exercised at a price of $3.00 per common share. On May 26, 2022, the Corporation purchased 1,724,832 performance warrants for a total cash cost of $14.5 million. As at September 30, 2022, 404,967 performance warrants (December 31, 2021 – 2,939,732) remained outstanding with 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 September 30,		Nine months ended September 30,	
($000s)	**2022**	**2021**	**2022**	**2021**
Depletion and depreciation expense	**53,730**	**57,085**	**155,318**	**158,841**
Depletion and depreciation expense per boe(1)	**$7.48**	**$7.31**	**$7.49**	**$7.42**

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

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

Finance Expense

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

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2022**	**2021**	**2022**	**2021**
Cash:				
Interest expense(1)	3,235	7,154	9,882	23,613
Interest expense per boe(1)(2)	$0.44	$0.92	$0.48	$1.10
Non-cash:				
Accretion(3)	1,095	907	3,034	2,533
Amortization of deferred financing fees	426	239	1,025	730
Other finance expenses	1,521	1,146	4,059	3,263
Other finance expenses per boe(2)	$0.21	$0.15	$0.20	$0.15
Finance expense	**4,756**	**8,300**	**13,941**	**26,876**
Finance expense per boe(2)	**$0.65**	**$1.07**	**$0.68**	**$1.25**

(1) Birchcliff's interest expense consists of interest incurred on amounts drawn under the Corporation's Credit Facilities and standby charges. Standby charges reflect fees paid by Birchcliff on the undrawn portion of its Credit Facilities. For a description of the Credit Facilities, 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.

Finance expense on an aggregate basis decreased by 43% and 48% from the three and nine month Comparable Prior Periods, respectively, primarily due to a decrease in interest expense. Birchcliff's aggregate interest expense decreased by 55% and 58% from the three and nine month Comparable Prior Periods, respectively, primarily due to a lower average outstanding balance under its Credit Facilities in the Reporting Periods.

The average outstanding balance under the Syndicated Credit Facility (as defined herein) was approximately $199.9 million and $320.8 million in the three and nine month Reporting Periods, respectively, as compared to $694.1 million and $709.2 million in the Comparable Prior Periods, calculated as the simple average of the month-end amounts.

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
Working Capital Facility	5.9%	5.0%	6.9%	5.0%
Syndicated Credit Facility(1)(2)(3)	4.6%	3.7%	3.1%	4.0%

(1) The average effective interest rate under the Syndicated Credit Facility was determined primarily based on: (i) the market interest rate for LIBOR and SOFR loans; and (ii) the pricing margin applicable to LIBOR and SOFR 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 effective interest rate excludes the impact of standby charges.

(2) Effective May 3, 2022, the agreement governing the Credit Facilities was amended to, among other things, convert any outstanding LIBOR loans into SOFR loans. The SOFR rates increased during the Reporting Periods primarily due to increases in the prime lending rates by the Bank of Canada.

(3) The Comparable Prior Periods have been restated to exclude standby charges. During the three and nine month Reporting Periods, standby charges were $0.8 million and $1.9 million, respectively, as compared to $0.3 million and $1.5 million in the Comparable Prior Periods.

Other Income and Expense

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

	Three months ended September 30,				Nine months ended September 30,			
	2022		2021		2022		2021	
	($000s)	*($/boe)*[1]	*($000s)*	*($/boe)*[1]	*($000s)*	*($/boe)*[1]	*($000s)*	*($/boe)*[1]
Other income (expense)	**30**	**-**	**(540)**	**(0.07)**	**(31)**	**-**	**2,114**	**0.09**

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

Birchcliff's other income in the nine month Comparable Prior Period primarily included the sale of Emissions Performance Credits ("**EPCs**") for $1.7 million (net of purchases) for the 2019 and 2020 emissions reporting period under Alberta's Technology Innovation and Emissions Reduction ("**TIER**") program. A facility regulated under TIER, such as the Corporation's 100% owned and operated natural gas processing plant in Pouce Coupe, must reduce emissions beyond its established facility benchmarks in order to generate EPCs.

Other Gains

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

	Three months ended September 30,				Nine months ended September 30,			
	2022		2021		2022		2021	
	($000s)	*($/boe)*[1]	*($000s)*	*($/boe)*[1]	*($000s)*	*($/boe)*[1]	*($000s)*	*($/boe)*[1]
Other gains	**162**	**0.02**	**2,127**	**0.27**	**2,450**	**0.12**	**5,520**	**0.26**

(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 (the "**Common A Units**") and 10,000,000 preferred units (the "**Preferred Trust 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. As at September 30, 2022, the Corporation determined the Securities had a fair value of $9.8 million (December 31, 2021 – $8.2 million). Birchcliff recorded a gain on investment of $Nil and $1.8 million during the three and nine month Reporting Periods, as compared to $1.8 million and $5.1 million during the three and nine month Comparable Prior Periods.

During the three month Reporting Period, Birchcliff redeemed 185,444 of the Preferred Trust Units and 83,450 of the Common A Units for an aggregate amount of $185,527. As at September 30, 2022, Birchcliff held a total of 9,814,556 Preferred Trust Units and 4,416,550 Common A Units.

Income Tax Expense

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

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2022**	**2021**	**2022**	**2021**
Deferred tax expense	73,734	41,141	175,961	60,386
Dividend tax expense on preferred shares	692	688	2,065	2,075
Deferred income tax expense	**74,426**	**41,829**	**178,026**	**62,461**
Deferred income tax expense per boe[1]	**$10.36**	**$5.34**	**$8.59**	**$2.91**

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

Birchcliff's deferred income tax expense on an aggregate basis increased by 78% and 185% from the three and nine month Comparable Prior Periods, respectively. The increases were due to higher before-tax net income recorded in the Reporting Periods.

The Corporation's estimated income tax pools were $1.4 billion at September 30, 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 September 30, 2022**
Canadian oil and gas property expense	302,892
Canadian development expense	322,841
Canadian exploration expense[(1)]	310,780
Undepreciated capital costs	237,803
Non-capital losses[(1)]	211,335
Scientific research and experimental development expenditures[(1)]	20,844
Investment tax credits[(2)]	3,096
Financing costs and other	6,473
Estimated income tax pools	**1,416,064**

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

(2) Immediately available in full to reduce any cash taxes owing 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 September 30,		**Nine months ended September 30,**	
($000s)	**2022**	**2021**	**2022**	**2021**
Land	378	434	2,047	1,361
Seismic	168	151	463	602
Workovers	2,889	1,982	8,233	8,093
Drilling and completions	68,053	9,733	177,524	145,100
Well equipment and facilities	13,842	5,726	69,592	39,597
F&D capital expenditures[(1)]	85,330	18,026	257,859	194,753
Acquisitions	848	228	2,348	228
Dispositions	-	-	(315)	-
FD&A capital expenditures[(2)]	86,178	18,254	259,892	194,981
Administrative assets	307	368	867	1,426
Total capital expenditures[(2)]	**86,485**	**18,622**	**260,759**	**196,407**

(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 three month Reporting Period, Birchcliff had F&D capital expenditures of $85.3 million, which primarily included $40.2 million (47%) for the drilling and completion of horizontal wells in Pouce Coupe, $23.8 million (28%) for the drilling of horizontal wells in Gordondale and $13.8 million (16%) on large gas gathering and pipeline infrastructure projects. During the three month Reporting Period, Birchcliff drilled 8 (8.0 net) wells and brought 19 (19.0 net) wells on production.

During the nine month Reporting Period, Birchcliff had F&D capital expenditures of $257.9 million, which primarily included $133.0 million (52%) for the drilling and completion of horizontal wells in Pouce Coupe, $32.6 million (13%) for the drilling of horizontal wells in Gordondale and $69.6 million (27%) on plant turnarounds and large gas gathering and pipeline infrastructure projects. During the nine month Reporting Period, Birchcliff drilled 31 (31.0 net) wells and brought 35 (35.0 net) wells on production.

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

CAPITAL RESOURCES AND LIQUIDITY

Working Capital

The Corporation's adjusted working capital surplus[1] was $10.9 million at September 30, 2022 as compared to $1.5 million at December 31, 2021. Adjusted working capital consists of items from normal day-to-day operations which include cash, trade receivables and payables, accruals, deposits and prepaid expenses and excludes the current portion of the fair value of financial instruments and capital securities (if any). The increase in adjusted working capital surplus at September 30, 2022 was attributed to an increase in the accounts receivable balance associated with higher revenue from the sale of Birchcliff's production in the Reporting Periods and a higher prepaid expense and deposits balance, partially offset by an increase in the accounts payable and accrued liabilities balance which was largely comprised of F&D capital expenditures incurred in the Reporting Periods.

At September 30, 2022, the major component of Birchcliff's current assets was revenue to be received from its commodity marketers in respect of September 2022 production (90%), which was subsequently received in October 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 September 30, 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 and size of items included from its normal operations and total capital expenditures, as well as volatility in commodity prices and changes in revenue, among other things. Birchcliff manages its adjusted working capital using adjusted funds flow and advances under its Credit Facilities. The adjusted working capital position does not impact the borrowing base available under its Credit Facilities.

Debt

At September 30, 2022, the Corporation's 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. 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. The agreement governing the Credit Facilities also contains provisions that give the lenders the right to redetermine the borrowing base in certain circumstances. 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. The Credit Facilities do not contain any financial maintenance covenants.

Total debt[1] at September 30, 2022 was $186.1 million, a decrease of 63% from $499.4 million at December 31, 2021. Total debt decreased primarily due to the significant free funds flow generated in the Reporting Periods, which was allocated to debt reduction. During the nine month Reporting Period, Birchcliff generated $736.6 million in adjusted funds flow and incurred $257.9 million in F&D capital expenditures, resulting in free funds flow of $478.7 million. Total debt in the nine month Reporting Period was also positively impacted by proceeds in the amount of $21.9 million received from the exercise of stock options and performance warrants and negatively impacted by the cost to repurchase common shares under Birchcliff's NCIB of $54.4 million, the redemption of the Series A and Series C Preferred Shares of $88.3 million, the purchase of performance warrants of $14.5 million and the payment of dividends of $18.4 million. See *"Discussion of Operations – Administrative Expense"*, "*Share Information – Normal Course Issuer Bid*", *"Share Information – Series A Preferred Shares"*, *"Share Information – Series C Preferred Shares"* and "*Dividends"* in this MD&A for details on the Corporation's stock option and performance warrant exercises, the repurchases of common shares, the redemption of the Series A and Series C Preferred Shares, performance warrant purchases and dividend distributions.

(1) 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)*	September 30, 2022	December 31, 2021
Maximum borrowing base limit:		
Revolving term credit facilities	850,000	850,000
Principal amount utilized:		
Revolving term credit facilities	(196,989)	(500,870)
Unamortized deferred financing fees	(3,967)	(3,718)
Outstanding letters of credit[(1)]	(185)	(4,185)
	(201,141)	(508,773)
Unused credit	**648,859**	**341,227**
% unused credit	**76%**	**40%**

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

Liquidity and Capital Resources

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

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2022**	**2021**	**2022**	**2021**
Cash flow from operating activities	272,965	155,606	700,828	319,227
Issuance of common shares	3,594	5,810	21,883	8,748
Repurchase of common shares[(1)]	(4,967)	(17,367)	(54,414)	(17,367)
Redemption of capital securities[(2)]	(38,206)	-	(38,268)	(1,602)
Redemption of preferred shares[(3)]	(50,000)	-	(50,000)	-
Purchase of performance warrants	-	-	(14,506)	-
Financing fees paid	-	-	(1,275)	(3,454)
Lease payments	(614)	(615)	(1,843)	(1,830)
Dividend distributions	(7,047)	(3,047)	(18,447)	(9,181)
Net change in revolving term credit facilities	(79,466)	(72,832)	(303,633)	(80,320)
Investments	(844)	(155)	(1,628)	(155)
Changes in non-cash working capital from investing	(8,951)	(48,732)	22,043	(17,656)
Capital resources[(4)]	**86,464**	**18,668**	**260,740**	**196,410**

(1) Represents common shares that have been purchased and cancelled pursuant to the NCIB. See *"Share Information – Normal Course Issuer Bid"* in this MD&A.

(2) Represents the Series C Preferred Shares that were redeemed by the Corporation on September 30, 2022. See *"Share Information – Series C Preferred Shares"* in this MD&A.

(3) Represents the Series A Preferred Shares that were redeemed by the Corporation on September 30, 2022. See *"Share Information – Series A Preferred Shares"* in this MD&A.

(4) 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 its adjusted funds flow and available Credit Facilities. The Corporation believes that its anticipated adjusted funds flow in 2022 will be sufficient to fund its working capital requirements, the remainder of its capital program and future dividend distributions in 2022. For further information, see *"Outlook and Guidance"*, *"Capital Resources and Liquidity – Debt"*, *"Dividends"* and *"Advisories – Forward-Looking Statements"* in this MD&A.

At September 30, 2022, Birchcliff had long-term debt under the Credit Facilities of $197.0 million as compared to $500.9 million at December 31, 2021 from available Credit Facilities of $850.0 million, leaving the Corporation with $648.9 million of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized deferred financing fees. This unutilized credit capacity provides Birchcliff with significant financial flexibility and additional capital resources to fund its working capital requirements, capital expenditure programs and dividend payments if required in the future. See *"Capital Resources and Liquidity – Debt"* in this MD&A.

Birchcliff remains committed to maximizing free funds flow and achieving zero total debt in order to reduce the risks to its business and provide the Corporation with the optionality to increase shareholder returns and enhance long-term shareholder value, through sustainable increases to its common share dividend, common share buybacks and potential reinvestment.

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 below, which were entered into in the normal course of operations.

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 September 30, 2022:

($000s)	**2022**	**2023**	**2024-2026**	**Thereafter**
Accounts payable and accrued liabilities	139,789	-	-	-
Drawn revolving term credit facilities	-	-	200,956	-
Firm transportation and fractionation(1)	36,769	145,863	363,903	117,370
Natural gas processing(2)	4,871	19,327	57,850	103,024
Operating commitments(3)	508	2,033	6,099	2,202
Capital commitments(4)	-	8,243	-	-
Lease payments	1,330	3,293	8,007	3,273
Estimated contractual obligations(5)	**183,267**	**178,759**	**636,815**	**225,869**

(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 and purchasing obligations.

(5) Contractual obligations and commitments that are not material to Birchcliff are excluded from the above table. The Corporation's decommissioning obligations are excluded from the table as these obligations arose from a regulatory requirement rather than from a contractual arrangement. Birchcliff estimates the total undiscounted cash flow to settle its decommissioning obligations on its wells and facilities at September 30, 2022 to be approximately $240.3 million and are estimated to be incurred as follows: 2022 – $1.3 million, 2023 – $3.5 million and $235.5 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.

SHARE INFORMATION

At November 9, 2022, Birchcliff had common shares outstanding. Birchcliff's common shares are listed on the TSX under the symbol "BIR".

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 and performance warrants	7,127,068
Repurchase of common shares(1)	(6,040,192)
Balance at September 30, 2022	265,877,280
Exercise of stock options	38,442
Balance at November 9, 2022	**265,915,722**

(1) Represents common shares that have been purchased and cancelled pursuant to the NCIB.

At November 9, 2022, the Corporation had the following securities outstanding: 265,915,722 common shares; 15,094,472 stock options to purchase an equivalent number of common shares; and 404,967 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 nine month Reporting Period, the Corporation purchased 6,040,192 common shares under the NCIB at an average price of $9.00 for an aggregate cost of $54.4 million (before fees).

Series A Preferred Shares

On September 30, 2022, Birchcliff redeemed all of its 2,000,000 issued and outstanding Series A Preferred Shares for a redemption price equal to $25.00 per share. A final quarterly cash dividend of $0.527677 per Series A Preferred Share was paid on October 3, 2022 to the holders of record at the close of business on September 15, 2022. The aggregate redemption amount of the Series A Preferred Shares, including all accrued and unpaid dividends, totalled approximately $51.1 million.

Series C Preferred Shares

On September 30, 2022, Birchcliff redeemed all of its 1,528,219 issued and outstanding Series C Preferred Shares for a redemption price equal to $25.00 per share. A final quarterly cash dividend of $0.441096 per Series C Preferred Share was paid on October 3, 2022 to the holders of record at the close of business on September 15, 2022. The aggregate redemption amount of the Series C Preferred Shares, including all accrued and unpaid dividends, totalled approximately $38.9 million.

DIVIDENDS

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Common Shares:				
Dividend distribution *($000s)*	5,317	1,330	13,285	3,993
Per common share *($)*	0.0200	0.0050	0.0500	0.0150
Series A Preferred Shares:				
Series A dividend distribution *($000s)*	1,055	1,046	3,149	3,140
Per Series A Preferred Share *($)*	0.5277	0.5234	1.5745	1.5702
Series C Preferred Shares:				
Series C dividend distribution *($000s)*	675	671	2,013	2,048
Per Series C Preferred Share *($)*	0.4411	0.4375	1.3161	1.3125

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

The Corporation's quarterly common share dividend has increased by 300% since the three month Comparable Prior Period, from $0.005 per share for the quarter ended September 30, 2021 to $0.02 per share for the quarter ended September 30, 2022. On November 30, 2021, Birchcliff's board of directors declared a quarterly common share dividend of $0.01 per share for the quarter ended December 31, 2021, which represented a 100% increase over the prior quarterly common share dividend of $0.005 per share. 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 represented a 100% increase over the prior quarterly common share dividend of $0.01 per share.

On October 13, 2022, Birchcliff's board or directors declared a special cash dividend of $0.20 per common share. The dividend was paid on October 28, 2022 to shareholders of record at the close of business on October 21, 2022.

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,	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020
Average light oil production *(bbls/d)*	2,254	1,855	2,369	2,604	2,878	2,766	3,355	3,566
Average condensate production *(bbls/d)*	4,601	4,500	4,796	5,330	5,990	6,070	5,467	6,658
Average NGLs production *(bbls/d)*	7,593	6,349	7,976	7,570	6,889	7,647	8,734	8,285
Average natural gas production *(Mcf/d)*	381,788	366,256	365,296	379,275	415,005	352,694	345,057	360,839
Average production *(boe/d)*	78,079	73,746	76,024	78,716	84,924	75,265	75,065	78,649
Average realized light oil sales price *($/bbl)*(1)(2)	115.94	135.91	115.47	92.79	83.52	76.50	67.02	49.56
Average realized condensate sales price *($/bbl)*(1)(2)	115.84	138.28	121.56	98.66	88.04	81.90	74.22	52.90
Average realized NGLs sales price *($/bbl)*(1)(2)	38.18	48.26	43.56	38.24	35.13	25.27	24.69	16.16
Average realized natural gas sales price *($/Mcf)*(1)(2)	6.83	8.61	5.40	5.52	4.46	3.48	3.52	2.93
Average realized sales price *($/boe)*(1)(2)	47.26	58.75	41.79	40.02	33.70	28.27	27.47	21.87
P&NG revenue *($000s)*(1)	339,531	394,315	285,976	289,806	263,348	193,643	185,609	158,283
Operating expense *($/boe)*(2)	3.50	3.40	3.49	3.50	2.96	3.14	3.18	3.03
F&D capital expenditures *($000s)*(3)	85,330	84,247	88,282	35,726	18,026	80,887	95,840	41,291
Total capital expenditures *($000s)*(4)	86,485	86,150	88,124	36,075	18,622	81,160	96,625	28,778
Cash flow from operating activities *($000s)*	272,965	273,711	154,152	196,142	155,606	81,013	82,608	71,431
Adjusted funds flow *($000s)*(4)	267,350	285,535	183,699	193,649	168,076	90,188	87,820	66,509
Per common share – basic *($)*(5)	1.01	1.08	0.69	0.73	0.63	0.34	0.33	0.25
Per common share – diluted *($)*(5)	0.97	1.03	0.67	0.70	0.61	0.33	0.33	0.25
Free funds flow *($000s)*(4)	182,020	201,288	95,417	157,923	150,050	9,301	(8,020)	25,218
Net income *($000s)*	245,637	214,902	126,839	107,149	139,413	44,901	23,213	41,454
Net income to common shareholders *($000s)*	244,582	213,855	125,792	106,102	138,367	43,854	22,166	40,407
Per common share – basic *($)*	0.92	0.81	0.47	0.40	0.52	0.16	0.08	0.15
Per common share – diluted *($)*	0.89	0.77	0.46	0.38	0.50	0.16	0.08	0.15
Total assets *($ millions)*	3,188	3,066	3,006	2,960	2,993	2,996	2,941	2,902
Long-term debt *($000s)*	196,989	276,030	397,752	500,870	648,327	720,920	701,735	731,372
Total debt *($000s)*(6)	186,064	266,894	408,998	499,397	637,905	770,897	777,385	761,951
Dividends on common shares *($000s)*	5,317	5,310	2,658	2,646	1,330	1,333	1,330	1,330
Dividends on Series A Preferred Shares *($000s)*	1,055	1,047	1,047	1,047	1,046	1,047	1,047	1,047
Dividends on Series C Preferred Shares *($000s)*	675	668	670	670	671	678	699	858
Series A Preferred Shares outstanding *(000s)*	-	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Series C Preferred Shares outstanding *(000s)*	-	1,528	1,529	1,531	1,533	1,533	1,550	1,597
End of period common shares outstanding *(000s)*								
Basic	265,877	265,204	266,810	264,790	265,573	266,953	266,045	265,943
Diluted	281,397	281,940	287,829	290,847	287,518	289,806	292,757	295,017
Weighted average common shares outstanding *(000s)*								
Basic	265,298	265,440	265,530	265,197	266,547	266,231	265,989	265,940
Diluted	274,223	276,015	275,980	276,600	276,282	270,155	266,370	265,985

(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 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 primarily impacted by Birchcliff's successful drilling of liquids-rich natural gas and light oil horizontal wells in Pouce Coupe and Gordondale and the timing thereof, as well as natural production declines during those periods. Light oil and condensate 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. Light oil production during the second quarter of 2022 was significantly lower compared to the other disclosed quarters due to a major scheduled turnaround in the second quarter of 2022 at the AltaGas Facility.

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 have benefited from significant increases in benchmark oil and natural gas prices since the fourth quarter of 2020. Over the last eight quarters, Birchcliff's adjusted funds flow was primarily impacted by increasing P&NG revenue, realized gains and losses on the settlement of financial instruments due to market diversification initiatives and higher trending royalties.

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

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 five quarters has trended lower due to significant free funds flow generation, which was allocated towards debt reduction in line with management's commitment to significantly reduce indebtedness.

The Corporation pays dividends on its common shares when declared and approved by the board of directors. The Corporation's quarterly common share dividend has increased by 300% since the three month Comparable Prior Period, from $0.005 per share for the quarter ended September 30, 2021 to $0.02 per share for the quarter ended September 30, 2022. The increases in the quarterly common share dividend have resulted in significantly higher common share dividend payments. See *"Dividends"* in this MD&A.

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 July 1, 2022 and ended on September 30, 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 Periods.

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 Periods and the Comparable Prior Periods is discussed in Note 3 of the annual audited financial statements for the year ended December 31, 2021.

Benchmark oil and natural gas prices have remained volatile during 2022 primarily due to supply and demand uncertainty that has resulted from the COVID-19 pandemic, the potential for a global economic slowdown attributed to rising inflation and interest rates, global tensions arising from the Russian invasion of Ukraine and global commodity supply constraints and labour shortages which have increased inflationary pressures. These events and economic conditions 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 events and conditions, or the extent to which they will impact the Corporation's go-forward financial position, profit or loss and cash flows. The potential direct and indirect impacts of these events and conditions have been considered in management's estimates and assumptions at September 30, 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
LIBOR	London Interbank Offered Rate
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
NYMEX	New York Mercantile Exchange
OPEC	Organization of the Petroleum Exporting Countries
P&NG	petroleum and natural gas
SOFR	Secured Overnight Financing Rate
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 and expense 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, buy back common shares and pay 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, common share buybacks, 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 common share dividends, which may include special dividends, increases to the Corporation's base dividend, common share buybacks, acquisitions 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 September 30,		Nine months ended September 30,		Twelve months ended December 31,
($000s)	**2022**	**2021**	**2022**	**2021**	**2021**
Cash flow from operating activities	**272,965**	**155,606**	**700,828**	**319,227**	**515,369**
Change in non-cash operating working capital	(6,448)	12,305	33,581	25,416	21,161
Decommissioning expenditures	833	165	2,175	1,441	3,203
Adjusted funds flow	**267,350**	**168,076**	**736,584**	**346,084**	**539,733**
F&D capital expenditures	(85,330)	(18,026)	(257,859)	(194,753)	(230,479)
Free funds flow	**182,020**	**150,050**	**478,725**	**151,331**	**309,254**
Dividends on common shares	(5,317)	(1,330)	(13,285)	(3,993)	(6,639)
Excess free funds flow	**176,703**	**148,720**	**465,440**	**147,338**	**302,615**

Birchcliff has disclosed full year 2022 guidance for adjusted funds flow, free funds flow and excess free funds flow, which are forward-looking non-GAAP financial measures (see "*Outlook and Guidance"* in this MD&A). The most directly comparable financial measure for these measures, as disclosed in the Corporation's financial statements, is cash flow from operating activities. The table above provides a reconciliation of the equivalent historical non-GAAP financial measures from cash flow from operating activities, as determined in accordance with GAAP, for the twelve months ended December 31, 2021. Birchcliff anticipates the forward-looking non-GAAP financial measures to exceed their respective historical amounts for the twelve months ended December 31, 2021, primarily due to higher anticipated benchmark oil and natural gas prices which are expected to increase the average realized sales prices the Corporation receives for its production. The commodity price assumptions on which the Corporation's 2022 guidance are based are set forth in the table under the heading *"Outlook and Guidance"*.

Capital Resources

Birchcliff defines "capital resources" as cash flow from operating activities less the aggregate of issuance of common shares, repurchase of common shares, repurchase of capital securities, repurchase of preferred shares, purchase of performance warrants, financing fees paid, lease payments, 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 September 30,		Nine months ended September 30,	
($000s)	**2022**	**2021**	**2022**	**2021**
F&D capital expenditures[1]	**85,330**	**18,026**	**257,859**	**194,753**
Acquisitions	848	228	2,348	228
Dispositions	-	-	(315)	-
FD&A capital expenditures	**86,178**	**18,254**	**259,892**	**194,981**
Administrative assets	307	368	867	1,426
Total capital expenditures	**86,485**	**18,622**	**260,759**	**196,407**

(1) Disclosed as exploration and development expenditures in the financial statements.

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 marketing gain and transportation and other expense for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2022**	**2021**	**2022**	**2021**
Transportation expense	**39,379**	**37,960**	**117,071**	**113,809**
Marketing purchases	2,124	8,840	8,337	12,621
Marketing revenue	(2,613)	(9,861)	(9,890)	(14,553)
Marketing gain	**(489)**	**(1,021)**	**(1,553)**	**(1,932)**
Transportation and other expense	**38,890**	**36,939**	**115,518**	**111,877**

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:

($000s)	Three months ended September 30, 2022	2021	Nine months ended September 30, 2022	2021
Petroleum and natural gas revenue	221,623	163,207	665,440	390,353
Royalty expense	(22,154)	(9,631)	(65,895)	(24,005)
Operating expense	(13,649)	(11,321)	(37,917)	(32,208)
Transportation and other expense	(26,395)	(25,013)	(76,916)	(75,149)
Operating netback – Pouce Coupe assets	**159,425**	**117,242**	**484,712**	**258,991**
Petroleum and natural gas revenue	117,539	100,115	353,353	252,167
Royalty expense	(21,204)	(9,869)	(59,589)	(23,814)
Operating expense	(11,328)	(11,833)	(33,389)	(33,793)
Transportation and other expense	(12,453)	(11,924)	(38,477)	(36,724)
Operating netback – Gordondale assets	**72,554**	**66,489**	**221,898**	**157,836**
Petroleum and natural gas revenue	339,531	263,348	1,019,822	642,600
Royalty expense	(43,379)	(19,500)	(125,547)	(47,819)
Operating expense	(25,155)	(23,164)	(71,798)	(66,200)
Transportation and other expense	(38,890)	(36,939)	(115,518)	(111,877)
Operating netback – Corporate	**232,107**	**183,745**	**706,959**	**416,704**

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 its 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 its 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.

The supplementary financial measures used in this MD&A include: operating expense per boe; net income to common shareholders per boe; average realized sales price per bbl, Mcf and boe; realized gain (loss) on financial instruments per boe; unrealized gain per boe; royalty expense per boe; effective royalty rate; transportation expense per boe; petroleum and natural gas revenue per boe; G&A expense, net per boe; other compensation, net per boe; administrative expense, net per boe; depletion and depreciation expense per boe; interest expense per boe; other finance expenses per boe; finance expense per boe; other income (expense) per boe; other gains per boe; and deferred income tax expense per boe.

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 (if any) plus adjusted working capital deficit (less adjusted working capital surplus) at the end of the period. "Adjusted working capital deficit (surplus)" is calculated as working capital deficit (surplus) plus the fair value of the current asset portion of financial instruments less the fair value of the current liability portion of financial instruments and less capital securities (if any) at the end of the period. 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 (surplus), as determined in accordance with GAAP, to total debt and adjusted working capital surplus, respectively, for the periods indicated:

As at, *($000s)*	September 30, 2022	June 30, 2022	December 31, 2021	September 30, 2021
Revolving term credit facilities	**196,989**	**276,030**	**500,870**	**648,327**
Working capital deficit (surplus)(1)	(80,650)	18,633	53,312	16,058
Fair value of financial instruments – asset(2)	69,725	13,099	69	17,565
Fair value of financial instruments – liability(2)	-	(2,663)	(16,586)	(5,717)
Capital securities	-	(38,205)	(38,268)	(38,328)
Adjusted working capital surplus	**(10,925)**	**(9,136)**	**(1,473)**	**(10,422)**
Total debt(3)	**186,064**	**266,894**	**499,397**	**637,905**

(1) Current liabilities less current assets

(2) Reflects the current portion only.

(3) Total debt can also be derived from the amounts outstanding under the Corporation's Credit Facilities plus accounts payable and less cash, accounts receivable and accrued liabilities and prepaid expenses and deposits at the end of the period.

ADVISORIES

Unaudited Information

All financial and operational information contained in this MD&A for the Reporting Periods and the Comparable Prior Periods 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", "deliver" 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 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, common share dividends, excess free funds flow, total debt at year end and natural gas market exposure and the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's estimate of free funds flow; that the estimate of total debt at December 31, 2022 is expected to be comprised of any amounts outstanding under the Credit Facilities and adjusted working capital, which is expected to be largely comprised of cash, accounts receivable and accounts payable and accrued liabilities at the end of the year; that the Corporation is on track to achieve its 2022 annual average production guidance of 78,000 boe/d, which is expected to generate approximately $1.02 billion of adjusted funds flow and $655 million to $665 million of free funds flow, based on the assumptions set forth herein; and that the Corporation anticipates F&D capital expenditures to be between $355 million and $365 million, which includes $80 million being spent to prepare for the efficient execution of the Corporation's 2023 capital program;
- 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: the Corporation's expectation that counterparties will be able to meet their financial obligations; 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 its adjusted funds flow and available Credit Facilities; that the Corporation believes that its anticipated adjusted funds flow in 2022 will be sufficient to fund its working capital requirements, the remainder of its capital program and future dividend distributions in 2022; that the unutilized credit capacity under the Corporation's Credit Facilities provides it with significant financial flexibility and additional capital resources to fund its working capital requirements, capital expenditure programs and dividend payments if required in the future; and that Birchcliff remains committed to maximizing free funds flow and achieving zero total debt in order to reduce the risks to its business and provide the Corporation with the optionality to increase shareholder returns and enhance long-term shareholder value, through sustainable increases to its common share dividend, common share buybacks and potential reinvestment;
- 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; the approval of the board of directors of future dividends; 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 MD&A:

- With respect to Birchcliff's 2022 guidance (as updated on October 13, 2022):
  - The following commodity prices and exchange rate are assumed: an average WTI price of US$95.00/bbl; an average WTI-MSW differential of CDN$2.50/bbl; an average AECO price of CDN$5.25/GJ; an average Dawn price of US$6.35/MMBtu; an average NYMEX HH price of US$6.85/MMBtu; and an exchange rate (CDN$ to US$1) of 1.30. These commodity price and exchange rate assumptions are based on anticipated full-year averages, which include settled benchmark commodity prices and exchange rate for the period from January 1, 2022 to September 30, 2022 and forward strip benchmark commodity prices and CDN/US exchange rate as of October 5, 2022 for the period from October 1, 2022 to December 31, 2022.
  - Birchcliff's production guidance for 2022 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 estimate of capital expenditures for 2022 assumes 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.
  - Birchcliff's estimates of adjusted funds flow, free funds flow and excess free funds flow for 2022 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 set forth herein are met. Birchcliff's estimate of adjusted funds flow takes into account the effects of its physical and financial basis

swap contracts outstanding as at October 13, 2022 and excludes annual cash incentive payments that have not been approved by Birchcliff's board of directors.

- Birchcliff's estimate of total debt at December 31, 2022 assumes that: (i) 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 in 2022; (ii) there are 266 million common shares outstanding, with no further buybacks of common shares occurring during 2022; (iii) a dividend of $0.02 per common share is paid for the quarter ending December 31, 2022, with no further special dividends paid during 2022; (iv) 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) there are no further proceeds received from the exercise of stock options or performance warrants during 2022; (vi) the 2022 capital program will be carried out as currently contemplated with F&D capital expenditures of $355 million to $365 million; and (vii) the targets for production, production commodity mix, adjusted funds flow, free funds flow and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met. Birchcliff's estimate of total debt at December 31, 2022 excludes annual cash incentive payments that have not been approved by Birchcliff's board of directors.
- Birchcliff's guidance regarding its natural gas market exposure for 2022 assumes: (i) 175,000 GJ/d being sold on a physical basis at the Dawn price; (ii) 22,040 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.

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 (including the Russian invasion of Ukraine) 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; the uncertainty of estimates and projections relating to production, revenue, costs, expenses and reserves; the risk that any of the Corporation's material assumptions prove to be materially inaccurate (including the Corporation's commodity price and exchange rate assumptions for 2022); 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.

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 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,	September 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash	44	63
Accounts receivable	135,204	92,414
Prepaid expenses and deposits	15,466	5,732
Financial instruments *(Note 12)*	69,725	69
	220,439	98,278
Non-current assets:		
Investments *(Note 13)*	12,885	9,457
Petroleum and natural gas properties and equipment *(Note 3)*	2,915,902	2,852,232
Financial instruments *(Note 12)*	38,536	-
	2,967,323	2,861,689
Total assets	**3,187,762**	**2,959,967**
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	139,789	96,736
Financial instruments *(Note 12)*	-	16,586
Capital securities *(Note 6)*	-	38,268
	139,789	151,590
Non-current liabilities:		
Revolving term credit facilities *(Note 4)*	196,989	500,870
Decommissioning obligations *(Note 5)*	93,852	140,603
Deferred income taxes	332,655	156,695
Other liabilities *(Note 9)*	24,519	25,329
Financial instruments *(Note 12)*	-	67,277
	648,015	890,774
Total liabilities	**787,804**	**1,042,364**
SHAREHOLDERS' EQUITY		
Share capital *(Note 6)*		
Common shares	1,432,195	1,463,424
Preferred shares (perpetual) *(Note 6)*	-	41,434
Contributed surplus	83,564	90,924
Retained earnings	884,199	321,821
	2,399,958	1,917,603
Total shareholders' equity and liabilities	**3,187,762**	**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 September 30,		Nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
REVENUE				
Petroleum and natural gas revenue *(Note 8)*	339,531	263,348	1,019,822	642,600
Marketing revenue *(Note 8)*	2,613	9,861	9,890	14,553
Royalties	(43,379)	(19,500)	(125,547)	(47,819)
Realized gain (loss) on financial instruments *(Note 12)*	45,490	(2,469)	61,978	(31,359)
Unrealized gain on financial instruments *(Note 12)*	109,927	70,493	192,055	84,213
Other income (expense)	30	(540)	(31)	2,114
	454,212	321,193	1,158,167	664,302
EXPENSES				
Operating	25,155	23,164	71,798	66,200
Transportation	39,379	37,960	117,071	113,809
Marketing purchases *(Note 8)*	2,124	8,840	8,337	12,621
Administrative, net	8,492	6,058	26,735	19,439
Depletion and depreciation *(Note 3)*	53,730	57,085	155,318	158,841
Finance	4,756	8,300	13,941	26,876
Dividends on capital securities *(Note 6)*	675	671	2,013	2,048
Other gains	(162)	(2,127)	(2,450)	(5,520)
	134,149	139,951	392,763	394,314
Net income before taxes	320,063	181,242	765,404	269,988
Deferred income tax expense	(74,426)	(41,829)	(178,026)	(62,461)
NET INCOME AND COMPREHENSIVE INCOME	**245,637**	**139,413**	**587,378**	**207,527**
Net income per common share *(Note 7)*				
Basic	**$0.92**	**$0.52**	**$2.20**	**$0.77**
Diluted	**$0.89**	**$0.50**	**$2.12**	**$0.75**

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)*	-	-	-	(3,993)	(3,993)
Dividends on perpetual preferred shares *(Note 6)*	-	-	-	(3,140)	(3,140)
Exercise of stock options *(Note 10)*	11,482	-	(2,734)	-	8,748
Repurchase of common shares *(Note 6)*	(17,367)	-	-	-	(17,367)
Stock-based compensation *(Note 10)*	-	-	3,566	-	3,566
Net income and comprehensive income	-	-	-	207,527	207,527
As at September 30, 2021	**1,472,409**	**41,434**	**90,700**	**218,365**	**1,822,908**
As at December 31, 2021	1,463,424	41,434	90,924	321,821	1,917,603
Dividends on common shares *(Note 6)*	-	-	-	(13,285)	(13,285)
Dividends on perpetual preferred shares *(Note 6)*	-	-	-	(3,149)	(3,149)
Exercise of stock options and performance warrants *(Note 10)*	31,398	-	(9,515)	-	21,883
Purchase of performance warrants *(Note 10)*	(8,213)	-	(6,293)	-	(14,506)
Repurchase of common shares *(Note 6)*	(54,414)	-	-	-	(54,414)
Stock-based compensation *(Note 10)*	-	-	8,448	-	8,448
Redemption of perpetual preferred shares *(Note 6)*	-	(41,434)	-	(8,566)	(50,000)
Net income and comprehensive income	-	-	-	587,378	587,378
As at September 30, 2022	**1,432,195**	**-**	**83,564**	**884,199**	**2,399,958**

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, September 30,		Nine months ended, September 30,	
	2022	**2021**	**2022**	**2021**
Cash provided by (used in):				
OPERATING				
Net income	245,637	139,413	587,378	207,527
Adjustments for items not affecting operating cash:				
Unrealized (gain) on financial instruments *(Note 12)*	(109,927)	(70,493)	(192,055)	(84,213)
Depletion and depreciation *(Note 3)*	53,730	57,085	155,318	158,841
Other compensation	1,450	552	4,295	1,677
Finance	4,756	8,300	13,941	26,876
Other gains	(162)	(2,127)	(2,450)	(5,520)
Deferred income tax expense	74,426	41,829	178,026	62,461
Interest paid	(3,235)	(7,154)	(9,882)	(23,613)
Dividends on capital securities *(Note 6)*	675	671	2,013	2,048
Decommissioning expenditures *(Note 5)*	(833)	(165)	(2,175)	(1,441)
Changes in non-cash working capital	6,448	(12,305)	(33,581)	(25,416)
	272,965	155,606	700,828	319,227
FINANCING				
Issuance of common shares *(Note 6)*	3,594	5,811	21,883	8,749
Repurchase of common shares *(Note 6)*	(4,967)	(17,368)	(54,414)	(17,368)
Redemption of capital securities *(Note 6)*	(38,206)	-	(38,268)	(1,602)
Redemption of perpetual preferred shares *(Note 6)*	(50,000)	-	(50,000)	-
Purchase of performance warrants *(Note 10)*	-	-	(14,506)	-
Financing fees paid	-	-	(1,275)	(3,454)
Lease payments *(Note 9)*	(614)	(615)	(1,843)	(1,830)
Dividend distributions *(Note 6)*	(7,047)	(3,047)	(18,447)	(9,181)
Net change in revolving term credit facilities *(Note 4)*	(79,466)	(72,832)	(303,633)	(80,320)
	(176,706)	(88,051)	(460,503)	(105,006)
INVESTING				
Exploration and development *(Note 3)*	(85,330)	(18,026)	(257,859)	(194,753)
Acquisitions *(Note 3)*	(848)	(228)	(2,348)	(228)
Dispositions *(Note 3)*	-	-	315	-
Administrative assets *(Note 3)*	(307)	(368)	(867)	(1,426)
Investments *(Note 13)*	(844)	(155)	(1,628)	(155)
Changes in non-cash working capital	(8,951)	(48,732)	22,043	(17,656)
	(96,280)	(67,509)	(240,344)	(214,218)
Net change in cash	(21)	46	(19)	3
Cash, beginning of period	65	17	63	60
CASH, END OF PERIOD	**44**	**63**	**44**	**63**

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

BIRCHCLIFF ENERGY LTD.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2022, AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022

Unaudited (Expressed in 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 are listed for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "BIR".

These unaudited interim condensed financial statements were approved and authorized for issuance by the board of directors on November 9, 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 September 30, 2022, and for the three and nine months ended September 30, 2022, including the 2021 comparative periods. 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

Benchmark oil and natural gas prices have remained volatile during 2022 primarily due to supply and demand uncertainty that has resulted from the novel coronavirus COVID-19 ("**COVID-19**") pandemic, the potential for a global economic slowdown attributed to rising inflation and interest rates, geopolitical tensions arising from the Russian invasion of Ukraine and global commodity supply constraints and labour shortages which have increased inflationary pressures. These events and economic conditions 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 events and conditions, or the extent to which they 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	-	213,226	-	867	214,093
Acquisitions	-	5,210	-	-	5,210
Dispositions	-	(315)	-	-	(315)
As at September 30, 2022(1)	389	4,595,626	20,078	24,515	4,640,608
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)	-	(152,497)	(1,526)	(1,295)	(155,318)
As at September 30, 2022	-	(1,696,440)	(7,507)	(20,759)	(1,724,706)
Net book value:					
As at December 31, 2021	**389**	**2,833,562**	**14,097**	**4,184**	**2,852,232**
As at September 30, 2022	**389**	**2,899,186**	**12,571**	**3,756**	**2,915,902**

(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 $4.1 billion at September 30, 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 September 30, 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)*	**September 30, 2022**	**December 31, 2021**
Syndicated credit facility	185,306	477,958
Working capital facility	15,650	26,630
Drawn revolving term credit facilities	200,956	504,588
Unamortized deferred financing fees	(3,967)	(3,718)
Revolving term credit facilities	**196,989**	**500,870**

At September 30, 2022, the aggregate principal amount of the Corporation's credit facilities was $850.0 million with maturity dates of May 11, 2025 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**.").

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. 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 $240.3 million at September 30, 2022 (December 31, 2021 – $245.0 million). A reconciliation of the decommissioning obligations is set forth below:

As at, *($000s)*	**September 30, 2022**	**December 31, 2021**
Balance, beginning	140,603	146,232
Obligations incurred	2,433	4,907
Obligations acquired	428	582
Obligations divested	-	(620)
Changes in estimated future cash flows(1)	(49,214)	(9,611)
Accretion	2,427	2,608
Decommissioning expenditures(2)	(2,825)	(3,495)
Balance, ending(3)	**93,852**	**140,603**

(1) Primarily relates to changes in the nominal risk-free rate and inflation rate used to calculate the present value of the decommissioning obligation.

(2) Includes $0.3 million and $0.7 million of funding from the Alberta Site Rehabilitation Program in 2021 and 2022, respectively.

(3) Birchcliff applied an inflation rate of 1.65% and a discount nominal risk-free rate of 3.09% to calculate the present value of the decommissioning obligation at September 30, 2022 and an inflation rate of 1.82% and a discount nominal risk-free rate of 1.68% 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)*	**September 30, 2022**	**December 31, 2021**
Common shares:		
Outstanding at beginning of period	264,790	265,943
Repurchase of common shares[(1)]	(6,040)	(5,243)
Exercise of stock options and performance warrants	7,127	4,090
Outstanding at end of period	**265,877**	**264,790**
Series A Preferred Shares (perpetual):		
Outstanding at beginning of period	2,000	2,000
Redemption of Series A Preferred Shares[(2)]	(2,000)	-
Outstanding at end of period	-	**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 2022, the Corporation purchased 6,040,192 common shares under the NCIB at an average price of $9.00 for an aggregate value of $54.4 million, before fees. All such common shares were cancelled.

(2) On September 30, 2022, Birchcliff redeemed all of its 2,000,000 issued and outstanding cumulative redeemable, preferred shares Series A (the "**Series A Preferred Shares**") for a redemption price equal to $25.00 per share for a total redemption amount of $50.0 million. In addition, a final quarterly cash dividend of $0.527677 per Series A Preferred Share was paid on October 3, 2022 to the holders of record at the close of business on September 15, 2022. The aggregate redemption amount of the Series A Preferred Shares, including all accrued and unpaid dividends, totalled approximately $51.1 million and was funded using the Corporation's Credit Facilities.

Capital Securities

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

As at, *(000s)*	**September 30, 2022**		**December 31, 2021**	
	Number	**Amount** *($)*	**Number**	**Amount** *($)*
Outstanding at beginning of period	1,531	38,268	1,597	39,930
Redemption of Series C Preferred Shares[(1)]	(1,531)	(38,268)	(66)	(1,662)
Outstanding at end of period	-	-	**1,531**	**38,268**

(1) On September 30, 2022, Birchcliff redeemed all of its 1,528,219 issued and outstanding cumulative redeemable, preferred shares Series C (the "**Series C Preferred Shares**") for a redemption price equal to $25.00 per share for a total redemption amount of $38.2 million. In addition, a final quarterly cash dividend of $0.441096 per Series C Preferred Share was paid on October 3, 2022 to the holders of record at the close of business on September 15, 2022. The aggregate redemption amount of the Series C Preferred Shares, including all accrued and unpaid dividends, totalled approximately $38.9 million and was funded using the Corporation's Credit Facilities.

Dividends

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

	Three months ended September 30,		**Nine months ended September 30,**	
	2022	**2021**	**2022**	**2021**
Common Shares:				
Dividend distribution *($000s)*	5,317	1,330	13,285	3,993
Per common share *($)*	0.0200	0.0050	0.0500	0.015
Series A Preferred Shares:				
Series A dividend distribution *($000s)*	1,055	1,046	3,149	3,140
Per Series A Preferred Share *($)*	0.5277	0.5234	1.5745	1.5701
Series C Preferred Shares:				
Series C dividend distribution *($000s)*	675	671	2,013	2,048
Per Series C Preferred Share ($)	0.4411	0.4375	1.3161	1.3125

On October 13, 2022, Birchcliff's board of directors declared a special cash dividend of $0.20 per common share. The dividend was paid on October 28, 2022, to shareholders of record at the close of business on October 21, 2022.

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 September 30,		Nine months ended September 30,	
($000s, except for per share information)	**2022**	**2021**	**2022**	**2021**
Net income	245,637	139,413	587,378	207,527
Dividends on Series A Preferred Shares	(1,055)	(1,046)	(3,149)	(3,140)
Net income to common shareholders	**244,582**	**138,367**	**584,229**	**204,387**
Weighted average common shares (000s):				
Weighted average basic common shares outstanding	265,298	266,547	265,422	266,258
Dilutive securities	8,925	9,735	9,942	5,278
Weighted average diluted common shares outstanding[(1)]	274,223	276,282	275,364	271,536
Net income per common share:				
Basic	**$0.92**	**$0.52**	**$2.20**	**$0.77**
Diluted	**$0.89**	**$0.50**	**$2.12**	**$0.75**

(1) The weighted average diluted common shares outstanding excludes 248,400 and 322,400 stock options that were anti-dilutive for the three and nine months ended September 30, 2022 (September 30, 2021 – 2,188,000 and 2,637,334).

8. REVENUE

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

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2022**	**2021**	**2022**	**2021**
Light oil sales	24,037	22,112	71,597	61,605
Condensate[(1)]	49,031	48,517	158,116	130,274
NGLs sales[(2)]	26,673	22,267	85,825	59,256
Natural gas sales	239,773	170,441	704,238	391,438
P&NG sales[(3)(4)]	339,514	263,337	1,019,776	642,573
Royalty income	17	11	46	27
P&NG revenue	339,531	263,348	1,019,822	642,600
Marketing revenue[(5)]	2,613	9,861	9,890	14,553
Revenue from contracts with customers	**342,144**	**273,209**	**1,029,712**	**657,153**

(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 September 30, 2022 was $118.2 million (September 30, 2021 – $96.7 million) in P&NG sales to be received from its marketers in respect of September 2022 production, which was subsequently received in October 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 and nine months ended September 30, 2022, the Corporation had marketing purchases from third parties of $2.1 million and $8.3 million, respectively (September 30, 2021 – $8.8 million and $12.6 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 September 30, 2022 (December 31, 2021 – $14.8 million).

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

As at, *($000s)*	September 30, 2022	December 31, 2021
Balance, beginning	9,895	9,177
Obligations incurred[(1)]	426	554
Accretion	136	164
Balance, ending[(2)]	**10,457**	**9,895**
Current portion	-	-
Long-term portion	10,457	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 September 30, 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 $15.9 million at September 30, 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)*	September 30, 2022	December 31, 2021
Balance, beginning	15,434	17,030
Lease payments	(1,843)	(2,444)
Change in estimate	-	147
Accretion	471	701
Balance, ending[(1)]	**14,062**	**15,434**
Current portion	1,907	1,841
Long-term portion	12,155	13,593

(1) Birchcliff applied a discount rate of 4.7% to calculate the discounted value of the lease obligation at September 30, 2022 and December 31, 2021.

10. SHARE-BASED PAYMENT

Stock Option

At September 30, 2022, the Corporation's stock option plan (the "**Option Plan**") permitted the grant of options in respect of a maximum of 26,587,728 (September 30, 2021 – 26,557,277) common shares. At September 30, 2022, there remained available for issuance options in respect of 11,473,314 (September 30, 2021 – 7,551,621) common shares. For the three months ended September 30, 2022, the weighted average common share trading price on the TSX was $10.08 (September 30, 2021 – $5.72) per common share.

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

	Three months ended September 30,				Nine months ended September 30,			
	2022		2021		2022		2021	
	Number	Price *($)*[(1)]	Number	Price *($)*[(1)]	Number	Price *($)*[(1)]	Number	Price *($)*[(1)]
Outstanding, beginning	15,521,053	3.95	20,820,485	3.19	23,116,919	3.96	26,134,201	3.56
Granted[(2)]	81,000	9.70	157,500	5.11	311,400	9.24	253,000	4.38
Exercised	(388,771)	(2.99)	(1,819,426)	(3.19)	(6,317,135)	(3.08)	(2,830,039)	(3.09)
Forfeited	(98,868)	(4.76)	(16,402)	(2.24)	(353,670)	(4.50)	(2,063,439)	(7.57)
Expired	-	-	(136,501)	(8.70)	(1,643,100)	(7.84)	(2,488,067)	(3.81)
Outstanding, ending	**15,114,414**	**4.00**	**19,005,656**	**3.17**	**15,114,414**	**4.00**	**19,005,656**	**3.17**

(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 September 30, 2022 was $4.61 (September 30, 2021 – $2.36). In determining the stock-based compensation expense for options issued during the three months ended September 30, 2022, the Corporation applied a weighted average estimated forfeiture rate of 7.6% (September 30, 2021 – 8.1%).

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

Three months ended,	September 30, 2022	September 30, 2021
Risk-free interest rate	3.0%	0.7%
Expected life *(years)*	4.0	4.1
Expected volatility	62.9%	61.4%
Dividend yield	0.8%	0.4%

A summary of the stock options outstanding and exercisable under the Option Plan at September 30, 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	7,105,461	2.74	2.03	2,496,435	2.50	2.14
3.01	6.00	2,439,053	1.39	3.58	2,318,718	1.27	3.55
6.01	9.00	5,427,500	4.21	6.58	43,366	3.17	6.46
9.01	11.65	142,400	4.74	10.71	-	-	-
		15,114,414	**3.07**	**4.00**	**4,858,519**	**1.92**	**2.85**

Performance Warrants

On January 18, 2005, Birchcliff issued 4,049,665 performance warrants as part of its initial restructuring to become a public entity. Each performance warrant is exercisable at a price of $3.00 to purchase one common share of Birchcliff.

During the three months ended September 30, 2022, there were 809,933 performance warrants exercised at a price of $3.00 per common share. On May 26, 2022, the Corporation purchased 1,724,832 performance warrants for a total cash cost of $14.5 million. As at September 30, 2022, 404,967 performance warrants (December 31, 2021 – 2,939,732) remained outstanding with an expiry date of January 31, 2025.

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 and nine months ended September 30, 2022.

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

As at, *($000s)*	September 30, 2022	December 31, 2021
Maximum borrowing base limit(1):		
Revolving term credit facilities	850,000	850,000
Principal amount utilized:		
Revolving term credit facilities	(196,989)	(500,870)
Unamortized deferred financing fees	(3,967)	(3,718)
Outstanding letters of credit(2)	(185)	(4,185)
	(201,141)	(508,773)
Unused credit	**648,859**	**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)*	September 30, 2022	December 31, 2021	% Change
Shareholders' equity[(1)]	2,399,958	1,917,603	
Capital securities[(2)]	-	38,268	
Shareholders' equity & capital securities	**2,399,958**	**1,955,871**	**23%**
Shareholders' equity & capital securities as a % of total capital[(3)]	93%	80%	
Revolving term credit facilities	196,989	500,870	
Working capital deficit (surplus)	(80,650)	53,312	
Fair value of financial instruments - asset[(4)]	69,725	69	
Fair value of financial instruments - liability[(4)]	-	(16,586)	
Capital securities[(2)]	-	(38,268)	
Adjusted working capital (surplus)[(5)]	(10,925)	(1,473)	
Total debt	**186,064**	**499,397**	**(63)%**
Total debt as a % of total capital	7%	20%	
Total capital	**2,586,022**	**2,455,268**	**5%**

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

(2) Redeemed on September 30, 2022 (see *Note 6*).

(3) Of the 93%, approximately 100% relates to common capital stock and 0% relates to preferred capital stock.

(4) Reflects the current portion only.

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

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 September 30,		Nine months ended September 30,	
($000s)	**2022**	**2021**	**2022**	**2021**
Realized gain (loss) on financial instruments	45,490	(2,469)	61,978	(31,359)
Unrealized gain on financial instruments	109,927	70,493	192,055	84,213

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 September 30, 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 September 30, 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	Asset *($000s)*
Natural gas	AECO 7A basis swap[(2)]	30,000 MMBtu/d	Oct. 1, 2022 – Dec. 31, 2023	NYMEX HH less US$1.298/MMBtu	14,410
Natural gas	AECO 7A basis swap[(2)]	10,000 MMBtu/d	Oct. 1, 2022 – Dec. 31, 2023	NYMEX HH less US$1.320/MMBtu	2,417
Natural gas	AECO 7A basis swap[(2)]	30,000 MMBtu/d	Oct. 1, 2022 – Dec. 31, 2023	NYMEX HH less US$1.330/MMBtu	13,871
Natural gas	AECO 7A basis swap[(2)]	15,000 MMBtu/d	Oct. 1, 2022 – Dec. 31, 2024	NYMEX HH less US$1.185/MMBtu	10,066
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Oct. 1, 2022 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu	3,286
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Oct. 1, 2022 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu	3,272
Natural gas	AECO 7A basis swap[(2)]	12,500 MMBtu/d	Oct. 1, 2022 – Dec. 31, 2025	NYMEX HH less US$1.108/MMBtu	9,704
Natural gas	AECO 7A basis swap[(2)]	10,000 MMBtu/d	Oct. 1, 2022 – Dec. 31, 2025	NYMEX HH less US$1.115/MMBtu	7,598
Natural gas	AECO 7A basis swap[(2)]	10,000 MMBtu/d	Oct. 1, 2022 – Dec. 31, 2025	NYMEX HH less US$1.050/MMBtu	6,387
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Oct. 1, 2022 – Dec. 31, 2025	NYMEX HH less US$1.178/MMBtu	2,239
Natural gas	AECO 7A basis swap[(2)]	10,000 MMBtu/d	Oct. 1, 2022 – Dec. 31, 2025	NYMEX HH less US$1.175/MMBtu	6,736
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Oct. 1, 2022 – Dec. 31, 2025	NYMEX HH less US$1.190/MMBtu	3,222
Natural gas	AECO 7A basis swap[(2)]	30,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.114/MMBtu	4,969
Natural gas	AECO 7A basis swap[(2)]	35,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.081/MMBtu	5,757
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.013/MMBtu	1,366
Natural gas	AECO 7A basis swap[(2)]	20,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.005/MMBtu	1,253
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$0.990/MMBtu	1,756
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Jan. 1, 2027 – Dec. 31, 2027	NYMEX HH less US$0.620/MMBtu	340
				Fair value	**98,649**

(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 September 30, 2022 if the future AECO/NYMEX basis changed by US$0.10/MMBtu, with all other variables held constant, after-tax net income in the nine months ended September 30, 2022 would have changed by approximately $19.3 million.

The following financial derivative contracts were entered into subsequent to September 30, 2022 to manage commodity price risk.

Product	Type of Contract	Quantity	Remaining Term	Contract Price
Natural gas	AECO 7A basis swap[(1)]	10,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.895/MMBtu
Natural gas	AECO 7A basis swap[(1)]	10,000 MMBtu/d	Jan. 1, 2027 – Dec. 31, 2027	NYMEX HH less US$0.760/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 September 30, 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	Oct. 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 September 30, 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 September 30, 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]	Oct. 1, 2022 – Mar. 1, 2024	350	2.215	**9,612**

(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 September 30, 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 nine months ended September 30, 2022 would have changed by approximately $0.4 million.

There were no financial derivative contracts entered into subsequent to September 30, 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 September 30, 2022.

13. INVESTMENTS

On August 31, 2017, Birchcliff acquired securities consisting of 4,500,000 Common A LP Units (the "**Common A Units**") in a limited partnership and 10,000,000 Preferred Trust Units (the "**Preferred Trust 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 September 30, 2022, the Corporation determined the Securities had a fair value of $9.8 million (December 31, 2021 – $8.2 million). Birchcliff recorded a gain on investment of $Nil and $1.8 million during the three and nine months ended September 30, 2022 compared to a gain on investment of $1.8 and $5.1 million during the three and nine months ended September 30, 2021.

During the three months ended September 30, 2022, Birchcliff redeemed 185,444 Preferred Trust Units and 83,450 Common A Units for an aggregate amount of $185,527. As at September 30, 2022, Birchcliff held a total of 9,814,556 Preferred Trust Units and 4,416,550 Common A Units.

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
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